Red Stripe

DESNOES & GEDDES LTD. Annual Report 2007

Think responsibly.
Drink responsibly.

Red Stripe

Red Stripe is the trading name of Desnoes & Geddes Limited and also the company's flagship brand. The business of Red Stripe is to manufacture, market and distribute a range of premium alcohol beverages, including beers, stouts and 'ready-to-drink'.

The company also markets and distributes a select range of the Diageo portfolio of premium spirit brands.

Red Stripe® lager beer was first brewed in Jamaica in 1928 and is now available in some 20 markets around the world. With the exception of the United Kingdom and Antigua where it is brewed under licence, every bottle of *Red Stripe®* sold around the world is brewed in Jamaica. *Red Stripe®* has earned the distinction of having eleven Monde Selection Gold Medals to its credit.

Diageo holds majority shares in Desnoes & Geddes Limited and is the world's leading premium drinks business, providing consumers in 180 countries with an outstanding collection of brands across spirits, wines and beer categories. *Red Stripe®*, the Great Jamaican Beer, is numbered among them. Diageo is listed on both the London and New York Stock Exchanges.

Red Stripe, 'The World's Coolest Beer Company' is located at 214 Spanish Town Road, Kingston Jamaica, W.I. with distribution centres in nine parishes.


0% concerned
100% sober
Think responsibly.
Drink responsibly.
Ministry of Health
NATIONAL ROAD SAFETY COUNCIL
Don't Drink & Drive.
Red Stripe


Red Stripe
LAGER BEER
BREWED IN JAMAICA

07

Red Stripe

Our Mission: The manufacture and sale of quality consumer products for domestic and international markets, with equal regard for adequate return to our shareholders, the welfare of our employees, value and service to our customers and responsibility to the communities in which we operate.

Our Strategy: Grow Beer, Grow Beer, Grow Beer, Raise Spirits.

Our Values

Valuing each other

Be the best

Proud of what we do

Passionate about consumers

Freedom to succeed

Contents

Results at a Glance

Year Ended as at June 30, 2007

	2007 $'000	2006 $'000
Turnover	11,313,276	10,114,372
Profit before taxation	2,113,226	2,324,401
Profit attributable to stockholders	1,421,874	2,211,847
Profit per stock unit calculated		
On net profit attributable to stockholders	50.62¢	78.74¢
Dividends per stock unit	53.00¢	57.00¢
Stockholders' Equity		
Share capital	2,174,980	2,174,980
Capital and other reserves	3,338,916	1,495,020
Revenue reserves	1,012,740	1,114,763
	6,526,636	4,784,763

Chairman's Statement

Desnoes & Geddes Limited has completed a year of mixed results. We made great progress in returning our domestic volumes to growth which helped to drive increased turnover. However, the positive volume and turnover performances were not sufficient to offset an increase in production costs, marketing investments and taxation. The overall result was a decline in net earnings.

Though our results for the year ended June 30, 2007 were mixed, our volume performance sets the stage for positive results in the new financial year and beyond. While our overall strategy remains unchanged, we agreed on several initiatives designed to grow the business, elements of which I will share with you.

Desnoes & Geddes Limited competes on the basis of consumer loyalty, quality and price. In Jamaica, we have the brands- *Red Stripe*® Beer, *Red Stripe*® *Light* Beer, *Guinness*® Stout, *Heineken*® Beer, *Smirnoff*® Ice, *Dragon*® Stout and D&G MALTA™ - and are prepared to invest to meet the present and future needs of our consumers. We will continue to promote growth in the beer and stout lines with sustained focus on advertising and innovation in order to increase market share, maximise profits and satisfy consumers' needs.

We are far advanced in creating new trading terms and a route-to-market structure that will see us outpacing the competition and increasing our sales force effectiveness. Visibility of our brands is of paramount importance in our business and already signs are evident throughout the country of the step-change we have made on this front.

We will relentlessly pursue growth in exports as we remain convinced that *Red Stripe* has the potential to sell significantly higher volumes in overseas markets, particularly in the United States, Canada and Europe. During the year, we increased marketing investments to support this future growth potential. We are proud of the *Red Stripe* brand, which has reaped significant international accolades. For example, in the United States it was named among the 'Impact Hot Brands' for the third consecutive year and recognised as one of the top 15 'Most Trusted Brands'.

On February 1, 2007, Desnoes & Geddes Limited became the authorized distributor in Jamaica of spirit brands owned by the company's ultimate parent, Diageo plc. This presents a great opportunity to pursue future growth by leveraging the strength of international brands such as *Smirnoff*® Vodka, *Johnnie Walker*® Blended Scotch Whisky, and *Baileys*® Irish Cream Liqueur.

We have already launched Jamaica's first Responsible Drinking campaign and will continue to lead in this area with clear and consistent messages that enable our consumers to make informed choices.

Our employees are at the heart of our business and a key strategic imperative of Red Stripe is to recruit, develop and retain the best talents. We direct a lot of our attention to fostering a winning organization culture in which we value each other, are free to succeed, aspire to be the best, take pride in what we do and are passionate about our consumers.

We will continue to impact Jamaican communities through the Desnoes & Geddes Foundation and the employee volunteer group, Red Stripe Employees Advocates of Care & Hope (REACH). Our enriched community agenda will see us focussing on health, education and skills development, including a Bartender/Responsible Drinking Training programme. We have a fundamental commitment to protect the physical environment in which we operate, and have

Chairman's Statement (Cont'd)

invested significant sums in the installation of a new effluent treatment plant slated for completion in the new financial year.

We are determined to operate at the highest standards of business practices, extending not only to our financial reporting but also to our plant operations and the general administration of our company. Our capital investments continue at a brisk pace as we upgrade our production and support facilities.

In steering the company forward, we are fortunate to have a highly experienced board and acknowledge the contribution of each member. We welcomed Messrs. Peter Melhado and Richard Coe who were appointed on August 29, 2006 as well as Mr. Andrew R. Jones (our new Supply Director) who joined on May 29, 2007. Mr. Paul Gallagher, who was also the company's Supply Director, resigned from the Board on May 29, 2007, to take up new responsibilities with the group. We thank him for his service to the Board.

The Board met six times since the start of the financial year and received detailed financial information and presentations from our executives on the business performance.

The committees established by the Board are committed to upholding the highest standards of corporate governance. The Audit Committee, with a membership of three non-executive directors, met four times during the year and will continue to oversee the integrity of the company's financial accounting and reporting systems as well as its risk management programme. The Nominating Committee, made up of two non-executive directors and one executive director, will keep under review, the composition of the Board and its succession. The Evaluation Committee comprising the Chairman, the Managing Director and the Company Secretary will continue to be responsible for reviewing the performance of all Board members using a process of self-evaluation and '360-degree' feedback between members.

We look forward to 2008 with a strong and purposeful team. I am proud of the talent, commitment and professionalism of each employee and Board member who constantly strive to achieve the highest standards of governance, corporate responsibility and risk management in directing and controlling the business.

Thank you once again for your support as we continue to serve you our valued stakeholders.

Richard Byles
Chairman

Management's Discussion & Analysis

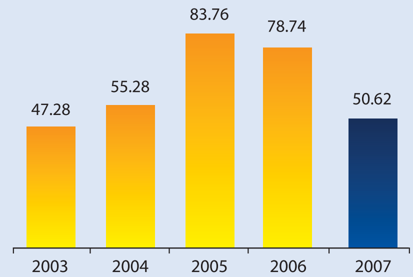
It is with pride that I present a review of the company's performance for the year ended June 30, 2007.

Performance Summary

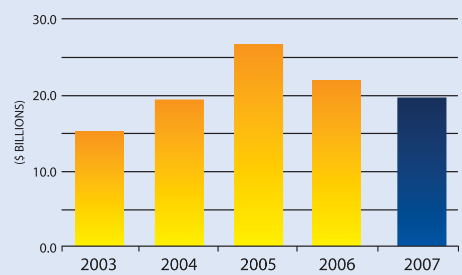
Total turnover for the year was $11,313 million, an increase of $1,199 million or 12%. Trading profit was $1,898 million (2006: $1,992 million) representing a 5% decline. This decline in trading profit was the result of increased operational, marketing and overhead expenses. Profit before taxation was $2,113 million (2006: $2,324 million).

Net profit attributable to equity holders was $1,422 million or 36% lower than the previous year. This translated to earnings per stock unit of 50.62 cents (2006: 78.74 cents). The decline in net earnings was also impacted by higher taxation charges of $691 million (2006: $113 million) which resulted from the expiry of the five-year investment incentive which the company had. Additionally, the non-operational income from the employee benefit assets declined by 58% to $109 million.

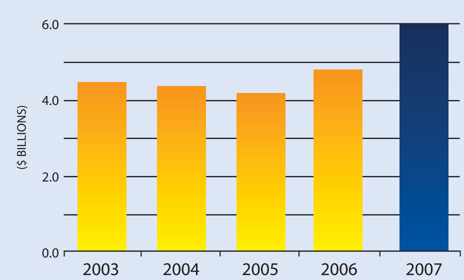
Earnings Per Share (CENTS)



Market Capitalisation
($ BILLIONS)

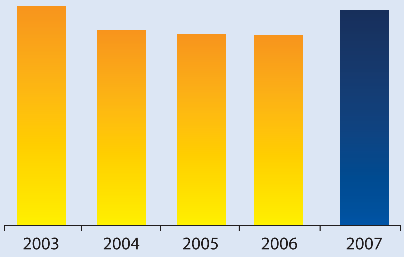


Shareholders Equity
($ BILLIONS)

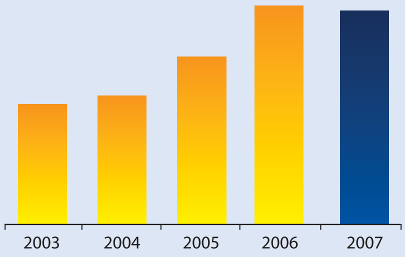


Stock Price ($DOLLARS)

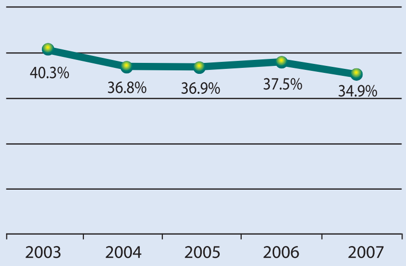
Domestic Volume Trend



Export Volume Trend



Gross Profit Margin (%)



Return To Volume Growth

Domestic volumes were 14% higher with all brands – *Red Stripe®*, *Red Stripe® Light*, *Guinness®* Stout, *Heineken®*, *Dragon®* Stout, *Smirnoff®* Ice and D&G MALTA™ – registering growth. The company's newly implemented commercial strategy which included the restructuring of the sales force, introduction of a new tiered-pricing trading terms and increased emphasis on driving the *Red Stripe* brand successfully converted domestic decline to a position of growth during the year.

