

# DESNOES & GEDDES LIMITED

## UNAUDITED OPERATING RESULTS

FOR THE 1ST QUARTER

ENDED 30 SEPTEMBER, 2004

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### Highlights

|                                 | J\$ Millions                     |       | Change % |
|---------------------------------|----------------------------------|-------|----------|
|                                 | 3 months ended<br>September 30th |       |          |
|                                 | 2004                             | 2003  |          |
| Turnover                        | 2,015                            | 1,764 | 14%      |
| Trading Profit                  | 260                              | 330   | (21%)    |
| Profit after Tax                | 252                              | 293   | (14%)    |
| Earnings per stock unit (cents) | 8.99                             | 10.44 | (14%)    |

### Operating Performance

#### Sales

| Segment     | YTD Volume Growth%               |
|-------------|----------------------------------|
|             | 3 months ended<br>Sept. 30, 2004 |
| Domestic    | 6%                               |
| Export: USA | 27%                              |
| Other       | 160%                             |
| Total       | 14%                              |

Total domestic volumes grew by 6% when compared to the same quarter last year, with Red

Stripe, Guinness and Heineken registering strong increases. This was a good performance especially against the context of disruptions to trading and production caused by Hurricanes Charley and Ivan during August and September respectively.

The exports segment showed significant growth over the same period last year, with shipments to the USA increasing by 27% as the company continued its marketing investments in that country. The increases in the 'Other Exports' category was driven by increased sales of Dragon to the UK market as well as temporarily supplying Smirnoff Ice and Guinness to some areas of the Caribbean market.

#### **Profit and Loss**

The improved volume performance generated turnover of \$2,015m (an increase of \$251m or 14% over the same quarter last year).

Quarter-on-quarter, total cost of sales increased by \$215m or 27% commensurate with the domestic and export volume growth as well as the increases in utility costs (impacted by oil prices) and insurance expenses. The company spent \$69m or 31% more on total marketing with the most of this additional amount directed at the exports sector. Overheads were lower than last year due to the timing of some local spends and strong spend control. Other income and expenses include foreign exchange losses and redundancy expenses.

Trading profit declined by \$70m or 21% given the increases in cost of sales, marketing investments and the reduction in other income / expenses, ending the 1st quarter at \$190m.

#### **Balance Sheet and Cash Flow**

The balance sheet remained healthy and the company continued to finance its commitments without external borrowing

## GROUP BALANCE SHEET

As at September 30, 2004

|  | Unaudited as at<br>30.09.04<br>\$'000 | Unaudited as at<br>30.09.03<br>\$'000 | Audited<br>June 30, 2004<br>\$'000 |
|--|---------------------------------------|---------------------------------------|------------------------------------|
| CURRENT ASSETS   |                                       |                                       |                                    |
| Cash resources   | 461,779                               | 83,993                                | 163,237                            |
| Short-term deposits  | 600,046                               | 1,010,548                             | 571,069                            |
| Accounts receivable  | 468,926                               | 619,327                               | 355,070                            |
| Inventories  | 843,063                               | 928,965                               | 805,969                            |
|  | 2,373,814                             | 2,642,833                             | 1,895,345                          |
| CURRENT LIABILITES   |                                       |                                       |                                    |
| Accounts payable   | 762,196                               | 766,528                               | 592,620                            |
| Taxation payable   | 59,737                                | (10,352)                              | 31,945                             |
| Current portion of long-term liabilities<br>Diageo group companies | 1,138                                 | 4,553                                 | 2,277                              |
|  | 518,826                               | 318,334                               | 481,791                            |
|  | 1,341,897                             | 1,079,063                             | 1,108,633                          |
| WORKING CAPITAL  | 1,031,917                             | 1,563,770                             | 786,712                            |
| INVESTMENTS  | 45,131                                | 45,148                                | 45,131                             |
| INVESTMENT PROPERTIES  | 39,900                                | 39,900                                | 39,900                             |
| PROPERTY, PLANT AND EQUIPMENT                                      | 3,357,896                             | 3,012,043                             | 3,380,300                          |
| EMPLOYEE BENEFITS ASSET  | 972,000                               | 669,500                               | 947,000                            |
|  | <u>5,446,845</u>                      | <u>5,330,361</u>                      | <u>5,199,043</u>                   |
|  | =====                                 | =====                                 | =====                              |
| FINANCED BY:   |                                       |                                       |                                    |
| STOCKHOLDERS EQUITY  |                                       |                                       |                                    |
| Share Capital  | 1,404,586                             | 1,404,586                             | 1,404,586                          |
| Share Premium  | 770,394                               | 770,394                               | 770,394                            |
| Capital Reserves   | 937,048                               | 1,028,014                             | 948,842                            |
| Other reserves   | 669,807                               | 599,142                               | 669,807                            |
| Retained Earnings  | 805,377                               | 950,730                               | 541,172                            |
|  | 4,587,212                             | 4,752,867                             | 4,334,801                          |
| LONG-TERM LIABILITIES  | 0                                     | 1,139                                 | 0                                  |
| DEFERRED TAX LIABILITIES   | 852,185                               | 568,908                               | 856,795                            |

|                   |                  |                  |                  |
|-------------------|------------------|------------------|------------------|
| MINORITY INTEREST | <u>7,447</u>     | <u>7,447</u>     | <u>7,447</u>     |
|                   | <u>5,446,844</u> | <u>5,330,361</u> | <u>5,199,043</u> |
|                   | =====            | =====            | =====            |

