

# DESNOES & GEDDES LIMITED

## Unaudited Operating Results

### For the 3rd Quarter Ended 31st March 2005

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The Directors are pleased to present the un-audited results of the Group for the 3rd quarter ended March 2005.

#### Highlights

	J\$ Millions		
	9 months ended		
	March 31st		
	2005	2004	Change %
Turnover	6,879	5,908	16%
Trading Profit	1,370	1,141	20%
Profit after Tax	1,683	1,151	51%
Earnings per stock unit (cents)	59.90	39.71	51%

- The 16% increase in turnover was driven by 9% volume growth and price increases.
- Included in Profit after Tax is \$378m realised from gain on disposal of land.

#### Operating Performance

##### u>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 previous year)
	9 months ended Mar 31 2005	3 months ended Mar 31, 2005	6 months ended Dec 31, 2004
Domestic	2%	1%	2%
Export: USA	19%	39%	8%
Other	150%	98%	174%
Total Exports	39%	48%	35%
Total volumes	9%	12%	8%

- Domestic volume performance in the 3rd quarter (January 2005 to March 2005) was 1% better than the same quarter in the previous year. Year-to-date performance continued to be 2%
- Following the commissioning of the new draught beer line in the second quarter of the year, the enhanced product quality has led to increased demand from the tourist industry.
- Exports performance was very good, with 48% higher volumes shipped during the 3rd quarter, when compared to the same period last year. This growth was due to:
  - = The fulfilment of back-orders (from December) for the United States market.
  - = Shipments to Australia, which is continuing its positive trend
  - = Commencement of direct shipments to the European market
  - = Ongoing increases in demand, especially in the United States where Red Stripe is now the fastest growing imported premium lager.

At the end of the 3rd quarter's performance, total year-to-date export growth was 39%.

### **Profit and Loss**

- Year-to-date turnover increased by 16% as a result of the 9% volume growth and the price adjustments.
- Total cost of sales was \$678m or 25% more than the same period in the previous year. This increase was driven by the 9% volume growth and higher production costs including

electricity, fuel, insurance, salaries / wages and port and security charges.

- Of the \$667m spent on year-to-date marketing, \$496m or 74% was spent supporting domestic volumes in keeping with the company's strategy to continue investments in the local segment. Although this spend is slightly under last year's spend, the company aims to maintain marketing cost at the same level as prior year in the domestic segment. The \$171m investment in export marketing represents a 24% increase in that segment as the company increased its focus on driving export.
- Other Income/(Expenses) include redundancy cost of \$33m.
- Year-to-date trading profit was \$1,370m, \$228m or 20% more than the same period in the previous year.

The \$171m investment in export marketing represents a 24% increase in that segment as the company increased its focus on driving export.

- 'Other Income/(Expenses) include redundancy cost of \$33m.
- Year-to-date trading profit was \$1,370m, \$228m or 20% more than the same period in the previous year.
- Net profit after taxation increased by \$568m or 50% over the same period last year. The major contributing factor was the gains realised from the disposal of land in the 2nd quarter amounting to \$378m.

### **Dividends**

- A second interim dividend of \$0.16 per stock unit or \$449m was paid to stockholders in March 2005 (first interim payment of \$0.25 was paid in December 2004). This brings total dividend payment for the 9-month period to \$0.41 per stock unit or \$1,152m.

### <B.Balance Sheet and Cash Flow

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

*Note: 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

as at March 31, 2005

	Unaudited as at 31.03.05 \$'000	Unaudited as at 31.03.04 \$'000	Audited y/e June 30, 2004 \$'000
<b>CURRENT ASSETS</b>			
Cash resources	835,380	571,853	163,237
Short-term deposits	935,533	905,387	571,069
Accounts receivable	331,292	514,679	355,070
Inventories	941,693	820,187	805,969
	<u>3,043,898</u>	<u>2,812,106</u>	<u>1,895,345</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable	972,641	708,979	592,620
Taxation payable	72,676	110,083	31,945
Current portion of long-term liabilities	0	3,415	2,277
Diageo group companies	512,811	303,675	481,791
	<u>1,558,127</u>	<u>1,126,151</u>	<u>1,108,633</u>
<b>WORKING CAPITAL</b>	1,485,771	1,685,955	786,712
<b>INVESTMENTS</b>	45,131	45,148	45,131
<b>INVESTMENT PROPERTIES</b>	39,900	39,900	39,900
<b>PROPERTY, PLANT AND EQUIPMENT</b>	3,212,280	2,956,852	3,380,300
<b>EMPLOYEE BENEFITS ASSET</b>	<u>947,000</u>	<u>699,750</u>	<u>947,000</u>