Total export volume was 3% lower than the previous year due to the inclusion of large one-off shipments of Guinness to Trinidad in the previous year. If these were excluded, export shipment would have registered growth of 7%. Shipments to the United States and Canadian markets increased by 4% and 33% respectively, while exports to other markets including Australia and Europe also registered growth.

Taken together, domestic and export volumes registered an 8% growth, year on year.

Cost Of Sales

Cost of sales was $5,745 million (2006: $4,934 million), with much of the increase driven by our 8% higher volume growth. However, increases in production expenses such as raw materials, labour, fuel, electricity and shipping costs resulted in the year's gross profit margin declining to 34.91%, down from 37.53% in 2006. Gross profit was 4% higher at $3,950 million (2006: $3,796 million).

Marketing Investments

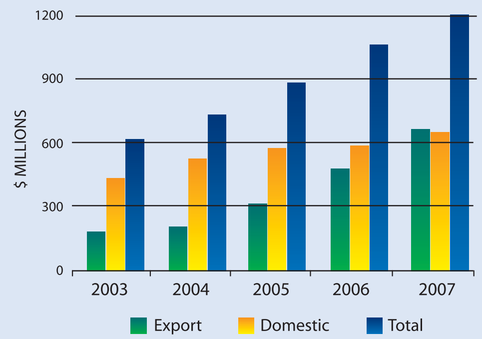
Total marketing cost was $1,317 million (2006: $1,065 million). Of this amount $648 million or 10% more than the previous year was spent in the domestic market. The local *Red Stripe* 'Live Red'™ campaign helped to return the brand to growth while increasing brand awareness.

Marketing investment to support future growth in overseas markets was $669 million or 40% more than the previous year. This increase, along with higher production and shipping costs, resulted in reduced contribution from the export segment. The result was below expectations and we are closely examining all options to turn the performance around. Our production facilities have been upgraded to bring us greater efficiencies, reliability and quality improvements and we expect to reap success from our substantial investments in marketing *Red Stripe* globally, particularly in the United States.

Overheads

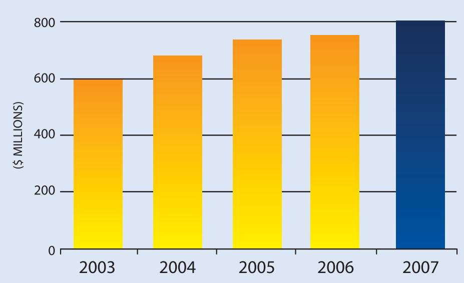
General, selling and administrative expenses were contained in line with inflation, ending the year at $802 million (2006: $750 million). We have controlled increases in this category of costs such that, when measured as a percentage of turnover, expenses have declined from 8.7% to 7.1% over the last five years

Marketing Costs ($MILLIONS)

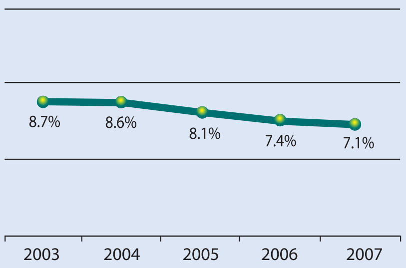


General, Selling & Administrative Overheads

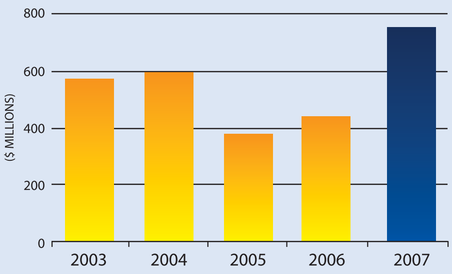
($ MILLIONS)



General, Selling & Administrative Overheads as a percentage of Turnover



Capital Investments
($ MILLIONS)



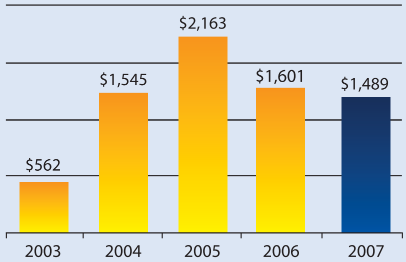
Capital Investments

Capital expenditure during the year was $753 million (2006: $440 million). While most of the expenditure was directed toward improving production and distribution efficiencies, significant investments were also made in the installation of a new effluent treatment plant (slated for completion in the next financial year) and a technical upgrade of the company's accounting systems.

Revaluation Of Assets

The company's property, plant and equipment were revalued during the year resulting in a revaluation surplus of $1,667 million. In addition, the carrying amount of interest held in the Windward and Leeward Brewery in St Lucia was increased by $465 million following a valuation done on the investment.

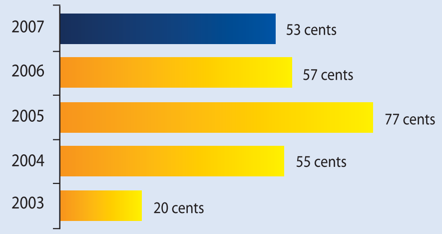
Dividend
($ MILLIONS)



Dividends

The company made two dividend payments during the year amounting to $0.53 per stock unit or $1,489 million.

Dividends Per Stock Unit
($ MILLIONS)



Corporate Citizenship

Desnoes & Geddes Limited received several awards which include:

- The Jamaica Manufacturer's Association (JMA) Award for 'Manufacturer of the Year' - for the fifteenth time since inception and consecutively for the last seven years.
- The JMA's awards for Community Development - for the second consecutive year as well as for the 'Most Efficient Use of Energy'.
- The Jamaica Exporters Association Award for the 'Highest Tonnage' through Port Bustamante.
- The United Way of Jamaica Jupiter Award for 'Highest Corporate Donor'– for the third time.
- The flagship brand *Red Stripe*® being voted 'Jamaica's Best Brand' in the publication Jamaica Business Journal.

We made substantial progress during the financial year, but acknowledge that there is more work ahead to create the business we know we can become in order to consistently deliver great returns to our shareholders. Desnoes & Geddes Limited will continue to produce the highest quality products for the enjoyment of our consumers while being a great place to work. Our business must be known for its integrity, social responsibility and commitment to the Jamaican community and our values must be recognised and admired. We will continue to lead our industry in promoting responsible drinking.

Our employees are integral to the delivery of the company's results and we acknowledge the contribution of each team member. In our business, the future goals will only be attainable with the sustained passion, energy and commitment of our people. With this in mind, we constantly seek opportunities to recognise individual work as well as team and business successes. We are very encouraged by the positive results of both internal and external employee surveys which testify to the real pride which our employees feel to work for Desnoes & Geddes Limited.

We take this opportunity to thank all our customers, consumers, suppliers and other stakeholders for their support and contribution to our business. We value the partnership which we share and look forward to serving you in the years ahead.

Finally, to all consumers of our great brands, please continue to drink responsibly.

Mark A. McKenzie

Mark McKenzie
Managing Director

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Eighty-Eighth Annual General Meeting of Desnoes & Geddes Limited will be held at 214 Spanish Town Road, Kingston 11 on Friday October 26, 2007 at 10:00 a.m. for the following purposes:

1. Audited Accounts for the Year Ended June 30, 2007

To receive the Audited Financial Statements for the year ended June 30, 2007, together with the reports of the Directors and Auditors thereon. To consider and, (if thought fit) pass the following resolution:

"THAT the Audited Financial Statements for the year ended June 30, 2007 together with the reports of the Directors and the Auditors thereon, be and are hereby adopted".

2. Remuneration of Directors

To fix the remuneration of the Non-Executive Directors. To consider and, (if thought fit) pass the following resolution:

"THAT Directors' Fees payable for the year to all Non-Executive Directors of the company be and are hereby approved."

3. Declaration of Dividend

To declare the second interim dividend paid on June 29, 2007 as final. To consider and, (if thought fit) pass the following resolution:

"THAT as recommended by the Directors, the second interim ordinary dividend of twenty seven cents ($0.27) per stock unit (gross) paid on June 29, 2007 be and is hereby declared as final making a total ordinary dividend paid in the year of fifty three cents ($0.53) inclusive of the first ordinary dividend of twenty six cents ($0.26) per stock unit paid on December 15, 2006 and that no further dividend be paid in respect of the year under review."

4. Election of Directors

In accordance with Article 98 of the Company's Articles of Association, Mr. Andrew R Jones, having been appointed since the last Annual General Meeting, retires at this Annual General Meeting, and being eligible, offers himself for election.

4. Election of Directors (Cont'd)

To consider and, (if thought fit) pass the following resolution:

4(a) "THAT Mr. Andrew R. Jones be and is hereby elected a Director of the Company."

In accordance with Article 92 of the Company's Articles of Association, the Directors retiring by rotation are Ms. Marguerite Orane, Mr. John Randolph Millian and Dr. Damien King who being eligible offer themselves for re-election.

To consider and (if thought fit) pass the following resolutions:

4(b) "THAT the retiring Director Ms. Marguerite Orane be and is hereby re-elected a Director of the Company."

4(c) "THAT the retiring Director Mr. John Randolph Millian be and is hereby re-elected a Director of the Company."

4(d) "THAT the retiring Director Dr. Damien King be and is hereby re-elected a Director of the Company."

5. Remuneration of Auditors

To fix the remuneration of the Auditors and to consider and (if thought fit) pass the following resolution:

"THAT KPMG Peat Marwick, having agreed to continue in office as Auditors, the Directors be and are hereby authorised to agree their remuneration in respect of the period ending with the conclusion of the next Annual General Meeting be and is hereby approved".

6. To transact any other business that may be properly transacted at an Annual General Meeting.

By Order of the Board

Gene M. Douglas
Corporate Secretary

Dated this 1st day of September 2007

Any member entitled to attend and vote is entitled to appoint a proxy to attend and on a poll, vote instead of the member. A proxy need not be a member of the Company. An appropriate form of proxy is enclosed.

The proxy form must be signed, stamped and deposited at the registered office of the Company situated at 214 Spanish Town Road, Kingston 11 addressed to "The Company Secretary" not less that 48 hours before the time of holding the meeting. The stamp duty is $100.00 and may be paid by affixing a postage stamp to the proxy form.

Directors' Report

The Directors are pleased to submit their Report and Audited Accounts for the year ended June 30, 2007.

The profit of the Company before tax was	**$2,113,226,000**
Net Profit of the Company after tax was	**$1,421,874,000**

Dividends

The Directors recommended that the second ordinary dividend of $0.27 per stock unit (gross) paid on June 29, 2007 be declared as final making a total ordinary dividend paid in the year of $0.53 per stock unit (gross) and that no further dividend be paid in respect of the year under review.

The Board

Pursuant to Article 92 of the Articles of Association of the Company, one-third of the Directors other than the Managing Director or the number nearest to one-third, where their number is not a multiple of three, shall retire from office each year. Messrs. Marguerite Orane, John Randolph Millian and Dr. Damien King will retire, and being eligible offer themselves for re-election.

In accordance to article 98 of the Articles of Association, which requires any Director so appointed to hold office only until the next following Annual General Meeting. On May 29, 2007 Mr. Andrew R. Jones was appointed to the Board and being eligible offers himself for re-election.