Hon. Patrick H. O. Rousseau, O.J.  
Chairman

Mark McKenzie  
Managing Director

### GROUP PROFIT AND LOSS ACCOUNT

3 months ended September 30, 2004

|  | Unaudited<br>3 months to<br>30.09.04<br>\$'000 | Unaudited<br>3 months to<br>30.09.03<br>\$'000 |
|--|--|--|
| Turnover                                     | 2,014,643                                      | 1,763,519                                      |
| Special Consumption Tax (SCT)                | <u>(298,195)</u>                               | <u>(279,771)</u>                               |
| Net Sales                                    | 1,716,448                                      | 1,483,748                                      |
| Cost of Sales                                | <u>(1,017,325)</u>                             | <u>(802,374)</u>                               |
| Gross Profit                                 | 699,123  | 681,374  |
| Marketing Costs                              | <u>(292,247)</u>                               | <u>(223,454)</u>                               |
| Contribution after Marketing                 | 406,876  | 457,920  |
| General, selling and administrative expenses | (102,075)                                      | (123,571)                                      |
| Other Income / (Expense)                     | <u>(45,046)</u>                                | <u>(4,058)</u>                                 |
| Trading Profit                               | 259,755  | 330,291  |
| Employee benefits income/(expense)           | 25,000   | (9,500)  |
| Interest income                              | 9,971  | 9,919  |
| Interest expense                             | (130)  | (734)  |
| Profit before taxation                       | 294,596  | 329,976  |
| Taxation                                     | <u>(42,185)</u>                                | <u>(36,697)</u>                                |
| Profit after Tax                             | <u>252,411</u>                                 | <u>293,279</u>                                 |
|  | =====  | =====  |
| Earnings per stock unit (cents)              | 8.99c  | 10.44c   |

## GROUP STATEMENT OF CASHFLOWS

For the 3 months ended September 30, 2004

|   | Unaudited<br>3 months to<br>30.09.04<br>\$'000 | Unaudited<br>3 months to<br>30.09.03<br>\$'000 |
|---|--|--|
| <b>CASHFLOW FROM OPERATING ACTIVITIES</b>   |  |  |
| Net profit for the period   | 252,411  | 293,279  |
| Adjustments to reconcile net profit to net cash<br>provided by operating activities |  |  |
| Depreciation  | 64,123   | 65,385   |
| (Gain)/loss on disposal/write-off of<br>property, plant and equipment               | (3)  | (101)  |
| Deferred taxation   | (4,610)  | 12,500   |
| (Increase)/decrease in employee benefits assets                                     | <u>(25,000)</u>                                | <u>9,500</u>                                   |
|   | 286,921  | 380,563  |
| (Increase)/decrease in current assets:  |  |  |
| Accounts receivable   | (113,856)                                      | (127,600)                                      |
| Inventories   | (37,094)                                       | 134  |
| Increase/(decrease) in current liabilities:   |  |  |
| Accounts payable  | 69,576   | (10,511)                                       |
| Taxation payable  | 27,792   | (52,519)                                       |
| Diageo group companies  | <u>37,035</u>                                  | <u>(255,245)</u>                               |
| <b>Net cash provided by operating activities</b>                                    | <u>370,375</u>                                 | <u>(65,177)</u>                                |
| <b>CASHFLOW FROM INVESTING ACTIVITIES</b>   |  |  |
| Acquisition of property, plant and equipment  | (41,720)                                       | (13,752)                                       |
| Proceeds from disposal of property, plant<br>and equipment                          | 3  | 505  |
| Proceeds from disposal of investments   | <u>0</u>                                       | <u>19</u>                                      |
| <b>Net cash provided by investing activities</b>                                    | <u>(41,717)</u>                                | <u>(13,228)</u>                                |

**CASHFLOWS FROM FINANCING ACTIVITIES**

|   |                  |                  |
|---|------------------|------------------|
| Long term liabilities repaid              | (1,139)          | (1,138)          |
| Net (decrease)/increase in cash resources | <u>327,519</u>   | <u>(79,543)</u>  |
| Cash resources at beginning of year       | 734,306          | 1,174,084        |
| <b>Cash resources at end of period</b>    | <u>1,061,825</u> | <u>1,094,541</u> |
|   | =====            | =====            |
| Comprised of:                             |                  |                  |
| Cash resources                            | 461,779          | 83,993           |
| Short-term deposits                       | <u>600,046</u>   | <u>1,010,548</u> |
|   | <u>1,061,825</u> | <u>1,094,541</u> |
|   | =====            | =====            |

