

LASCELLES, deMERCADO & COMPANY LTD.

INTERIM FINANCIAL REPORT

FOR THE NINE MONTHS ENDED 30 JUNE, 2004

Group Balance Sheet

	Unaudited 30/6/2004 \$000s	Audited 30/9/2003 \$000s
Current assets:		
Cash resources	3,195,142	3,539,649
Accounts receivable	2,064,693	2,262,906
Taxation recoverable	100,543	93,428
Inventories	4,019,894	3,424,363
Biological assets	143,797	153,709
	<u>9,524,069</u>	<u>9,474,055</u>
Current liabilities:		
Bank loans & overdrafts	337,445	1,052,471
Unsecured loans	555,626	448,806
Current maturities of long term liabilities	201,887	397,475
Accounts payable	2,351,512	1,875,729
Insurance funds	1,093,966	947,279
Taxation payable	102,081	29,090
	<u>4,642,517</u>	<u>4,750,850</u>

Net current assets	4,881,552	4,723,205
Non-current assets:		
Investments	4,798,876	3,557,564
Deferred tax assets	124,579	73,685
Interest in associated companies	8,431	8,431
Goodwill	148,091	153,763
Trademarks	8,918	9,373
Fixed assets	3,306,947	3,335,284
Employee benefits	801,700	801,700
	<u>14,079,094</u>	<u>12,663,005</u>
	=====	=====
Financed by:		
Stockholders' equity	12,897,338	11,356,649
Non-current liabilities:		
Minority interests	0	5,624
Employee benefits	224,800	224,800
Long term liabilities	298,589	442,186
Deferred tax liabilities	658,367	633,746
	<u>14,079,094</u>	<u>12,663,005</u>
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The financial statements were approved by the Board of Directors on July 28, 2004, and signed on its behalf by:

W. A. McConnell
Director

A. J. Bell
Director

Group Income Statement

	Unaudited Nine Months 30/6/2004 \$000s	Restated Unaudited Nine Months 30/6/2003 \$000s	Unaudited Three Months 30/6/2004 \$000s	Restated Unaudited Three Months 30/6/2003 \$000s
Operating revenue	11,743,365	8,714,816	3,785,699	3,158,753
Cost of operating revenue	<u>7,786,580</u>	<u>5,764,854</u>	<u>2,379,433</u>	<u>2,053,594</u>
Gross profit	3,956,785	2,949,962	1,406,266	1,105,159
Administrative, marketing & selling expenses	<u>3,312,790</u>	<u>2,429,162</u>	<u>1,087,155</u>	<u>850,600</u>
Operating profit	643,995	520,800	319,111	254,559
Other income	<u>106,362</u>	<u>3,588</u>	<u>19,932</u>	<u>28,106</u>
Profit before net finance costs & taxation	750,357	524,388	339,043	282,665
Net finance income / (costs)	<u>111,416</u>	<u>(129,881)</u>	<u>24,076</u>	<u>(37,416)</u>
Profit before taxation	861,773	394,507	363,119	245,249
Taxation	<u>(172,355)</u>	<u>(61,622)</u>	<u>(94,465)</u>	<u>(38,308)</u>
Profit after taxation and before minority	689,418	332,885	268,654	206,941
Minority interests of results of subsidiaries	<u>-</u>	<u>(2,128)</u>	<u>-</u>	<u>111</u>
Net profit attributable to members	689,418	330,757	268,654	207,052
Preference dividends, gross	(81)	(81)	-	-
Profit attributable to ordinary stockholders	689,337	330,676	268,654	207,052
Earnings per ordinary stock unit	=====	=====	=====	=====
	\$7.18	\$3.44	\$2.80	\$2.15
	=====	=====	=====	=====

Statement of Changes in Stockholders' Equity

	Unaudited			
	Share capital \$000s	Capital reserve \$000s	Unappropriated profits \$000s	Total \$000s
Balances at September 30, 2003	20,400	5,491,642	5,844,607	11,356,649
Net profit attributable to members			689,418	689,418 (a)
Changes in fair value of investments		958,685		958,685 (a)
Released on sale of investments		(87,585)		(87,585) (a)
Dividends and distributions paid			(98,001)	(98,001)
Transfers, net		69,111	(69,111)	0
Translation adjustment arising on consolidation of foreign subsidiaries		78,172		78,172 (a)
June 30, 2004	<u>20,400</u>	<u>6,510,025</u>	<u>6,366,913</u>	<u>12,897,338</u>
Balances at September 30, 2002:				
As previously reported	20,400	2,191,274	4,832,604	7,044,278
The effect of first time adoption of International Financial Reporting Standards		<u>2,412,347</u>	<u>64,013</u>	<u>2,476,360</u>
Balances at September 30, 2002:				
As restated using IFRS	20,400	4,603,621	4,896,617	9,520,638
Net profit attributable to members			330,757	330,757 (a)
Changes in fair value of investments		91,195		91,195 (a)
Dividends and distributions paid			(2,001)	(2,001)
Translation adjustment arising on consolidation of foreign subsidiaries		499,364		499,364 (a)
June 30, 2003	<u>20,400</u>	<u>5,194,180</u>	<u>5,225,373</u>	<u>10,439,953</u>

Recognised gains:

(a) Total recognised gains for the period aggregated \$1,638,690,000 (2003: \$921,316,000)

(b) Recognised gains per ordinary stock unit for the period were \$17.07 (2003: \$9.60)