On May 29, 2007 Mr. Paul Gallagher resigned from the Board of Directors.

The Directors of the Board as at June 30, 2007 were:

Mr. Richard Byles — Chairman
Mr. Mark McKenzie — Managing Director
Mr. Peter Karl Melhado
Mr. Noel daCosta
Mr. Andrew R. Jones
Dr. Damien King
Mr. John Randolph Millian
Ms. Marguerite Orane
Hon. Patrick H.O. Rousseau O.J.
Mr. Laurence Turnbull
Mr. Nicolaas Vervelde
Mr. Richard William Coe

Auditors

Messrs. KPMG, the present Auditors have indicated their willingness to continue in office and offer themselves for re-election.

The Directors wish to express their thanks and appreciation to the management and staff for the work they have done during the year.

By order of the Board

Gene M. Douglas
Corporate Secretary

Seven-Year Statistical Summary

Financial Year	2007 $'000	2006 $'000	2005 $'000	2004 $'000	2003 $'000	2002 $'000	2001 $'000
OPERATING DATA							
Turnover	11,313,276	10,114,372	9,135,115	7,866,540	6,845,998	5,650,264	5,129,571
Profit before taxation	2,113,236	2,324,401	2,503,442	1,860,864	1,459,601	1,100,847	1,319,319
Provision for taxation	(691,352)	(112,554)	(150,388)	(307,906)	(131,489)	287,797	(368,743)
PROFIT AFTER TAXATION	**1,421,874**	**2,211,847**	**2,353,054**	**1,552,958**	**1,328,112**	**1,388,644**	**950,576**
Dividends	1,488,860	1,601,227	2,163,061	1,545,044	1,545,044	1,012,780	887,106
Net dividend cover	0.96	1.38	1.09	1.01	0.86	1.37*	1.07
BALANCE SHEET DATA							
Net current assets	248,829	940,008	745,412	786,712	1,197,571	1,606,505	1,230,446
Property, plant and equipment	5,682,522	3,550,418	3,379,297	3,380,300	3,064,080	2,778,579	2,257,100
Long-term liabilities	-	-	-	-	2,277	6,830	11,383
Stockholders' equity	6,526,636	4,784,763	4,147,944	4,334,801	4,459,587	4,690,394	3,200,698
No. of stock units in issue	2,809,171	2,809,171	2,809,171	2,809,171	2,809,171	2,809,171	1,971,348
PER ORDINARY STOCK UNIT							
Profit for the year	50.62¢	78.74¢	83.76¢	55.28¢	47.28¢	49.43¢*	48.22¢
Stockholders' equity	$2.32	$1.70	$1.48	$1.54	$1.59	$1.67*	$1.62
Dividends							
Ordinary - interims	53¢	57¢	77¢	55¢	20¢	15¢	15¢
- final	-	-	-	-	-	35¢	30¢
OTHER							
Return on equity	21.79%	46.23%	56.73%	35.83%	29.78%	29.61%	29.70%
Closing stock price	$7.05	$7.79	$9.50	$6.90	$5.40	$7.06	$6.00
Number of employees	762	734	750	802	732	552	497

* Restated on account of dividends paid and IFRS reported profit.

Left - Right: Richard Byles, Chairman; Mark A. McKenzie, Managing Director

Richard Byles
CHAIRMAN

Richard Byles is the President and CEO of Life of Jamaica Limited (LOJ), the largest life insurance company in Jamaica. He is also Chairman of Pan Caribbean Financial Services Limited. Prior to taking up the leadership of LOJ, he was President and CEO of the Pan Jamaican Investment Trust Limited between 1991 and February 2004. He is also the Chairman of the National Water Commission.

Mark A. McKenzie
MANAGING DIRECTOR

Mark McKenzie has been Managing Director since 2004 and has over 20 years experience in the fast moving consumer goods industry. He has held executive positions in major companies including Procter & Gamble, Gillette and Coca-Cola covering markets such as Venezuela, Central America and others within the Caribbean. Mark earned his B.Sc. (Hons.) in Management Studies at the UWI. He is a Vice President of the Private Sector Organisation of Jamaica and a Director of the St. Patrick's Foundation.

Board of Directors

Left - Right: Andrew R. Jones, Noel daCosta, Marguerite Orane

Andrew R. Jones

Andy R. Jones has been a member of the Diageo family for 19 years, gaining extensive project and operations management experience in the U.K. and on a number of international assignments. Andy has full responsibility for all supply operations including brewing, packaging, engineering, quality, logistics and distribution of the finished product to both the domestic and export markets. As Supply Director, he is also responsible for capital investment, health and safety and the environment

Noel daCosta

Noel daCosta is the Central American and Caribbean Corporate Relations Director for Diageo. He has worked with Desnoes & Geddes Ltd. for over 30 years as Chief Engineer, Brewmaster, Technical Director and Corporate Relations Director. A Chartered Chemical Engineer, he is a Fellow of the Institution of Chemical Engineers (UK), a Fellow and past President of the Jamaica Institution of Engineers and a trained Masterbrewer. He is the Chairman of Petrojam Ltd, and a Director and immediate past President of the Jamaica Chamber of Commerce.

Marguerite Orane

Business woman, consultant, educator, financial analyst and long distance runner, Marguerite Orane brings a wealth of experience and a unique insight to the board of directors. As a partner in Growth Facilitators, she has helped the private and NGO sectors to flourish. Marguerite has given her expertise to clients as diverse as The European Union and the World Bank. She has a MBA (Harvard).

Left - Right: Richard Coe, Peter Melhado, Damien King

Richard Coe

Richard Coe is a management consultant specializing in change management, strategic planning and marketing. He has over 30 years experience in senior management posts in the Caribbean, Central America and Asia including Marketing Director (1982-1990) and then Managing Director (1994-2000) of Courts Jamaica. He has a post-graduate Diploma in Management (Dist) from Plymouth University (1973) and a Masters Degree in Coaching and Consulting in Change awarded jointly by Oxford University and HEC Paris (2006). He was awarded the OBE for service to commerce and the community in Jamaica in 1998.

Peter Melhado

Peter Melhado is President & COO of ICD Group. He was responsible for the growth and development of the Manufacturers Group, then one of the leading financial and asset management companies locally. He is Chairman of Pan Caribbean Merchant Bank Ltd., West Indies Home Contractors Ltd. and the Betting Gaming and Lotteries Commission, and his current directorships include British Caribbean Insurance Company and Jamaica Foundation for Children. He is a former Vice President of the Private Sector Organization of Jamaica.

Damien King

Damien King is a Senior Lecturer at the Department of Economics, UWI and over the years he has taught and conducted research on macro-economics, growth, international economics and economic reform. He is chairman of Dyoll Group Limited, and a member of the American Economic Association and the Latin America and Caribbean Economic Association.

Left - Right: Hon. Patrick H.O. Rousseau O.J., Laurence Turnbull

Hon. Patrick H.O. Rousseau O.J.

Hon. Patrick H.O. Rousseau O.J. is one of Jamaica's pre-eminent attorneys. He has had a distinguished career in law, business and public service in Jamaica and the wider Caribbean. He has extensive experience in the practice of corporate financing, mining and entertainment and sports law. He has served a number of voluntary organisations as patron, chairman and board member. A former Chairman of Desnoes & Geddes Ltd. and President of the West Indies Cricket Board, he was conferred with the Order of Jamaica in 1976.

Laurence Turnbull

Laurence Turnbull, Finance Director, has been with Desnoes & Geddes Ltd. for two years and with Diageo for fifteen years. During this time he has successfully held senior management roles in most areas of Finance in businesses incorporating many well known brands and has operated across many different cultures. Laurence originally started his career with Barclays plc in the UK. Since then he moved to Pillsbury Foods, United Distillers & Vintners in Hungary and to Ghana, West Africa where as Finance Director Guinness, he supported delivery of a merger between Guinness and Heineken.

Nicolaas Vervelde * Not pictured

Nicolaas Vervelde is the Managing Director of Heineken Caribbean, based in Puerto Rico with responsibility for business development throughout the region, within the internal structure of the company and externally in sales and overall growth. Previously, he was General Manager of Heineken Dublin and Marketing Manager at Heineken Holland.

John Randolph Millian * Not pictured

John Randolph Millian is the Managing Director of Diageo Latin America and the Caribbean. He joined United Distillers Brazil in 1995 as Managing Director, taking over in 1997 as Managing Director of the merged business of United Distillers and International Distillers & Vintners in Brazil Hub. He was a member of the British and Venezuelan-American Chamber of Commerce and a former Chairman of the Brazilian-American Chamber of Commerce. A graduate of Colorado College with a BA in World Political Economy and received his MBA from Amos Tuck School of Business Administration, Dartmouth College, in 1978.

Executive Leadership Team

Wayne Lawrence
Marketing Director

Andrew R. Jones
Supply Director

Laurence Turnbull
Finance Director

Jennifer Foreman
Human Resource Director

Grace Silvera
International Marketing Director

Tim Szonyi
Sales Director

Mark McKenzie
Managing Director

Executive Leadership Team

Wayne Lawrence
Marketing Director

Wayne joined Red Stripe in 1997 as a Marketing Assistant and has successfully moved through the ranks. He was appointed Marketing Director in 2004 with overall responsibility for the development and management of the marketing activities for all of the company's brands. Prior to this, he was on international assignment to Singapore, at Diageo Asia Venture as Regional Marketing Development Manager, where he had marketing responsibilities for Singapore, Malaysia, Indonesia, Hong Kong and the Philippines. Whilst there, he achieved spectacular results for the Guinness brand; returning the brand to positive growth in Malaysia. He has a B.Sc. in Management Studies (UWI).

Andrew R. Jones*
Supply Director

Jennifer Foreman
Human Resources Director

Jennifer joined the company in 1997 and has moved through the ranks, playing a significant role in the change initiatives at Red Stripe. She has stamped her mark on the enrichment and development of the company's human capital. She assumed the role of Director, Human Resources in 2002 with overall responsibility for the H.R. division. She has a B.Sc. in Economics and a M.Sc. in Development Studies (UWI).

Laurence Turnbull*
Finance Director

Grace Silvera
International Marketing Director

Since joining the company in 1995, Grace has held various executive positions within the organisation. In 2000 she assumed the role of Communications Director – making her the first female Director appointee under Diageo's ownership. She was also Director of Communications, Public Relations and Consumer Events prior to assuming her current role as International Marketing Director. An inspirational leader and motivational speaker, Grace serves on the Boards of the Jamaica Exporters Association (JEA) and Spectrum Management Authority (SMA).

Tim Szonyi
Sales Director

Tim joined Red Stripe in March 2007, having spent time with Diageo, Australia managing a major national retail chain, Coles Myer. He also had responsibility for Diageo's operations in New Zealand and the South Pacific Islands. Tim started his career with the Mars Corporation in Australia working in various roles in both the food and confectionery divisions. He has a Bachelors in Business Management and recently completed a Graduate Diploma in International Human Resources Management.

