

DESNOES AND GEDDES LIMITED
UNAUDITED OPERATING RESULTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2006

The Directors are pleased to present the unaudited results of the Group for the first quarter ended September 30, 2006.

P&L highlights			
3 months ended			
September 30th			
	2006	2005	
	J\$m	J\$m	incr/(decr)
Turnover	2,604	2,394	9%
Trading Profit	352	317	11%
Profit after Tax	207	293	-29%
Earnings per stock unit	7.35 cents	10.42 cents	-29%

Trading profit was \$352 million which was 11% higher than the same period last year. Profit after taxation was \$207 million (representing earnings per stock unit of 7.35 cents) compared to \$293 million in the equivalent period last year with (earnings per stock unit of 10.42 cents). This reduction in net earnings was largely due to increased taxation charges amounting to \$157 million (2005: \$43 million). Previously, approval was granted to the company (for five years which commenced for the year ended June 30, 2002) under the provisions of Section 86 of the Income Tax Act, for income tax applicable to operations to be remitted.

Volume summary	
Segment	growth (vs same period in previous year)
	3 months ended September 30, 2006
Domestic	13%
Export: USA	(8%)
Other	(19%)
Total Exports	(10%)
Total volumes	4%

Total volumes for the quarter increased by 4%. Domestic volumes grew by 13% with Red Stripe, Red Stripe Light, Guinness, Heineken, Dragon, Malta and Smirnoff Ice all registering strong growth compared to the same period last year. This return to growth was in part due to the effectiveness of the company's new sales and distribution strategy which was implemented towards the end of the previous financial year.

Total export volume declined by 10%. Shipments to the USA declined by 8% as that market had a stock build-up following higher shipments in previous period. At the same time, actual demand in the USA continued to grow, resulting in increased sales of 10% by the importer into that market. Exports to other

markets declined by 19% as the similar period last year benefited from one-off shipments of Guinness to Trinidad.

The volume performance translated into turnover for the period of \$2,604 million (2005: \$2,394 million) representing an increase of \$210 million or 9%. Domestic turnover grew by 13% driven by higher volumes, while the export segment declined by 3%.

Cost of sales was \$1,308 million or 7% higher than last year's quarter. This increase was mainly driven by volume growth.

Total marketing cost was \$430 million (or \$47 million higher than the same quarter last year) as the company continued to invest in advertising and promotional activities to drive growth in both the domestic and export market. On September 27, 2006, the company launched the "Live Red" campaign which signalled a new and exciting phase in the marketing of Red Stripe beer in the local market.

Other income included dividends of \$32 million received from the company's investment in the Windward and Leeward Brewery located in St. Lucia.

During the quarter, the company won the Jamaica Manufacturers Association (JMA) Governor General's Cup for excellence in manufacturing for the sixth consecutive year as well as the JMA's inaugural awards for Community Development, Quality Assurance and Hazard Analysis Critical Control Point (HACCP). The company also continued its drive to enrich communities and included among the donations was a world-class FIBA approved basketball court installed in the Seaview Gardens community.

We would like to thank the management and staff for their dedication as well as our customers, consumers, suppliers and other stakeholders for their continued support and contribution to the business.

Richard Byles

Chairman
November 15, 2006

Mark McKenzie

Managing Director
November 15, 2006

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, 2005.

