

# DESNOES & GEDDES LIMITED

## UNAUDITED OPERATING RESULTS

### FOR THE PERIOD ENDED 31st DECEMBER 2004

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The Directors are pleased to present the unaudited results of the group for the six months ended December 31, 2004.

#### Highlights

	J\$ Millions		
	6 months ended		
	December 31st		
	2004	2003	Change %
Turnover	4,670	4,138	13%
Trading Profit	863	847	2%
Profit after Tax	1,184	817	45%
Earnings per stock unit (cents)	42.15	29.09	45%

The 45% increase in profit after tax was driven by gain on disposal of land of \$378m.

## Operating Performance

### Sales

Segment	Year-to-date volume growth (vs same period in previous year)	Volume Growth (vs same quarter in previous year)	Volume Growth (vs same quarter in previous year)
	6 months ended Dec. 31, 2004	3 months ended Dec 31, 2004	3 months ended Sept 30, 2004
Domestic	2%	(1%)	6%
Export: USA	8%	(12%)	27%
Other	174%	182%	160%
Total Exports	35%	25%	45%
Total volumes	8%	4%	14%

Total volumes (domestic and exports) continued to register year-to-date growth. Local sales were impacted by the November price increases taken on some brands in the portfolio. There were also some product availability issues as production was affected by the slower rate of glass returns from the local trade over the Christmas season while delays at the ports slowed down the clearance of imported glass.

Total exports increased by 35%, but was impacted by one-off shipments of Smirnoff Ice and Guinness to Trinidad and Grenada. These shipments are not expected to continue. Shipments of Red Stripe also commenced to the Australian market in October 2004. So far, results in this market are encouraging.

### Profit and Loss

Year-to-date turnover was \$4,670m (up 13% versus the same period in the previous year) driven by the 8% volume increase and price increases on exports to the USA as well as on some brands sold on the domestic market (Red Stripe Light, Guinness and Heineken). During the 2nd quarter ended December 31, 2004, turnover increased by 32% over the 1st quarter ended September 30, 2004 in line with the higher volume performance over Christmas.

Total cost of sales increased by 4.26m. In addition to the costs associated with higher production, there were increases in electricity, fuel, salaries and wages and insurance. The increased cost base had a negative effect on the gross profit margin.

Gross profit margin was 38% in the 2nd quarter compared to 35% in the 1st quarter due mainly to the November 2004 price increase on some brands.

Total marketing costs (domestic and export) for the six months was \$501m, representing a

\$15.5m (or 3%) decline compared to the same period last year. The company continued to focus on marketing Red Stripe in the USA, the largest export market, with an increased spend of \$27m over same six month period last year.

Other Income/Expenses (net expenses) includes redundancy expenses and some exchange losses.

Trading profit increased by \$17m or 2% over the six months ended December 31, 2004, even though volumes increased by 8%. This was due to the increase in cost of sales (as mentioned earlier) and the fact that the company held prices in order to benefit the consumers.

During the 2nd quarter, the company disposed of land to Pepsi Cola Jamaica Bottling Company Limited in accordance with the option granted to that company when it acquired the soft drinks business. The Company netted a gain of \$378m.

After providing for taxation, net profit for the six months was \$1,184m, an increase of 45% over the same period last year.

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

An interim dividend of \$0.25 per stock unit or \$702m was paid to stockholders in December 2004

The balance sheet remained liquid and the company continued to meet its financial obligations.

There has been no change in accounting policies used in the interim financial statements compared with those used in the audited financial statement as at June 30, 2004.

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#### **UNAUDITED GROUP BALANCE SHEET**

	Unaudited as at		Audited
	31.12.04	y/e June	30,2004
CURRENT ASSETS	\$'000		\$'000

Cash resources	688,014	163,237
Short-term deposits	1,040,957	571,069
Accounts receivable	494,410	355,070
Inventories	857,575	805,969
	<u>3,080,956</u>	<u>1,895,345</u>

**CURRENT LIABILITIES**

Accounts payable	1,020,997	592,620
Taxation payable	74,852	31,945
Current portion of long-term liabilities	0	2,277
Diageo group companies	563,948	481,791
	<u>1,659,797</u>	<u>1,108,633</u>