Mark McKenzie*
Managing Director

*** See Board of Directors**

Corporate Data

BOARD OF DIRECTORS

Richard Byles
Mark McKenzie
Hon. Patrick H.O. Rousseau O.J.
Peter Karl Melhado
Noel daCosta
Laurence Turnbull
Damien King
Richard Coe
John Randolph Millian
Marguerite Orane
Nicolaas Vervelde
Andrew R. Jones

AUDIT COMMITTEE MEMBERS

Damien King - Chairman
Peter Karl Melhado
Richard William T. Coe

COMPANY SECRETARY

Gene M. Douglas

AUDITORS

KPMG, 6 Duke Street, Kingston

REGISTERED OFFICES

214 Spanish Town Road, Kingston 11.

REGISTRAR AND TRANSFER AGENTS

NCB Jamaica (Nominees) Limited
32 Trafalgar Road, Kingston 5.

BANKERS

Bank of Nova Scotia Jamaica Limited
Corner Duke & Port Royal Streets
Kingston

Citibank N.A.
63-67 Knutsford Boulevard
Kingston 5

National Commercial Bank Limited
37 Duke Street
Kingston

ATTORNEYS-AT-LAW

Patterson Mair Hamilton
7th Floor, Citigroup Building
63-67 Knutsford Boulevard
Kingston

Myers Fletcher & Gordon
21 East Street
Kingston

DISTRIBUTION CENTRES

MANAGERS	TELEPHONE/EMAIL	FAX
Sheree Aarons ANNOTTO BAY Fort George Street, Annotto Bay	(876) 996-9928/9631/2301 sheree.aarons@diageo.com	996-2306
Gary Allwood MONTEGO BAY Reading, Montego Bay	(876) 952-5245/979-1152/3 gary.allwood@diageo.com	971-1055
Dionne Chambers SANTA CRUZ Jewel Close, Santa Cruz	(876) 966-4964/4996 dionne.chambers@diageo.com	966-3336
Sarah Coburn MORANT BAY 70 Lyssons Road, Morant Bay	(876) 734-1404/982-2421 sarah.coburn@diageo.com	982-1237
Leighton Cross SAV-LA-MAR Smithfield, Westmoreland	(876) 918-1795/955-2834/9648 leighton.cross@diageo.com	918-0194
Dwight Jackson CLARENDON 26 Paisley Avenue, May Pen	(876) 986-2373/902-6586 dwight.jackson@diageo.com	902-6587
Richard Nixon MANCHESTER Grey Ground, Mandeville	(876) 963-3288/963-3477 richard.nixon@diageo.com	963-3512
Christopher Thomas ST. ANN Discovery Bay, St. Ann	(876) 973-3050/2001/2340 christopher.thomas@diageo.com	973-3223
Basil Bailey KINGSTON 214 Spanish Town Road, Kingston 11	(876) 514-2128/514-2252 basil.bailey@diageo.com	514-2250

THE YEAR IN REVIEW

Building a Global Brand

Red Stripe-Manufacturer of the Year

Consumer Connection Moments

Enriched Community

Exporting Great Jamaican Talent

Tribute to Our Greats

Red Stripe

Building a Global Brand

It was another good year for *Red Stripe*® exports and for the first time in our history shipments to the United States have overtaken the domestic market in volume sales.

Since the International Marketing Team (IMT) was formed in 2004, the brand has achieved consistent growth through increased focus and growing consumer awareness. "This will be a long and difficult journey and we still have a lot of work to do" said Grace Silvera, International Marketing Director.

"Over the past five years *Red Stripe* has consistently delivered double digit growth in the United States. This financial year we delivered another 19% growth (in depletions) on top of the 21% delivered last year. Currently the rate of growth is out performing the imported beer sector and this is a trend we wish to continue," she said.

"We have a very committed team in the USA and we are working closely with them to accelerate this growth trajectory through the delivery of highly targeted marketing strategies that will infuse the brand's rich Jamaican heritage and unique positioning."

Red Stripe has also had a very successful year in Canada where volumes grew at three times the rate of the premium import beer sector.

RIGHT: Giant permanent billboards placed smack in the middle of the downtown nightclub and entertainment area in Toronto, Canada.

Hot Club de Paris performing at the *Red Stripe* Music Awards in Europe.

In Europe the total beer market remains challenging – as economic, legislative and other factors, have resulted in an overall downturn in beer sales. Consumer trends have also reflected a shift to wine and cider consumption. However, *Red Stripe* has managed to arrest the decline holding it at single digit. Leveraging the partnership of our two new distributors, John Martin and Galatea we have plans to realize growth next year. *Red Stripe* has entered into new countries making this hot brand now available in thirteen countries within Continental Europe.

Music is a part of the brand's DNA. We own several music events in Jamaica, including the biggest reggae festival in the world, *Red Stripe Reggae Sumfest*™. Therefore it is no small wonder that in Great Britain we successfully launched the *Red Stripe* Music Award, a partnership with the music industry to find a fresh new band via a series of national concerts.

This search culminated in a full-sized concert in London judged by a panel of music industry tastemakers. The winner, 'The Runners' was rewarded with an enviable slot to perform at a new music festival and were offered the chance to support an already established band on tour. The Award is welcomed by the music industry and admired by target consumers. This is what *Red Stripe* is known for and this is what our consumers want to see so, next year the event will be bigger and better.

International Recognition

The Jamaica Business Journal- 2007 May/June edition voted *Red Stripe*® Beer as 'Jamaica's Best Brand'.

In March, *Red Stripe* Beer received the Impact Hot Brand Awards for the third consecutive year, putting the Brand in a rare triple championship dynasty shared by the Chicago Bulls, NY Yankees and LA Lakers.

The Impact Hot Brand Awards are given in four categories and to achieve this the brand met stringent criteria.

Red Stripe Beer was named to the 'Top Fifteen Most Trusted Brands' by Generation "Y" trendsetters. *Red Stripe* Beer is sharing the honour with top brands such as Apple Ipod, Target, American Apparel, Adidas, and Volkswagen which all have a significantly higher advertising investment than *Red Stripe*.

"It is gratifying to be recognized for the growth momentum on our brands," said Ivan Menezes, President & CEO of Diageo North America. "This sustained performance is due to the commitment and support of our retail and wholesale customers and our people at Diageo."

The brand's future lies in exports – it is truly a global brand and our mandate is to grow the brand and see exports soar exponentially.

Top: Mega display at one of the leading Cash and Carry outlets in the United Kingdom.

Red Stripe

Red Stripe- Manufacturer of the Year

Once again, for the seventh consecutive year Red Stripe was awarded 'Manufacturer of the Year' by the Jamaica Manufacturer's Association. This and other accolades underscore Red Stripe's commitment to maintaining high standards of quality and production efficiency even while the cost of production increases.

Consistent with the company's vision to become a world-class facility, Red Stripe has made good on its commitment and invested some J$2.7 Billion in upgrading its plant and equipment over the last five years. Last year alone, the company invested an additional J$753 Million.

In the same year, Red Stripe took on the distribution of Diageo owned spirit brands and capitalized on synergies with other drinks companies, expanding the scope of distribution for Pepsi Cola Jamaica Ltd.

It was a record-breaking year in the Brewing and Packaging departments as the company delivered over one million cases of product in seven consecutive months of the year. Previously, this had only been achieved in one month.

The installation of new outer packaging machinery will further enhance production efficiency as well as increase flexibility and opportunity for innovation.

In July 2006 Red Stripe achieved ISO9001:2000 certification, underlining the international standard of it's quality management systems and relentless focus on product quality. In September 2006 Red Stripe also achieved ISO14001:2004 certification for its environmental management system.

RIGHT: His Excellency The Most Hon. Professor Kenneth Hall (left), presents the 'Governor General Award for Manufacturer of the Year', to Brian Pengelley (right), Distribution and Logistics Manager. Sharing in the occasion is Doreen Frankson, former JMA President.

Don't Drink & Drive.
Red Stripe
Think responsibly.
Drink responsibly.

Proud Partners Of Responsible Drinking Campaign

Ministry of Health

NATIONAL ROAD SAFETY COUNCIL

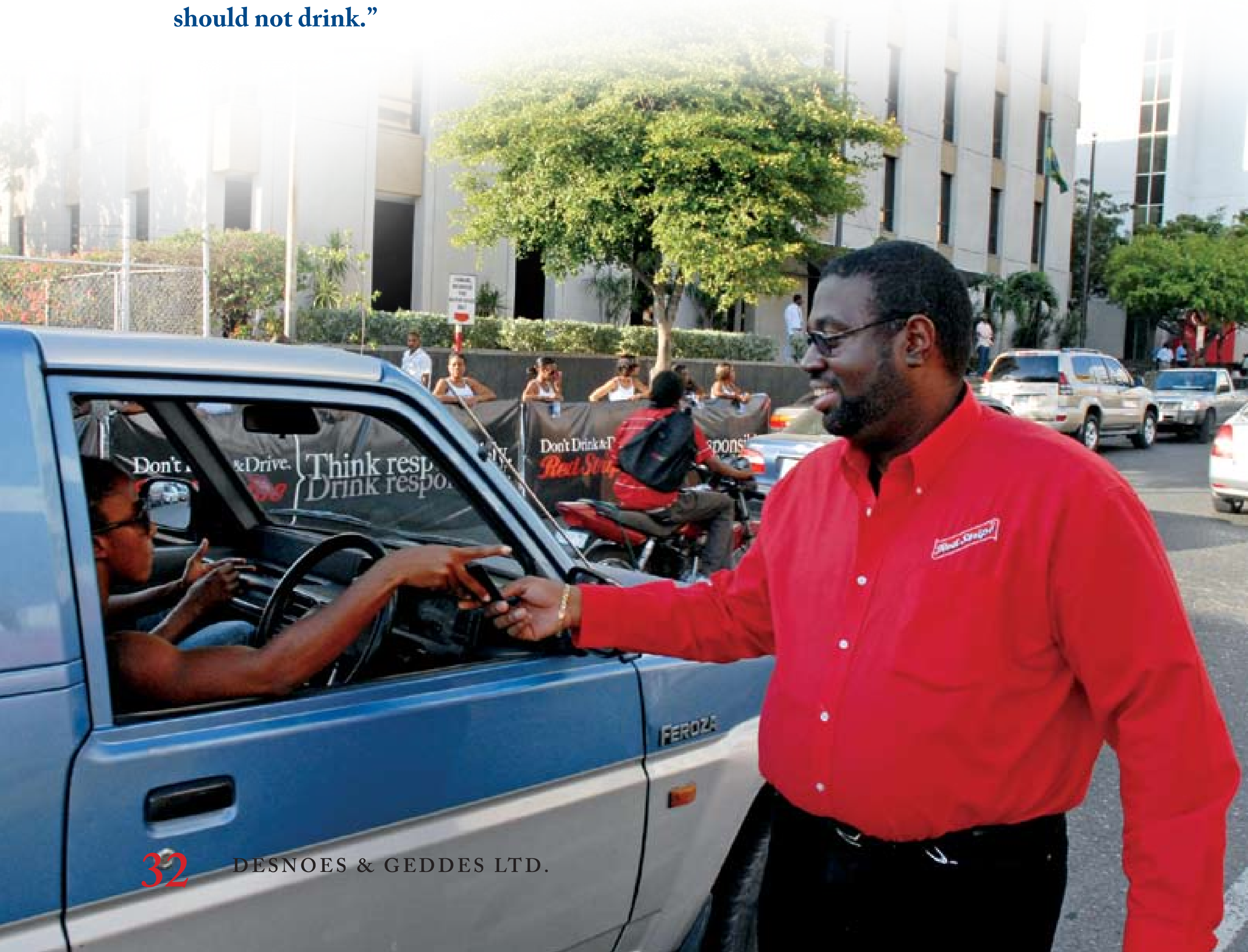
Red Stripe has once again demonstrated its leadership in corporate social responsibility with the launch of its multi-media Responsible Drinking campaign, endorsed by the Ministry of Health and the National Road Safety Council .