	5,730,082	5,427,605	5,199,043
	<u>=====</u>	<u>=====</u>	<u>=====</u>
FINANCED BY:			
<b>STOCKHOLDERS EQUITY</b>			
Share Capital	1,404,586	1,404,586	1,404,586
Share Premium	770,394	770,394	770,394
Capital Reserves	851,496	1,018,990	948,842
Other reserves	669,807	38,474	669,807
Retained Earnings	<u>1,169,555</u>	<u>1,626,694</u>	<u>541,172</u>
	<b><u>4,865,838</u></b>	<b><u>4,859,138</u></b>	<b><u>4,334,801</u></b>
<b>DEFERRED TAX LIABILITIES</b>	856,797	561,020	856,795
<b>MINORITY INTEREST</b>	<u>7,447</u>	<u>7,447</u>	<u>7,447</u>
	<b><u>5,730,082</u></b>	<b><u>5,427,605</u></b>	<b><u>5,199,043</u></b>
	<u>=====</u>	<u>=====</u>	<u>=====</u>

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## UNAUDITED GROUP PROFIT AND LOSS ACCOUNT

For nine months ended March 31, 2005

	Unaudited		Unaudited	
	9 months to	9 months to	3 months to	3 months to
	31.03.05	31.03.04	31.03.05	31.03.04
	\$'000	\$'000	\$'000	\$'000
Turnover	6,878,946	5,907,658	2,208,970	1,769,574
Special Consumption Tax (SCT)	<u>1,006,819</u>	<u>967,912</u>	<u>302,530</u>	<u>(281,317)</u>
Net Sales	5,872,127	4,939,746	1,906,440	1,488,257
Cost of Sales	<u>(3,358,991)</u>	<u>(2,680,552)</u>	<u>(1,093,790)</u>	<u>(841,629)</u>

Gross Profit	2,513,136	2,259,194	812,650	646,628
Marketing Costs	<u>(666,616)</u>	<u>(710,248)</u>	<u>(165,781)</u>	<u>(193,878)</u>
Contribution after Marketing	1,846,520	1,548,946	646,869	452,750
General, selling and administrative expenses	(451,937)	(446,280)	(149,011)	(162,398)
Other Income / (Expense)	<u>(24,926)</u>	<u>38,522</u>	<u>8,388</u>	<u>4,117</u>
Trading Profit	1,369,658	1,141,188	506,246	294,469
Interest income	34,770	35,210	12,910	10,397
Interest expense	(2,161)	(2,435)	(636)	(1,055)
Gain on disposal of land	<u>378,100</u>	<u>-</u>	<u>10</u>	<u>-</u>
Profit before taxation	1,780,367	1,173,963	518,531	303,811
Taxation	<u>(97,570)</u>	<u>(58,484)</u>	<u>(19,737)</u>	<u>(5,518)</u>
Profit after Tax	<u>1,682,797</u>	<u>1,115,479</u>	<u>498,793</u>	<u>298,293</u>
	=====	=====	=====	=====
Earnings per stock unit	59.90c	39.71c	17.76c	10.62c
	=====	=====	=====	=====

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

**for the 9 months ended March 31, 2005**

	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	-	-	-	-	1,682,797	1,682,797

Dividends	-	-	-	-	(1,151,760)	(1,151,760)
Removing realised portion of Pepsi land and building disposed	-	-	(62,185)	-	62,185	-
Transfer of depreciation charge on surplus of property, plant and equipment	-	-	(35,161)	-	35,161	-
<b>Balances at March 31, 2005</b>	<b>1,404,586</b>	<b>770,394</b>	<b>851,496</b>	<b>669,807</b>	<b>1,169,555</b>	<b>4,865,838</b>

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## UNAUDITED GROUP STATEMENT OF CASHFLOWS