**WORKING CAPITAL**

**1,421,160**                      **786,712**

**INVESTMENTS**

45,131                              45,131

**INVESTMENT PROPERTIES**

39,900                              39,900

**PROPERTY, PLANT AND EQUIPMENT**

3,227,566                        3,380,300

**EMPLOYEE BENEFITS ASSET**

947,000                            947,000

5,680,756                      5,199,043

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FINANCED BY:

**STOCKHOLDERS EQUITY**

Share Capital                    1,404,586                    1,404,586

Share Premitun                 770,394                      770,394

Capital Reserves               863,180                      948,842

Other reserves                 669,807                      669,807

Retained Earnings             1,108,546                    541,172

4,816,512                      4,334,801

**LONG-TERM LIABILITIES**

0                                    0

**DEFERRED TAX LIABILITIES**

856,797                            856,795

**MINORITY INTEREST**

7,447                                7,447

5,680,756                      5,199,043

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## UNAUDITED GROUP PROFIT AND LOSS ACCOUNT

	Unaudited 6 months to 31.12.04 \$'000	Unaudited 6 months to 31.12.03 \$'000	Unaudited 3 months to 31.12.04 \$'000	Unaudited 3 months to 31.12.03 \$'000
Turnover	4,669,976	4,138,084	2,655,333	2,374,565
Special Consumption Tax (SCT)	<u>(704,289)</u>	<u>(686,595)</u>	<u>(406,094)</u>	<u>(406,824)</u>
Net Sales	3,965,687	3,451,489	2,249,239	1,967,741
Cost of Sales	<u>(2,265,201)</u>	<u>(1,838,923)</u>	<u>(1,247,876)</u>	<u>(1,036,549)</u>
Gross Profit	1,700,486	1,612,566	1,001,363	931,192
Marketing Costs	<u>(500,835)</u>	<u>(516,370)</u>	<u>(208,588)</u>	<u>(292,916)</u>
Contribution after Marketing General, selling and administrative expenses	1,199,651	1,096,196	792,775	638,276
Other Income / (Expense)	<u>(302,926)</u>	<u>(283,882)</u>	<u>(200,851)</u>	<u>(160,311)</u>
Trading Profit	(33,314)	34,405	11,732	38,463
Employee benefits income/(expense)	863,411	846,719	603,657	516,428
Interest income	-	-	(25,000)	9,500
Interest expense	21,860	24,813	11,889	14,894
Gain on disposal of land	<u>(1,525)</u>	<u>(1,380)</u>	<u>(1,395)</u>	<u>(646)</u>
Profit before taxation	378,090	-	378,090	-
Taxation	<u>1,261,936</u>	<u>870,152</u>	<u>967,240</u>	<u>540,176</u>
Profit after Tax	<u>(77,832)</u>	<u>(52,966)</u>	<u>(35,648)</u>	<u>(16,269)</u>
	1,184,004	817,186	931,593	523,907
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Earnings per stock unit	42.15c	29.09c	33.16c	18.65c

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

	Share capital \$'000	Share premium \$'000	Capital reserves \$'000	Other reserves \$'000	Retained earnings \$'000	Total \$'000
<b>Balances at June 30, 2003</b>	<b>1,404,586</b>	<b>770,394</b>	<b>1,028,014</b>	<b>599,142</b>	<b>657,451</b>	<b>4,459,587</b>
Net profit for the year	-	-	-	-	1,552,958	1,552,958
Deferred taxation on revalued property plant & equipment	-	-	(22,699)	-	-	(22,699)
Deferred taxation on employee benefits asset	-	-	-	(110,001)	-	(110,001)
Transfer to pension equalisation reserve	-	-	-	180,666	(180,666)	-
Realised gains on property, plant and equipment recognised in profit and loss account	-	-	(9,024)	-	9,024	-
Transfer of depreciation charge on surplus of property, plant and equipment	-	-	(47,449)	-	47,449	-
Dividends	-	-	-	-	(1,545,044)	(1,545,044)
<b>Balances at June 30, 2004</b>	<b>1,404,586</b>	<b>770,394</b>	<b>948,842</b>	<b>669,807</b>	<b>541,172</b>	<b>4,334,801</b>
Net profit for the period	-	-	-	-	1,184,004	1,194,004
Dividends	-	-	-	-	(702,293)	(702,293)
Removing realised portion of Pepsi land and building disposed	-	-	(62,185)	-	62,185	-
Transfer of depreciation charge on surplus of property, plant and equipment	-	-	(23,478)	-	23,478	-