The national campaign dubbed 'Think Responsibly Drink Responsibly' extends across radio, television and print advertising media and is supported by public education seminars at the universities and other public engagements. 'Think Responsibly Drink Responsibly' throws the company's support solidly behind responsible decision-making regarding drinking or non-drinking of beverage alcohol, discouraging all forms of irresponsible consumption and pushing the concept of the designated driver. It represents Red Stripe's commitment to leadership in responsible drinking and is also encapsulated in the company's internal Employee Alcohol Policy.

Paula Fletcher, Executive Director, National Road Safety Council in endorsing the campaign said "We have never seen a campaign of this nature coming from an alcohol producer and we are very pleased with Red Stripe's forcefulness particularly as it relates to drink and drive. Too many of us believe that you can have a drink, and drive safely, that is not so, and with this campaign, Red Stripe makes it explicitly clear that if you drink, you should not drive, and if you drive, you should not drink."

In a speech delivered at the launch in February 2007 former Minister of Health, Honourable Horace Dalley said "Red Stripe must be commended for taking this bold step to launch the awareness that imbibing alcohol has its limits and the responsibility lies in the hands of the consumer to exhibit a mature response to drinking and that the choice is to think before you drink"

Below: Wayne Lawrence, Marketing Director Red Stripe, distributes 'Think Responsibly, Drink Responsibly' brochures to motorists along Knutsford Boulevard.



Red Stripe

"This campaign is the realization of the special nature of the product that we sell. We believe that alcohol can be part of a healthy lifestyle and it is our responsibility to communicate this message," says Red Stripe's Marketing Director, Wayne Lawrence. "We expect that this marketing thrust will have a positive impact on the public's perception of their own role and responsibility towards alcohol".

Since the launch of the campaign, Red Stripe has successfully integrated the 'Think Responsibly Drink Responsibly' campaign throughout all promotional activities, one such being the recently concluded 2007 ICC Cricket World Cup tournament.

Red Stripe, through its 'Think Responsibly Drink Responsibly' campaign – 'Don't' Drink and Drive' also partnered with the National Road Safety in hosting a Road Safety Exposition in observance of Global Road Safety Week. On June 29, 2006 Red Stripe also hosted a 'Think Responsibly Drink Responsibly' interactive Public Seminar for NCB employees at the NCB Wellness Centre.

Above: Kim Lee, Marketing Communications Manager (Right), Red Stripe with Carmen Tipling, Communications Consultant (Left) at the 'Think Responsibly Drink Responsibly' Booth at the Global Road Safety Expo held at Emancipation Park, May 3, 2007.

Left: Caroline Kelly (left), Events Marketing Co-ordinator of Red Stripe presents a prize to Damian Sibbles (right) of NCB Manor Park Branch for answering a question correctly in the 'Think Responsibly, Drink Responsibly' interactive seminar hosted by Red Stripe at the bank's Wellness Centre on June 29, 2007. Also in photo is Fern Buddo (centre) Corporate Relations Executive, Red Stripe.

World Cup Cricket in the Caribbean

Red Stripe in Multi-Brand sponsorship of ICC Cricket World Cup 2007

Diageo, for the first time in its 10-year history as the world's leading premium drink company embarked on a multi-brand, multi-regional sponsorship of ICC Cricket World Cup 2007.

Red Stripe Beer teamed up with *Johnnie Walker* Blended Scotch Whisky to become official sponsors of the ICC Cricket World Cup 2007, while Guinness® Stout secured pouring rights at all venues.

The Great Jamaican Beer was named Official Beer of the World Cup for Jamaica and Antigua & Barbuda. Johnnie Walker® was the regional sponsor and official whisky for Asia and the Caribbean regions. Both agreements included full promotional rights and pouring rights at all matches.

Red Stripe® Beer

With a promise to ignite Cricket World Cup, *Red Stripe®* executed a series of high energy, 'world parties' as the official beer of ICC Cricket World Cup 2007.

Promotional activities included Mini-World Parties, Mound events, mega-supermarket promotions, mobile world party machines and a special commemorative limited edition long neck bottle.

Key stakeholders such as customers, private sector leaders, government, media among others were hosted by the brand at the games in Jamaica and at the finals in Barbados.

Johnnie Walker®
Blended Scotch Whisky

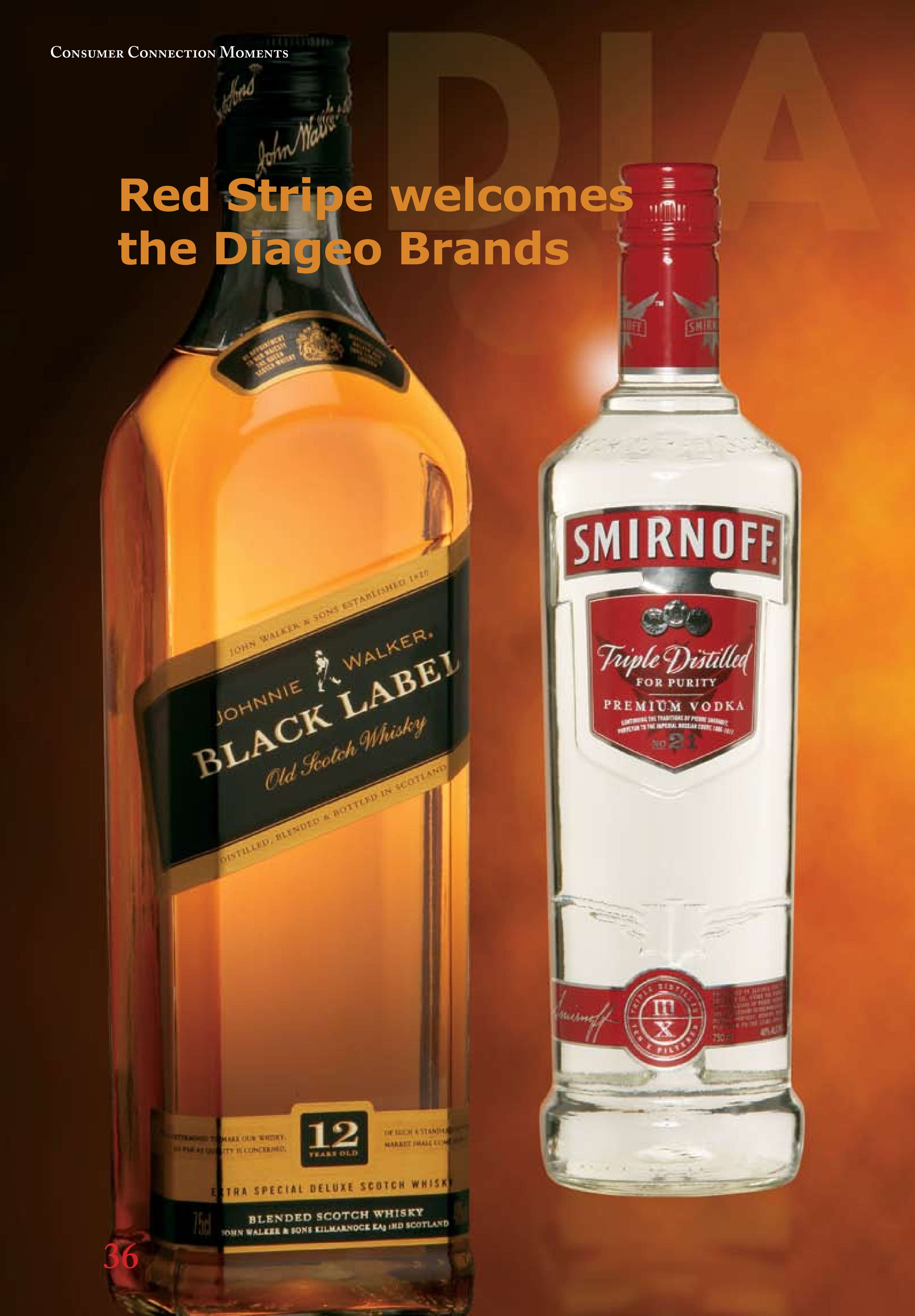
The Johnnie Walker Team activated a responsible drinking campaign under the theme, 'Know your Boundaries'. This campaign, using world-renowned former West Indies Batsman Sir Vivian Richards as brand ambassador, received the highest rating of any PR campaign ever launched by Diageo, generating more than half a billion media impressions.

Another element of this campaign included the 'Six-Sixes' challenge whereby One Million US Dollars was offered to Habitat for Humanity to the cricketer who achieved this. South African cricketer Herschelle Gibbs made history when he became the third cricketer to ever accomplish this feat. The million-dollar donation was earmarked to build 100 houses, impacting more than 500 people in the region.

Above: Noel daCosta (left), Corporate Relations Director CAFEC, welcomes Their Excellencies the Most Hon. Professor Kenneth Hall, Governor General (centre) and Mrs. Hall (far right) to the Red Stripe Hospitality Suite at Sabina Park.

Right: Sir Vivian Richards (left), former cricketing great and Johnnie Walker Brand Ambassador demonstrates the art of batting to a participant in the brand's media day activities during ICC Cricket World Cup 2007.