For the 9 months ended March 31, 2005

	Unaudited 9 months to 31.03.05 \$'000	Unaudited 9 months to 31.03.04 \$'000
<b>CASHFLOW FROM OPERATING ACTIVITIES</b>		
Net profit for the period	1,682,797	1,115,479
Adjustments to reconcile net profit to net cash provided by operating activities:		
Depreciation	190,255	193,289
(Gain)/loss on disposal/write-off of property, plant and equipment	(522,985)	20,402
Deferred taxation	2	4,612
(Increase)/decrease in employee benefits asset	0	(20,750)
	<u>1,350,069</u>	<u>1,272,226</u>
(Increase)/decrease in current assets:		
Accounts receivable	23,778	(22,952)



Inventories	(135,724)	108,912
Increase/(decrease) in current liabilities:		
Accounts payable	380,021	52,104
Taxation payable	40,731	(52,271)
Diageo group companies	31,020	(269,904)
Net cash provided by operating activities	<u>1,689,895</u>	<u>1,088,114</u>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(125,975)	(107,338)
Proceeds from disposal of property, plant and equipment	626,724	26,931
Proceeds from disposal of investments	0	19
Dividend payments	<u>(1,151,760)</u>	<u>(702,293)</u>
Net cash used by investing activities	<u>(651,010)</u>	<u>(782,681)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term liabilities repaid	<u>(2,277)</u>	<u>(2,277)</u>
Net (decrease)/increase in cash resources	1,036,607	303,156
Cash resources at beginning of period	734,306	1,174,084
Cash resources at end of period	<u><b>1,770,913</b></u>	<u><b>1,477,240</b></u>
	=====	=====
Comprised of:-		
Cash resources	835,380	571,853
Short-term deposits	935,533	905,387
	<u><b>1,770,913</b></u>	<u><b>1,477,240</b></u>
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**Unaudited Financial Information by Geographical Segment**  
**for the 9 months ended March 31, 2005**

	Domestic		Export		Group	
	Unaudited		Unaudited		Unaudited	
	9 months to 31.03.05 \$'000	9 months to 31.03.04 \$'000	9 months to 31.03.05 \$'000	9 months to 31.03.04 \$'000	9 months to 31.03.05 \$'000	9 months to 31.03.04 \$'000
Turnover	5,556,871	5,177,757	1,322,075	729,901	6,878,946	5,907,658
Special Consumption Tax	<u>(1,006,819)</u>	<u>(967,912)</u>	<u>-</u>	<u>-</u>	<u>(1,006,819)</u>	<u>(967,912)</u>
Net Sales value	4,550,051	4,209,845	1,322,075	729,901	5,872,127	4,939,746
Cost of Sales	<u>(2,485,653)</u>	<u>(2,102,652)</u>	<u>(873,338)</u>	<u>(577,900)</u>	<u>(3,358,991)</u>	<u>(2,680,552)</u>
Gross Profit	2,064,398	2,107,193	448,738	152,001	2,513,136	2,259,194
Marketing costs	<u>(495,844)</u>	<u>(573,033)</u>	<u>(170,772)</u>	<u>(137,215)</u>	<u>(666,616)</u>	<u>(710,248)</u>
Segment result	1,568,554	1,534,160	277,966	14,786	1,846,520	1,548,946
General, Selling & Administrative Expenses					(451,937)	(446,280)
Other Income/(Expense)					<u>(24,926)</u>	<u>38,522</u>
Operating Profit					1,369,658	1,141,188
Interest income					34,770	35,210
Interest expense					<u>(2,161)</u>	<u>(2,435)</u>
Profit before Taxation					1,402,267	1,173,963
Taxation					<u>(97,570)</u>	<u>(58,484)</u>
Profit after Tax					1,304,697	1,115,479
Gain on disposal of land					378,100	-
<b>Net profit for the period</b>					<b><u>1,682,797</u></b>	<b><u>1,115,479</u></b>
Segment Liabilities	1,808,996	1,286,018	613,376	408,600	2,422,371	1,694,618
Segment Assets	6,132,843	6,258,837	1,155,367	294,919	7,288,209	6,553,756

Depreciation	===== (144,404) =====	===== (162,111) =====	===== (45,851) =====	===== (31,178) =====	===== (190,255) =====	===== (193,289) =====
Capital Expenditure	===== 95,615 =====	===== 107,338 =====	===== 30,360 =====	===== - =====	===== 125,975 =====	===== 107,338 =====

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