DESNOES AND GEDDES LIMITED

Group Balance Sheet

September 30, 2006

	Unaudited September 30, 2006 \$'000	Unaudited September 30, 2005 \$'000	Audited June 30, 2006 \$'000
ASSETS			
Investments	45,131	45,131	45,131
Investment properties	36,000	35,652	36,000
Property, plant and equipment	3,512,171	3,388,098	3,550,418
Employee benefits asset	975,000	695,000	975,000
Total non-current assets	4,568,302	4,163,881	4,606,549
Cash resources	371,191	480,183	126,975
Short-term deposits	829,664	660,283	570,098
Accounts receivable	430,276	367,366	445,128
Due from Diageo Group companies	271,492	173,603	265,274
Inventories	1,095,469	1,255,232	1,069,040
Total current assets	2,998,093	2,936,668	2,476,516
Accounts payable	1,449,488	1,286,587	1,347,886
Taxation payable	160,733	79,613	25,849
Due to Diageo Group companies	203,088	537,001	162,772
Total current liabilities	1,813,310	1,903,201	1,536,507
Net current assets	1,184,783	1,033,467	940,008
Total assets less current liabilities	5,753,085	5,197,348	5,546,558
EQUITY			
Share Capital	2,174,980	2,174,980	2,174,980
Capital Reserves	839,306	858,069	850,546
Other reserves	644,473	463,807	644,474
Retained Earnings	1,332,532	943,695	1,114,763
Shareholders equity	4,991,291	4,440,552	4,784,763
Minority interest	7,447	7,447	7,447
Total equity	4,998,738	4,447,999	4,792,210
LIABILITIES			
Employee benefits obligation	66,000	57,000	66,000
Deferred tax liabilities	688,347	692,349	688,347
Total non-current liabilities	754,347	749,349	754,347
Total equity and liabilities	5,753,085	5,197,348	5,546,557

Richard Byles
Chairman

Mark McKenzie
Managing Director

DESNOES AND GEDDES LIMITED

Group Profit and Loss Account

3 months ended September 30, 2006

	Unaudited 3 months to September 30, 2006 \$'000	Unaudited 3 months to September 30, 2005 \$'000
Turnover	2,604,326	2,393,777
Special Consumption Tax (SCT)	(369,502)	(312,910)
Net sales	<u>2,234,824</u>	<u>2,080,867</u>
Cost of sales	<u>(1,307,853)</u>	<u>(1,227,631)</u>
Gross profit [35.59% (2005: 35.64%) of turnover]	926,971	853,236
Marketing costs	<u>(430,150)</u>	<u>(383,612)</u>
Contribution after marketing	496,821	469,624
General, selling and administrative expenses	(173,494)	(156,270)
Other income	<u>28,427</u>	<u>3,881</u>
Trading profit	351,754	317,235
Interest income	12,551	8,246
Gain on disposal of property, plant & equipment	<u>-</u>	<u>10,770</u>
Profit before finance cost	364,305	336,251
Finance cost	<u>(470)</u>	<u>(918)</u>
Profit before taxation	363,835	335,333
Taxation	<u>(157,306)</u>	<u>(42,726)</u>
Profit for the period attributable to equity holders of the parent	<u><u>206,528</u></u>	<u><u>292,607</u></u>
Earnings per stock unit	<u>7.35</u> ¢	<u>10.42</u> ¢

DESNOES & GEDDES LIMITED

Unaudited Group Statement of Changes in Equity

3 months ended September 30, 2006

	Share capital \$'000	Share premium \$'000	Capital reserves \$'000	Other reserves \$'000	Retained earnings \$'000	Minority interest \$'000	Total \$'000
Balances at June 30, 2005	2,174,980	-	872,958	463,807	636,199	7,447	4,155,391
Profit for the period	-	-	-	-	2,211,847	-	2,211,847
Deferred taxation on revalued property, plant and equipment	-	-	26,199	-	-	-	26,199
Transfer to pension equalisation reserve	-	-	-	180,667	(180,667)	-	-
Realised gain on disposal of investment property	-	-	(3,648)	-	3,648	-	-
Transfer of depreciation charge on revaluation surplus of property, plant and equipment	-	-	(44,963)	-	44,963	-	-
Dividends	-	-	-	-	(1,601,227)	-	(1,601,227)
Balances at June 30, 2006	2,174,980	-	850,546	644,474	1,114,763	7,447	4,792,210
Profit for the period	-	-	-	-	206,528	-	206,528
Transfer of depreciation charge on revaluation surplus of property, plant and equipment	-	-	(11,241)	-	11,241	-	-
Balances at September 30, 2006	2,174,980	-	839,306	644,474	1,332,532	7,447	4,998,738
Reflected in the financial statements of:							
The Company	2,174,980	-	842,776	644,474	974,840	-	4,637,070
Subsidiaries	-	-	7,770	-	139,923	7,447	155,140
June 30, 2006	2,174,980	-	850,546	644,474	1,114,763	7,447	4,792,210
The Company	2,174,980	-	831,536	644,473	1,192,609	-	4,843,598
Subsidiaries	-	-	7,770	-	139,923	7,447	155,140
September 30, 2006	2,174,980	-	839,306	644,473	1,332,532	7,447	4,998,738