Red Stripe welcomes the Diageo Brands

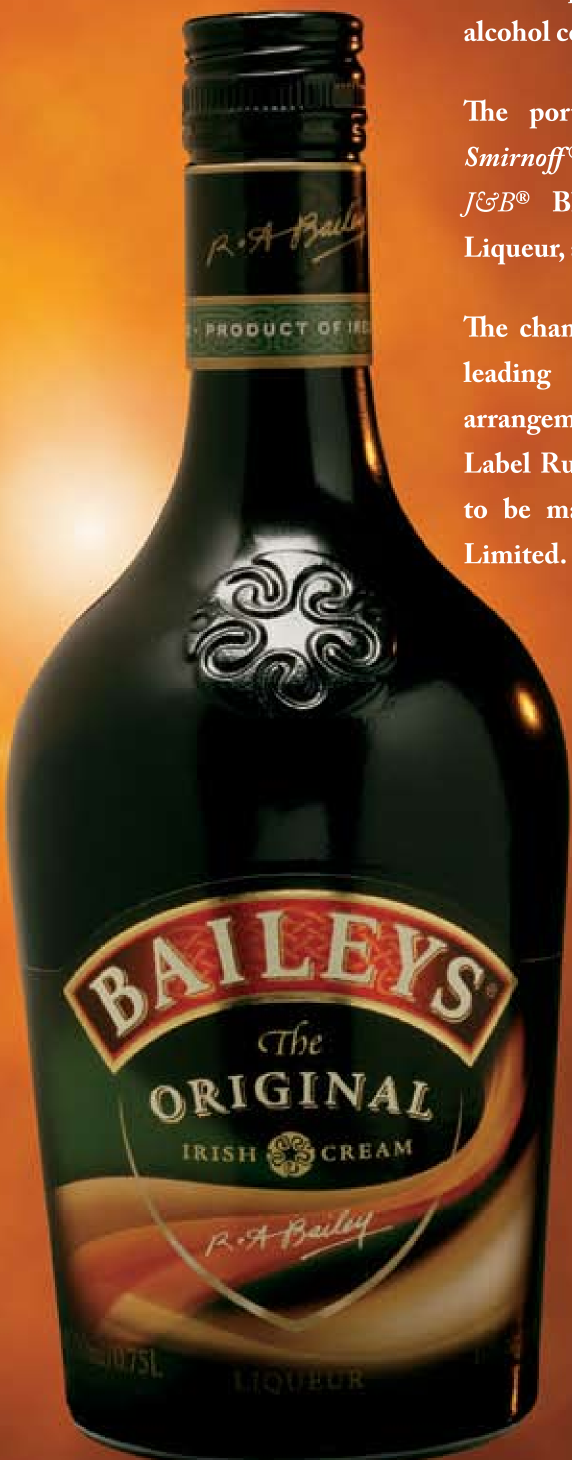


On February 1, 2007, Diageo consolidated its business in Jamaica by bringing the marketing and distribution of its portfolio of premium spirit brands to Red Stripe.

This undertaking allows both companies to capitalize on the synergies created by combining the marketing and sales of all its brands under one roof, resulting in a broadening of Red Stripe's portfolio offerings to become a total beverage alcohol company.

The portfolio includes major priority brands such as *Smirnoff*®Vodka, *Johnnie Walker*® Blended Scotch Whisky, *J&B*® Blended Scotch Whisky, Bailey's® Irish Cream Liqueur, and Gold Label® Rum.

The change in marketing and distribution of these world-leading brands has not affected the manufacturing arrangements for *Smirnoff* Vodka, *Myer's* Rum and Gold Label Rums, or *Gilbey's*® and *Gordon's*® Gins, which continue to be manufactured and bottled by J. Wray & Nephew Limited.



Priority Brand Facts

Smirnoff® Vodka

Smirnoff Vodka is the world's number one spirit and vodka by value and is sold in 130 countries on six continents.

Johnnie Walker® Blended Scotch Whisky

Johnnie Walker is the number one standard Scotch Whisky in the world. Approximately 150 million bottles of the world's favourite whisky are sold each year in more than 200 countries.

Baileys® Irish Cream Liqueur

Baileys is the world's sixth top-selling premium spirit brand and the global market leader in the cream liqueur category.

Our Brands' Activities

Below: Jennifer Foreman, Human Resource Director with Pop Star Rihanna at *Red Stripe Reggae Sumfest*™.

Red Stripe® Beer

2006 was the year *Red Stripe* Beer pushed the domestic beer portfolio to a position of growth, as an exciting new campaign designed to revitalize the image of the brand came to life.

Dubbed, LIVE RED™, the campaign slogan signals a new and exciting phase in the evolution of *Red Stripe*. 'Don't Just Live, Live Red!' means living life to the fullest, inspiring and encouraging consumers to embrace life with passion and pride. It's a celebration of the Jamaican culture and spirit and embodies the courage, vitality and resilience of our people.

Some one hundred bars were re-branded with the new look logo depicting a bigger more imposing *Red Stripe* label popping off a larger than life bottle.

Left: (L-R) Maxine Whittingham, Head of Corporate Relations and Carlo Redwood, Marketing Manager both of Red Stripe, with international artiste Damion Jr. Gong Marley at *Red Stripe Reggae Sumfest* press conference.

"Our long term strategy is to fortify *Red Stripe's* position as the leading beer and leverage the beer portfolio within the market place," Wayne Lawrence, Marketing Director said.

The Live Red™ theme was infused into consumer experiences such as Beer Evolution – the launch, ICC Cricket World Cup, *Red Stripe Reggae Sumfest™* among others.

Red Stripe® Light Beer

Red Stripe Light partnered with the big brand, *Red Stripe* in its series of promotions throughout the year to deliver another great year of growth for the brand. For the third straight year, *Red Stripe* Light engaged consumers in an exciting and innovative game of football on the beach. *Red Stripe* Light Beach Futbol featured 18 local teams along with a visiting team of Brazilian all-star players. The winning teams and individual star players took home prizes totaling one million Jamaican dollars.

Below: On the road with *Guinness* Big Bid Promotion.

Guinness® Stout

Jamaica rounded out the year at the number one spot on the *Guinness* Foreign Extra Stout (FES) League Table. The League Table measures and ranks markets according to their percentage of full year planned net sales value achieved. The standout marketing activity for the year was the *Guinness* Big Bid under the crown promotion that was aimed at driving sales volumes. This competition brought entire community groups together, many of whom teamed up to compete for the weekly prizes of cell phones; gas vouchers; car rims and tyres and flat screen TV's. The main prizes were Honda CBR motorbikes and the Honda Ridgeline and Dodge Ram Pick Ups.

Dragon™ Stout

Various marketing and promotion initiatives throughout the year heightened visibility for the *Dragon* Stout brand. Promotions such as 'Dragon on the Prowl' generated increased consumer interaction with the brand and rewarded customers and consumers for their loyalty.

D&G MALTA™

With the new tagline, 'fuelled naturally', the livery and advertising campaign of the D&G Malta brand were refreshed in 2006. The brand continued its sponsorship of the ISSA D&G Malta Schoolboy and Schoolgirl Football competition.

Above: Issa D&G Malta Schoolboy Football Competition finals.

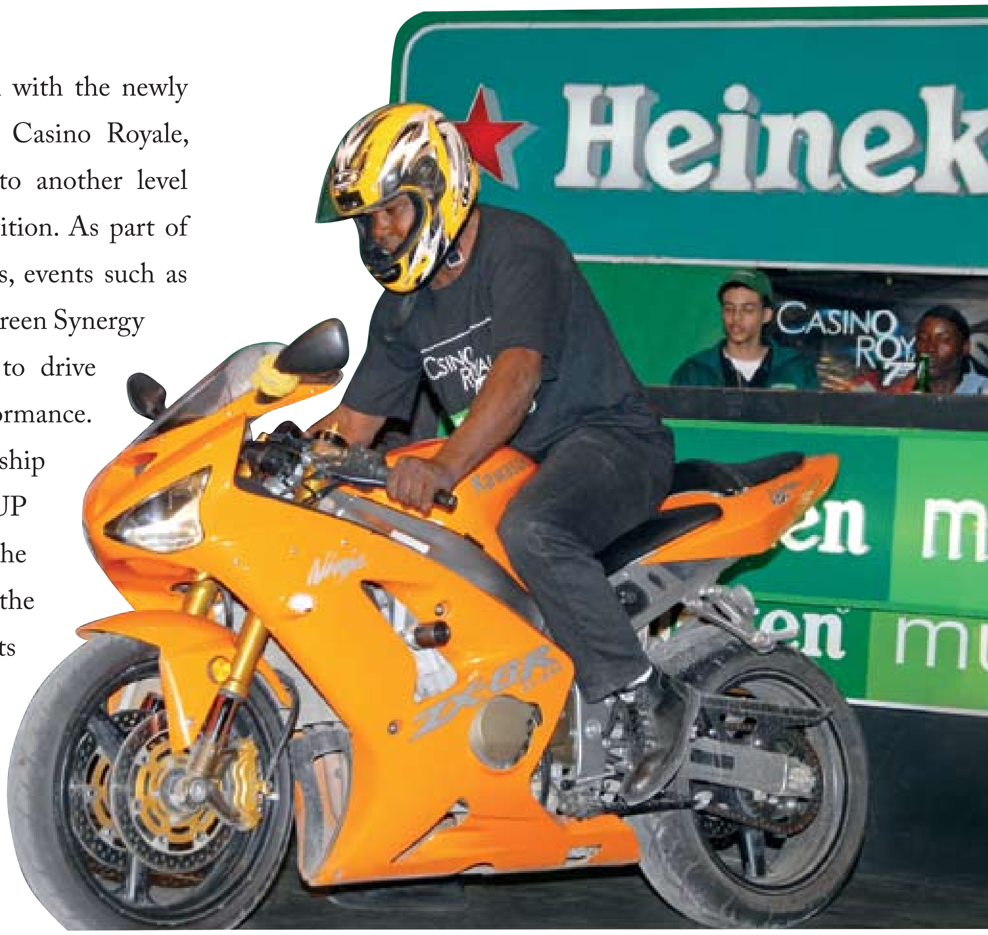
Smirnoff® Trademark Brands

The *Smirnoff* Trademark Brands in the Red Stripe portfolio include: *Smirnoff* Black Ice, *Smirnoff* Red Ice and *Smirnoff* Vodka No. 21. Among the marketing activities for these brands in 2006 were: *Smirnoff* Origination series of events including Osmosis, Special Delivery and *Smirnoff* Xclusive; Caribbean Fashion Week; Observer Table Talk Food Awards; advertising with live models in the display windows of clothing stores; a DJ Re-mix competition dubbed Press Play, and the promotion of *Smirnoff* signature drink mixes.

Heineken® Beer

Capitalizing on its affiliation with the newly released James Bond movie Casino Royale, *Heineken* took its visibility to another level with the Agent 876 Competition. As part of *Heineken's* music sponsorships, events such as Yesterday, Good Times and Green Synergy DJ Competition continued to drive the brand's visibility and performance. Another great brand sponsorship for *Heineken* - UEAFA CUP Championships took the premium beer brand into the sporting arena thus proving its versatility.

Below: A show-biker entertains the audience at the *Heineken* James Bond Casino Royale search for Agent 876 Competition.



Below: *Smirnoff* Ice Press Play finals – Carlo Redwood (second left) Marketing Manager and Safia Cooper (far right) Brand Manager Spirits/RTD, with DJs Leftside & Esco (far left and second right respectively).

Enriching Our Communities

"Since 1918, the company has maintained a proud and strong heritage of sustainable management based on the triple bottomline principle that is, sound financial management, environmental protection and corporate social responsibility."

"It is for this reason that a key element in our corporate relations strategy is to contribute to nation-building by impacting lives and enriching communities", said Maxine Whittingham, Head of Corporate Relations.