**GROUP STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**

Unaudited 3 months ended September 30, 2004

|   | Share<br>capital<br>\$'000 | Share<br>Premium<br>\$'000 | Capital<br>reserves<br>\$'000 | Other<br>reserves<br>\$'000 | Retained<br>earnings<br>\$'000 | Total<br>\$'000  |
|---|----------------------------|----------------------------|-------------------------------|-----------------------------|--------------------------------|------------------|
| <b>Balances at June 30, 2003</b>  | 1,404,586                  | 770,394                    | 1,028,014                     | 599,142                     | 657,451                        | 4,459,587        |
| Net profit for the year   | -                          | -                          | -                             | -                           | 1,552,958                      | 1,552,958        |
| Deferred taxation on revalued property<br>plant & equipment                                 | -                          | -                          | (22,699)                      | -                           | -                              | (22,699)         |
| Deferred taxation on employee benefits<br>asset   | -                          | -                          | -                             | (110,001)                   | -                              | (110,001)        |
| Transfer to pension equalisation reserve  | -                          | -                          | -                             | 180,666                     | (180,666)                      | -                |
| Realised gains on property, plant and<br>equipment recognised in profit and loss<br>account | -                          | -                          | (9,024)                       | -                           | 9,024                          | -                |
| Transfer of depreciation charge on<br>surplus of property, plant and equipment              | -                          | -                          | (47,449)                      | -                           | 47,449                         | -                |
| Dividends   | -                          | -                          | -                             | -                           | (1,545,044)                    | (1,545,044)      |
| Balances at June 30, 2004   | <u>1,404,586</u>           | <u>770,394</u>             | <u>948,842</u>                | <u>669,807</u>              | <u>541,172</u>                 | <u>4,334,801</u> |

|  |                  |                |                |                |                |                  |
|--|------------------|----------------|----------------|----------------|----------------|------------------|
| Net profit for the period  | -                | -              | -              | -              | 252,411        | 252,411          |
| Transfer of depreciation charge on<br>surplus of property, plant and equipment | -                | -              | (11,794)       | -              | 11,794         | -                |
| <b>Balances at September 30, 2004</b>  | <u>1,404,586</u> | <u>770,394</u> | <u>937,048</u> | <u>669,007</u> | <u>805,377</u> | <u>4,587,212</u> |

### Financial Information by Geographical Segment

3 months ended September 30, 2004

|  | Domestic                                       |  | Export   |  | Group  |  |
|--|--|--|--|--|--|--|
|  | Unaudited<br>3 months to<br>30.09.04<br>\$'000 | Unaudited<br>3 months to<br>30.09.03<br>\$'000 | Unaudited<br>3 months to<br>30.09.04<br>\$'000 | Unaudited<br>3 months to<br>30.09.03<br>\$'000 | Unaudited<br>3 months to<br>30.09.04<br>\$'000 | Unaudited<br>3 months to<br>30.09.03<br>\$'000 |
| Turnover                                   | 1,584,760                                      | 1,517,817                                      | 429,883  | 245,702  | 2,014,643                                      | 1,763,519                                      |
| Special Consumption Tax                    | (298,195)                                      | (279,771)                                      | -  | -  | (298,195)                                      | (279,771)                                      |
| Net Sales value                            | <u>1,286,565</u>                               | <u>1,238,046</u>                               | <u>429,883</u>                                 | <u>245,702</u>                                 | <u>1,716,448</u>                               | <u>1,483,748</u>                               |
| Cost of Sales                              | (800,114)                                      | (614,374)                                      | (217,211)                                      | (188,000)                                      | (1,017,325)                                    | (802,374)                                      |
| Gross Profit                               | 486,451  | 623,672  | 212,672  | 57,702   | 699,123  | 681,374  |
| Marketing costs                            | (180,946)                                      | (175,454)                                      | (111,302)                                      | (48,000)                                       | (292,247)                                      | (223,454)                                      |
| Segment result                             | 305,505  | 448,218  | 101,370  | 9,702  | 406,876  | 457,920  |
| General, Selling & Administrative Expenses |  |  |  |  | (102,075)                                      | (123,571)                                      |
| Other Income                               |  |  |  |  | (45,046)                                       | (4,058)  |
| Operating Profit                           |  |  |  |  | <u>259,755</u>                                 | <u>330,291</u>                                 |
| Employee Benefits                          |  |  |  |  | 25,000   | (9,500)  |
| Interest income                            |  |  |  |  | 9,971  | 9,919  |
| Interest expense                           |  |  |  |  | (130)  | (734)  |
| Profit before exceptional items            |  |  |  |  | <u>294,596</u>                                 | <u>329,976</u>                                 |
| Other Expense                              |  |  |  |  | -  | -  |
| Profit before Taxation                     |  |  |  |  | <u>294,596</u>                                 | <u>329,976</u>                                 |
| Taxation                                   |  |  |  |  | (42,185)                                       | (36,697)                                       |
| Net profit for the period                  |  |  |  |  | <u>252,411</u>                                 | <u>293,279</u>                                 |