DESNOES & GEDDES LIMITED

Group Statement of Cashflows

3 months ended September 30, 2006

	Unaudited September 30, 2006 \$'000	Unaudited September 30, 2005 \$'000
CASHFLOW FROM OPERATING ACTIVITIES		
Net profit for the period	206,528	292,607
Adjustments for:		
Items not involving cash:		
Interest income	(12,551)	(8,246)
Interest expense	470	918
Depreciation	70,679	64,200
(Gain)/loss on disposal/write-off of property, plant and equipment	(2,483)	-
(Gain)/loss on disposal/write-off of investment property	-	(10,770)
Tax Charge	<u>157,306</u>	<u>40,846</u>
	419,949	379,556
Operating profit before changes in working capital:		
Accounts receivable	17,553	(15,943)
Due from fellow subsidiaries	(6,218)	(78,637)
Inventories	(26,429)	(181,779)
Increase/(decrease) in current liabilities:		
Accounts payable	101,602	46,784
Due to Diageo group companies	<u>40,316</u>	<u>151,184</u>
Cash generated from operations	546,774	301,165
Interest paid	(470)	(918)
Income Taxes paid	<u>(22,422)</u>	<u>-</u>
Net cash provided by operating activities	<u>523,882</u>	<u>300,247</u>
CASHFLOW FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(32,432)	(72,654)
Proceeds from disposal of property, plant and equipment	2,483	-
Proceeds from disposal of investment property	-	14,670
Interest received	<u>9,850</u>	<u>8,246</u>
Net cash used by investing activities	<u>(20,099)</u>	<u>(49,738)</u>
Net increase/(decrease) in cash resources	503,783	250,509
Cash resources at beginning of year	<u>697,073</u>	<u>889,958</u>
Cash resources at end of period	<u>1,200,855</u>	<u>1,140,466</u>
Comprised of:-		
Cash resources	371,191	480,183
Short-term deposits	<u>829,664</u>	<u>660,283</u>
	<u>1,200,855</u>	<u>1,140,466</u>

DESNOES AND GEDDES LIMITED

Geographical Segment

3 months ended September 30, 2006

	Domestic		Export		Group	
	Unaudited 3 months to Sept. 30, 2006 \$'000	Unaudited 3 months to Sept. 30, 2005 \$'000	Unaudited 3 months to Sept. 30, 2006 \$'000	Unaudited 3 months to Sept. 30, 2005 \$'000	Unaudited 3 months to Sept. 30, 2006 \$'000	Unaudited 3 months to Sept. 30, 2005 \$'000
Turnover	1,973,913	1,743,219	630,413	650,558	2,604,326	2,393,777
Special Consumption Tax	(369,502)	(312,910)	-	-	(369,502)	(312,910)
Net sales	1,604,411	1,430,309	630,413	650,558	2,234,824	2,080,867
Cost of sales	(836,951)	(755,428)	(470,902)	(472,203)	(1,307,853)	(1,227,631)
Gross profit	767,460	674,881	159,511	178,355	926,971	853,236
Marketing cost	(280,066)	(240,412)	(150,084)	(143,200)	(430,150)	(383,612)
Segment result	487,394	434,469	9,426	35,155	496,821	469,624
General, selling and administrative expenses					(173,494)	(156,270)
Other income					28,427	3,881
Trading profit					351,754	317,235
Interest income					12,551	8,246
Gain on disposal of property, plant and equipment					-	10,770
Profit before finance cost					364,305	336,251
Finance cost					(470)	(918)
Profit before taxation					363,835	335,333
Taxation					(157,306)	(42,726)
Profit for the period					206,528	292,607
Segment assets	5,925,233	5,200,795	1,641,162	1,899,754	7,566,395	7,100,549
Segment liabilities	2,248,778	2,006,317	318,879	646,233	2,567,657	2,652,550
Depreciation	(48,062)	(41,242)	(22,617)	(22,958)	(70,679)	(64,200)
Capital expenditure	22,054	50,921	10,378	21,733	32,432	72,654