Group Statement of Cash Flows

	Unaudited 30/6/2004 \$000s	Restated Unaudited 30/6/2003 \$000s
Cash flows from operating activities:		
Profit for the period attributable to the group	689,418	330,757
Items not affecting cash	<u>284,138</u>	<u>715,443</u>
	973,556	1,046,200
Increase / (decrease) in non-cash working capital	<u>300,939</u>	<u>(268,476)</u>
Cash provided by operating activities	1,274,495	777,724
Cash used by investing activities	(573,611)	(504,340)
Cash used by financing activities	<u>(947,390)</u>	<u>(226,197)</u>
	(246,506)	47,187
Dividends & distributions paid	<u>(98,001)</u>	<u>(2,001)</u>
Net (decrease) / increase in cash and cash equivalents	(344,507)	45,186
Cash and cash equivalents at beginning of year	<u>3,539,649</u>	<u>2,903,802</u>
Cash and cash equivalents at end of period	<u>3,195,142</u>	<u>2,948,988</u>
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Notes to the Abridged Financial Statements (unaudited)

1. General

Lascalles, deMercado & Co. Limited is incorporated under the Laws of Jamaica. The activities of the company and its subsidiaries (collectively "the Group"), some of which are domiciled in jurisdictions other than Jamaica, are organized into the following primary segments:

- a) Liquors, rums, wines and sugar: This includes cane cultivation, sugar manufacturing, distillation, blending, bottling, distribution and export of alcohol, rums, wines and other liquor based products;

- b) General merchandise: This includes the manufacture, the wholesale and retail merchandising of provisions, household goods and electronic telephone cards, and the manufacture and distribution of pharmaceutical preparations;
- c) General insurance: This comprises the underwriting of property, casualty and other general insurance risks;
- d) Investments: This primarily comprises the holding of investments; and
- e) Transportation and other: This includes aircraft handling, distribution of motor vehicles and spares, and servicing and repairing of motor vehicles.

The Segment information is contained in note 8 below.

There were no material changes in the group during the period.

2. Basis of preparation

The same accounting policies and methods of computation are followed as those used for the audited financial statements for the year ended September 30, 2003.

3. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB); interpretations issued by the Standards Interpretation Committee of the IASB and recommendations by the Institute of Chartered Accountants of Jamaica and conform, in all material respects, with the requirements of the Companies Act.

The financial statements for the year ended September 30, 2003 were prepared using IFRS for the first time. Consequently, where necessary, prior year comparatives for the nine months ended June 30, 2003 have been reclassified and restated to conform to IFRS. The effects of adopting IFRS on equity and net profit as previously reported essentially follow those reported in detail in the audited financial statements for the year ended September 30, 2003.

These financial statements are presented in Jamaica dollars (\$), which is the measurement currency of the company.

4. Revenue recognition

Operating revenue represents:

- a) The price of goods and services sold to external customers, after deducting returns and discounts, and includes consumption taxes;
- b) The proceeds from the sale of the sugar cane crop of the group's estates is recognized in accordance with the accounting practices of the Jamaican sugar industry. Revenue relating to the current crop of cane is estimated based on the latest available prices and any differences arising on final settlement are consistently accounted for in subsequent periods;
- c) Dividend and other investment income is recognized in the income statement on the date of declaration or accrual whichever is appropriate;
- d) Underwriting results including gross written premiums of the general insurance subsidiaries are accounted for in compliance with the recommendations and practices of the Jamaican insurance industry and comply with the provisions of the Insurance Act 2001.

5. Income taxes

Taxation on the profit or loss for the period comprises current and deferred tax. Taxation is recognised in the income statement, except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year as allocated to the period under review, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is computed using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, branches and associates and interests in joint ventures, except to the extent that the company and its subsidiaries are able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

6. Earnings per ordinary stock unit

The calculation of earnings per ordinary stock unit is based on the net profit attributable to members, less fixed preference dividends, and the 96,000,000 fully paid ordinary stock units of 20c each in issue at both balance sheet dates.

7. Dividends and distributions

At a meeting of the Board of Directors of Lascelles deMercado & Co. Limited held on March 12, 2004, the following interim dividends were declared:

- A regular dividend of two cents (2 cents) per ordinary stock unit; and
- A special dividend of one dollar(\$1.00) per ordinary stock unit.

These dividends were both declared payable out of accumulated franked profits of the company, to ordinary stockholders on record at the close of business on March 26, 2004.

Half-yearly dividends were paid to 6% and 15% cumulative preference stockholders on March 31, 2004.

8. Segment financial information

Business segments:

	Liquors, Rums Wines and Sugar \$'000	General Merchandise \$'000	General Insurance \$'000	Investments \$'000	Transportation & Other \$'000	Elimination \$'000	Total \$'000
Revenue							
External	7,474,009	2,085,664	718,286	228,355	1,237,051		
Inter segment	-	21,483	243,609	-	16,134		
Total revenue	7,474,009	2,107,147	961,895	228,355	1,253,185	(281,226)	11,743,365
Segment results	503,772	(1,448)	(23,463)	233,901	37,595		750,357
Segment assets	8,885,430	1,090,556	3,174,108	4,759,681	578,283		18,488,058
Unallocated assets							233,553
							18,721,611
Segment liabilities	2,862,688	536,432	1,248,509	40,239	375,957		5,063,825
Unallocated liabilities							760,448
							5,824,273
Other segment items:							
Additions to property, plant and equipment	252,733	84,553	57,397	-	41,483		436,166
Depreciation and amortisation	232,380	37,576	12,692	64	18,640		301,352
Other non-cash items	37,792	5,454	(589)	(61,824)	1,953		(17,213)