Balances at December 31, 2004	1,404,586	770,394	863,180	669,807	1,108,546	4,816,512
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## UNAUDITED GROUP STATEMENT OF CASHFLOWS

	Unaudited 6 months to 31.12.04 \$'000	Unaudited 6 months to 31.12.03 \$'000
<b>CASHFLOW FROM OPERATING ACTIVITIES</b>		
Net profit for the period	1,184,004	817,186
Adjustments to reconcile net profit to net cash provided by operating activities:		
Depreciation	126,619	130,666
(Gain)/loss on disposal/write-off of property, plant and equipment	(378,093)	(11,009)
Deferred taxation	2	4,612
(Increase)/decrease in employee benefits asset	0	(26,500)
	<u>932,531</u>	<u>914,955</u>
(Increase)/decrease in current assets:		
Accounts receivable	(139,340)	(27,285)
Inventories	(51,606)	163,343
Increase/(decrease) in current liabilities:		
Accounts payable	428,377	128,913
Taxation payable	42,907	117,219
Diageo group companies	82,157	(297,040)
Net cash provided by operating activities	<u>1,295,027</u>	<u>1,000,105</u>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant und equipment	(77,572)	(32,371)
Proceeds from disposal of property, plant and equipment	481,780	14,791
Proceeds from disposal of investments	0	19
Dividend payments	<u>(702,293)</u>	<u>(702,293)</u>

Net cash used by investing activities	<u>(298,085)</u>	<u>(719,854)</u>
<b>CASHFLOWS FROM FINANCING ACTIVITIES</b>		
Long term liabilities repaid	<u>(2,277)</u>	<u>(2,277)</u>
Net (decrease)/increase in cash resources	<u>994,665</u>	<u>277,974</u>
Cash resources at beginning of year	<u>734,306</u>	<u>1,174,084</u>
Cash resources at end of period	<u><b>1,728,971</b></u>	<u><b>1,452,058</b></u>
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Comprised of:-		
Cash resources	688,014	1,070,083
Short-term deposits	<u>1,040,957</u>	<u>381,975</u>
	<u><b>1,728,971</b></u>	<u><b>1,452,058</b></u>
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### Unaudited Financial Information by Geographical Segment

	Domestic		Export		Group	
	Unaudited 6 months to 31.12.04 \$'000	Unaudited 6 months to 31.12.03 \$'000	Unaudited 6 months to 31.12.04 \$'000	Unaudited 6 months to 31.12.03 \$'000	Unaudited 6 months to 31.12.04 \$'000	Unaudited 6 months to 31.12.03 \$'000
Turnover	3,837,178	3,628,878	832,798	509,206	4,669,976	4,138,084
Special Consumption Tax	(704,289)	(686,595)	-	-	(704,289)	686,595
Net Sales value	3,132,889	2,942,283	832,798	509,206	3,965,687	3,451,489
Cost of Sales	<u>(1,719,288)</u>	<u>(1,461,923)</u>	<u>(545,913)</u>	<u>(377,000)</u>	<u>(2,265,201)</u>	<u>(1,838,923)</u>
Gross Profit	1,413,601	1,480,360	286,885	132,206	1,700,486	1,612,566
Marketing costs	<u>(361,685)</u>	<u>(388,699)</u>	<u>(139,151)</u>	<u>(127,671)</u>	<u>(500,835)</u>	<u>(516,370)</u>
Segment result	1,051,917	1,091,661	147,734	4,535	1,199,651	1,096,196
General, Selling & Administrative Expenses					(302,926)	(283,882)
Other Income/(Expense)					<u>(33,314)</u>	<u>34,405</u>
Operating Profit					863,411	846,719
Employee Benefits					-	-
Interest income					21,860	24,813
Interest expense					<u>(1,525)</u>	<u>(1,380)</u>
Profit before exceptional items					883,746	870,152
Other Expense					-	-
Profit before Taxation					883,746	870,152