In 2006, Red Stripe formalized its enriched community initiatives under the Desnoes & Geddes Foundation banner, and in the previous year established its employee volunteer group called REACH – Red Stripe Employees Advocates of Care and Hope.

Red Stripe has contributed millions of dollars in cash and kind to a myriad of nation building initiatives and for our efforts we copped the United Way Jupiter Awards for highest corporate donor as well as the Jamaica Manufacturer's Community Development Award.

TOP: Mark McKenzie (left) Chairman of the Desnoes & Geddes Foundation and Managing Director of Red Stripe presents a cheque of $1 Million to help in the fight against the spread of Malaria to Hon. Horace Dalley, Former Minister of Health (3rd right). Others are Dr. Marion Bullock Ducasse, Director of Emergency Services in the Ministry of Health (2nd right) and Mrs. Grace Allen Young, Permanent Secretary in the Ministry of Health (right).

RIGHT: St. Margaret's Human Resource Centre benefits from a Book Drive sponsored by REACH.

Our contributions span the health sector, education, social intervention, sports development and environment. Among these are:

- Two million Jamaican dollars donated to the Jamaica Social Investment Fund to finance four community development projects in Knollis, St. Catherine; Bucknor, Clarendon; Bamboo, St. Ann and Tom's River, St. Mary.
- $1 million to the Ministry of Health to support preventative action against the spread of malaria.
- Over $1 million worth of patient monitors donated to the Spanish Town Hospital, in partnership with the Jamaica Public Service Company.
- A $3.2 million world-class, FIBA-approved basketball court built for the residents of the Seaview Gardens Community.
- Continued annual donation of 480 cases of D&G MALTA™ to the National Blood Transfusion Services.

Left: (Left to right) Mark McKenzie, Chairman of the Desnoes & Geddes Foundation & Managing Director of Red Stripe, Hon. Horace Dalley, former Minister of Health and Mr. Damian Obiglio, CEO & President of JPS present 1 of 6 monitors to Matron Campbell of the Spanish Town Hospital.

Above: An exhibition match being played on the $3.2 Million FIBA approved basketball court donated by Red Stripe to the Seaview Gardens Community.

With its membership of over 50 volunteers, REACH has donated computers to schools, the Spanish Town Citizens Against Gun Violence and provided a supply of well-needed books to St. Margaret's Human Resource Centre. On February 14, the Finance Team led by the Finance Director, Laurence Turnbull joined hands with the Kiwanis Club to re-furbish the Lawrence Tavern Health Clinic.

These contributions indicate the high level of commitment Red Stripe places on driving an enriched community agenda that has far-reaching positive social impact on the lives of Jamaicans.

Red Stripe's Finance team and REACH members at their 'Labour of Love' project at the Lawrence Tavern Health Centre.

Exporting Great Jamaican Talent


Cedric Blair


Nicholas Bogle


Safia Cooper


Dave Dacosta


Noel daCosta


Horland Harris


Melverine Hemmings


Andres Honeywell


Peter McCartney


Carl Phillips


Teika Samuda


Grace Silvera


Andrew Wynter

Red Stripe is exporting more than Great Jamaican Beer – it is exporting remarkable Jamaican talent. Through 'Career Shop', a unique Diageo electronic talent tool that provides global visibility of all available roles, at least thirteen Red Stripe employees have landed various international roles within Diageo, over the last few years.

This global tool allows employees to view and apply for positions from around the world facilitating career growth and development in keeping with Red Stripe's overall organization and people strategy to "Release the potential of every employee to deliver Red Stripe's performance goals".

"This is indeed testimony to the fact that we have a lot of talent at Red Stripe and as part of a leading global company listed on the New York and London Stock Exchanges, career opportunities often arise where members of our team can find placement across the company's global network," said Jennifer Foreman, Human Resource Director.

Three years ago, Cedric Blair, former Engineering Manager at Red Stripe landed a role as Change Manager at Diageo in Relay, Maryland, USA and within two years, he was promoted to Director of Operations at Diageo Menlo Park in California, where he is now based.

In 2003, Technical Services Manager, Peter McCartney was appointed Third Party Operations Manager for Latin America and the Caribbean. In January of this year, he began an assignment in London on the Risk Management team. Former Route Account System (RAS) & Logistics Coordinator, Andres Honeywell relocated to the UK and is now the Regional Data Processing Manager with responsibility for Africa, based in Edinburgh, Scotland.

Horland Harris, one time Business System Manager for Supply, is now in Norwalk, Connecticut, USA as Business Analyst, Global Information System for the Supply and Procurement Function.

Others placed on short-term international assignments are: Carl Phillips, Packaging Manager, Red Stripe who was seconded to Kaase Brewery at Guinness Ghana, West Africa for three (3) months leading the Packaging Dress Improvement project.

Red Stripe

Nicholas Bogle, who joined Red Stripe as a graduate intern in 2004, is now on a twelve-month stint in Singapore as Supply Chain Improvement Coordinator.

According to Dave DaCosta, former Guinness & Stouts Brand Manager, "It has been an excellent learning opportunity for me and fits within my career goals as it afforded me the opportunity for international exposure. But my intention is to ensure that my experiences here in London will positively impact on Red Stripe and Jamaica". Dave is now Global Marketing Manager, Quality, Innovation & Renovation, Guinness based in Dublin, Ireland for nine months.

Safia Cooper, who has been employed across marketing and sales for the past six years, recently returned from Brazil after spending January to May 2007 working as Brand Manager for *Johnnie Walker*® Black.

Capability Development Manager, Melverine Hemmings is now on seven-month assignment as International Resourcing Manager in Miami. "I am absolutely looking forward to the experience and hope to leverage it to ensure that when I return, Red Stripe will benefit from my exposure," she said."

In addition to secondments and other placements, Diageo also seeks to extend the remit of local talent who by their level of experience and expertise possess the capability to preside over a wider area of responsibility.

These include: Noel daCosta, former Corporate Relations Director, Red Stripe who now has responsibility for Central America, Free Trade Zones, Ecuador and the Caribbean (CAFEC). Grace Silvera, former Communications Director now holds the position of International Marketing Director with responsibility for expanding the global footprint of the *Red Stripe*® brand.

Former Loss Prevention Manager, Andrew Wynter was recently appointed Integrated Security Manager, Diageo Americas whose focus is now to develop and implement Diageo's integrated security programme.

These moves represent key milestones in our people/talent development strategy and demonstrate that at Red Stripe employees are allowed the freedom to succeed. "It is no small wonder that we copped the inaugural JEF "Employer of Choice" Award in 2004", Jennifer Foreman concluded.

Tribute to Our Greats

Above: Owen Karl Melhado (left) and the Hon. Pat Rousseau O.J. (right) were declared 'men of the match' by Red Stripe at a dinner to celebrate their retirement. Mr. Melhado retired as a director while Rousseau's retirement marks the end of his tenure as Chairman (he remains a director). Both stalwarts played an indomitable role in transforming Desnoes & Geddes Ltd. into the Red Stripe that we know today.

Above: Mark McKenzie (left) Managing Director, Red Stripe presents a token to retired director, Owen Karl Melhado (right).

Above: John Randolph Millian (left), Managing Director, Diageo Latin America and Caribbean presents a token to retired Chairman Hon. Patrick Rousseau O.J. (right).

Right: After thirty years of stellar contribution to Red Stripe, Yvonne Haynes (right), Brand Technical and Innovation Manager receives a well-deserved 'True Brew' Award for long service from Noel daCosta, Corporate Relations Director. CAFEC.

Red Stripe

Corporate Social Responsibility Policies

Risk Management

Our aim is to manage risk and control our activities cost-effectively. We do so in a manner that enables us to take up profitable business opportunities, avoid or reduce risks that can cause loss, reputation damage or business failure, support operational effectiveness and enhance resilience to external events. We have established a Risk Management Committee, which meets on a quarterly basis to carry out this objective.

Policy Development and Compliance

As part of Diageo, we benefit from a comprehensive collection of world-class codes and policies, which often go further than Jamaican legislation. Policy development involves referring to external codes and best practice and consulting widely both outside and within the business. Broad dialogue with external groups ensures that our policies address the legitimate concerns of stakeholders and where possible, incorporate their expectations as to how we should act on particular issues.

We are subject to the Diageo Code of Business Conduct that sets out standards on issues such as conflicts of interest, competition law, insider trading, corrupt payments, money laundering and other illegal practices. In addition, the code acts as an overarching compliance instrument by including a requirement to comply with the company's other main policies. Each year, all Red Stripe senior managers are required to confirm compliance with the code and other Diageo policies.

Diageo Marketing Code

The Code provides marketing and advertising practitioners with guidance on the naming, packaging and promotion of our brands, setting standards, which are in addition to Jamaican laws and regulations. We staged workshops with both external and internal stakeholders that included our sponsors, advertising agencies, and media among others.

Supplier Standards

The high levels we aspire to in our own behaviour are reflected in the expectations we have of our suppliers. The standards outline Diageo's position on corporate citizenship and other issues that are currently being phased into our relationship with suppliers.

Employee Alcohol Policy

The policy ensures that employees fully understand the nature and effects of alcohol and sets out the expectations Red Stripe has for their behaviour.

Occupational Health And Safety Policy

The policy sets standards for risk assessment, occupational health, hazardous substances, first aid, noise, ergonomics, protective equipment, emergency evacuation, work permits, visitors and contractors and accident reporting.

Quality Policy

The policy sets a framework for quality management systems and commits every business to continuous improvement in performance.

HIV/AIDS Policy

This is an enabling policy, which sets out the minimum standards which will be adopted by the company. The objective is to ensure the employees' fundamental rights are not infringed in any way and to ensure that Red Stripe is equipped with the methodology to implement high quality HIV/AIDS workplace objectives.

External Codes And Charters

Diageo is a signatory to certain external codes that define corporate citizenship principles and standards of conduct. These include the Business Charter for Sustainable Development, the UN Global Compact, the World Economic Forum Leadership Challenge and the Dublin Principles. Further information on these codes is available in the Diageo global corporate citizenship report.

Measuring Performance

We have measures of our progress covering corporate citizenship and other areas of concern to our stakeholders. The data required for each of these measures are collected at least annually. This allows the integration of corporate citizenship measures into business strategy and forms the basis for monitoring performance improvement.

Environmental Policy

Red Stripe, being a producer of alcohol and non-alcohol beverages and ready to drink products, is an environmentally responsible company that operates in a way that protects and enhances our people, brands and the communities in which we work and live. We are committed to supporting environmental sustainability and biodiversity. We comply with all applicable legal and other requirements such as the DIAGEO Global Risk Management and Licence to Operate Standards governing Environmental Management and ensure continual improvement and prevention of pollution.

Harassment Policy

The Company is committed to promoting and providing a working environment where individuals are treated with respect and courtesy by ensuring the fair and equitable treatment of all employees.

The company in keeping with our Values considers unacceptable any conduct involving harassment of any employee for any reason. Whilst sexual harassment is one form of harassment, there are many types of harassment in the workplace.

Harassment at work is not acceptable on ethical, moral and, in some instances, legal grounds, and its existence in the workplace is a barrier to the effective running of the business.

Disclosure of Shareholdings

As at June 30, 2007

Shareholdings Of Directors

As at 30 June 2007

	NAMES	STOCKHOLDINGS
1.	Richard Byles	1,500,000
2.	Mark McKenzie	55,189
3.	Hon. Patrick H.O. Rousseau	76,580
4.	Noel daCosta	500,000
5.	Laurence Turnbull	1,539
6.	Damien King	70,000
7.	John Randolph Millian	1,539
8.	Marguerite Orane	15,000
9.	Nicolaas Adrianus Vervelde	Nil
10.	Peter Karl Melhado	Nil
11.	Richard William T. Coe	20,000
12.	Andrew R. Jones	Nil

Shareholdings Of Senior Managers

As at 30 June 2007

	NAME	STOCK HELD
1.	Mark McKenzie	55,189
2.	Tim Szonyi	Nil
3.	Jennifer Foreman	Nil
4.	Andrew R. Jones	Nil
5.	Wayne Lawrence	Nil
6.	Grace Silvera	Nil
7.	Laurence Turnbull	1,539

Ten (10) Largest Shareholders

As at 30 June 2007

	NAMES	STOCKHOLDINGS
1.	Udiam Holding A.b.	1,625,549,827
2.	Heineken Finance N.v.	303,454,633
3.	Heineken International Beheer B.v.	130,578,508
4.	NCB Jamaica Proprietory Account	100,773,750
5.	Bardi Limited (In Liquidation)	84,255,986
6.	LOJ PIF Equity Fund	41,216,996
7.	National Insurance Fund	31,709,129
8.	Agamemnon Limited	28,748,911
9.	Jette Limited	26,254,292
10.	Sjim A/c 3119	23,468,201

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To the Members of
DESNOES & GEDDES LIMITED

Auditors' Report

We have audited the financial statements of Desnoes & Geddes Limited ("the company"), set out on pages 55 to 86, which comprise the company and the group balance sheets as at June 30, 2007, the company and the group statements of income, changes in equity and cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the Companies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and consistently applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

INDEPENDENT AUDITORS' REPORT

To the Members of
DESNOES & GEDDES LIMITED
Report on the Financial Statements, cont'd

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial positions of the company and the group as at June 30, 2007, and of the company's and the group's financial performance, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act, so far as concerns members of the company.

Report on additional requirements of the Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained and the financial statements, which are in agreement therewith, and give the information required by the Companies Act in the manner so required.

KPMG

August 23, 2007

Company Balance Sheet

June 30, 2007

	Notes	2007 $'000	2006 $'000
ASSETS			
Investments	4	511,380	46,286
Investment properties	5	84,500	36,000
Property, plant and equipment	6	5,682,522	3,550,418
Employee benefits asset	7	1,104,000	975,000
Total non-current assets		**7,382,402**	**4,607,704**
Cash and cash equivalents		285,249	125,219
Short-term deposits		165,864	570,098
Accounts receivable	8	366,583	359,146
Due from fellow subsidiaries		245,405	265,274
Inventories	9	1,398,234	1,155,022
Total current assets		**2,461,335**	**2,474,759**
Accounts payable	10	1,446,230	1,345,180
Taxation payable		298,194	25,859
Due to fellow subsidiaries		467,142	162,772
Total current liabilities		**2,211,566**	**1,533,811**
Net current assets		**249,769**	**940,948**
Total assets less current liabilities		**7,632,171**	**5,548,652**
EQUITY			
Share capital	11	2,174,980	2,174,980
Capital reserves	12	2,141,578	842,776
Other reserves	13	1,189,568	644,474
Retained earnings		872,817	974,840
Total Equity		**6,378,943**	**4,637,070**
NON-CURRENT LIABILITIES			
Employee benefits obligation	7	75,000	66,000
Long-term liabilities	14	157,235	157,235
Deferred tax liabilities	15	1,020,993	688,347
Total non-current liabilities		**1,253,228**	**911,582**
Total equity and liabilities		**7,632,171**	**5,548,652**

The financial statements on pages 55 to 86 were approved for issue by the Board of Directors on August 23, 2007 and signed on its behalf by:

Chairman

Richard Byles

Managing Director

Mark McKenzie

The accompanying notes form an integral part of the financial statements.

Group Balance Sheet

As at June 30, 2007

	Notes	2007 $'000	2006 $'000
ASSETS			
Investments	4	510,225	45,131
Investment properties	5	84,500	36,000
Property, plant and equipment	6	5,682,522	3,550,418
Employee benefits asset	7	1,104,000	975,000
Total non-current assets		**7,381,247**	**4,606,549**
Cash and cash equivalents		287,005	126,975
Short-term deposits		165,864	570,098
Accounts receivable	8	366,583	359,146
Due from fellow subsidiaries		245,405	265,274
Inventories	9	1,398,234	1,155,022
Total current assets		**2,463,091**	**2,476,515**
Accounts payable	10	1,448,936	1,347,886
Taxation payable		298,184	25,849
Due to fellow subsidiaries		467,142	162,772
Total current liabilities		**2,214,262**	**1,536,507**
Net current assets		**248,829**	**940,008**
Total assets less current liabilities		**7,630,076**	**5,546,557**
EQUITY			
Share capital	11	2,174,980	2,174,980
Capital reserves	12	2,149,348	850,546
Other reserves	13	1,189,568	644,474
Retained earnings		1,012,740	1,114,763
Attributable to equity holders of the parent		**6,526,636**	**4,784,763**
Minority interest		7,447	7,447
Total equity		**6,534,083**	**4,792,210**
NON-CURRENT LIABILITIES			
Employee benefits obligation	7	75,000	66,000
Deferred tax liabilities	15	1,020,993	688,347
Total non-current liabilities		**1,095,993**	**754,347**
Total equity and liabilities		**7,630,076**	**5,546,557**

The financial statements on pages 55 to 86 were approved for issue by the Board of Directors on August 23, 2007 and signed on its behalf by:

________________ Chairman
Richard Byles

________________ Managing Director
Mark McKenzie

The accompanying notes form an integral part of the financial statements.

Company and Group Income Statements

Year ended June 30, 2007

	Notes	2007 $'000	2006 $'000
Turnover	16	11,313,276	10,114,372
Special Consumption Tax (SCT)		(1,619,117)	(1,383,870)
Net sales		9,694,159	8,730,502
Cost of sales		(5,744,633)	(4,934,203)
Gross profit [34.91% (2006: 37.53%) of turnover]		3,949,526	3,796,299
Marketing cost		(1,316,908)	(1,065,104)
Contribution after marketing		2,632,618	2,731,195
General, selling and administration expenses		(802,406)	(750,200)
Other income		67,653	11,489
Trading profit		1,897,865	1,992,484
Employee benefits income	7(d)	109,000	259,000
Interest income		62,703	62,138
Revaluation surplus on investment properties		48,500	-
(Loss)/gain on disposal of property, plant and equipment and write-down of investments		(4,842)	10,779
Profit before taxation	17	2,113,226	2,324,401
Taxation	18	(691,352)	(112,554)
Profit for the year attributable to equity holders of the parent, all dealt with in the financial statements of the company		1,421,874	2,211,847
Earnings per stock unit	19	50.62¢	78.74¢

The accompanying notes form an integral part of the financial statements.

Company Statement of Changes in Equity

Year ended June 30, 2007

	Share capital $'000 (note 11)	Capital reserves $'000 (note 12)	Other reserves $'000 (note 13)	Retained earnings $'000	Total $'000
Balances at June 30, 2005	2,174,980	865,188	463,807	496,276	4,000,251
Profit for the year	-	-	-	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 (note 20)	-	-	-	(1,601,227)	(1,601,227)
Balances at June 30, 2006	2,174,980	842,776	644,474	974,840	4,637,070
Profit for the year	-	-	-	1,421,874	1,421,874*
Revaluation surplus	-	1,667,366	-	-	1,667,366*
Fair value adjustment [note 4(a)]	-	-	465,094	-	465,094*
Deferred taxation on revalued property, plant and equipment	-	(323,601)	-	-	(323,601)*
Transfer to pension equalisation reserve	-	-	80,000	(80,000)	-
Transfer of depreciation charge on revaluation surplus of property, plant and equipment	-	(44,963)	-	44,963	-
Dividends (note 20)	-	-	-	(1,488,860)	(1,488,860)
Balances at June 30, 2007	2,174,980	2,141,578	1,189,568	872,817	6,378,943

* Total gains recognised for the year $3,230,733,000 (2006: $2,238,046,000).
The accompanying notes form an integral part of the financial statements.

Group Statement of Changes in Equity

Year ended June 30, 2007

	Attributable to equity holders of the parent company					
	Share capital $'000 (note 11)	Capital reserves $'000 (note 12)	Other reserves $'000 (note 13)	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 year	-	-	-	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 (note 20)	-	-	-	(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 year	-	-	-	1,421,874	-	1,421,874*
Revaluation surplus	-	1,667,366	-	-	-	1,667,366*
Fair value adjustment [note 4(a)]	-	-	465,094	-	-	465,094*
Deferred taxation on revalued property, plant and equipment	-	(323,601)	-	-	-	(323,601)*
Transfer to pension equalisation reserve	-	-	80,000	(80,000)	-	-
Transfer of depreciation charge on revaluation surplus of property, plant and equipment	-	(44,963)	-	44,963	-	-
Dividends (note 20)	-	-	-	(1,488,860)	-	(1,488,860)
Balances at June 30, 2007	2,174,980	2,149,348	1,189,568	1,012,740	7,447	6,534,083

* Total gains recognised for the year $3,230,733,000 (2006: $2,238,046,000).
The accompanying notes form an integral part of the financial statements.

Company Statement of Cash Flows

Year ended June 30, 2007

	2007 $'000	2006 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	1,421,874	2,211,847
Adjustments for:		
Items not involving cash:		
Interest income	(62,703)	(62,138)
Depreciation	281,314	268,661
Revaluation surplus on investment properties	(48,500)	-
Gain on disposal/write-off of property, plant and equipment	4,842	(9)
Gain on disposal/write-off of investment properties	-	(10,770)
Deferred taxation	9,045	22,197
Tax charge	682,307	90,357
Increase in employee benefits asset/(obligation)	(109,000)	(259,000)
	2,179,179	2,261,145
Operating profit before changes in working capital:		
Accounts receivable	(7,322)	(94,258)
Due from fellow subsidiaries	19,869	(96,837)
Inventories	(243,212)	4,413
Increase/(decrease) in current liabilities:		
Accounts payable	101,050	108,082
Due to fellow subsidiaries	304,370	(296,516)
Cash generated from operations	2,353,934	1,886,029
Income taxes paid	(409,972)	(103,275)
Net cash provided by operating activities	1,943,962	1,782,754
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(752,546)	(439,782)
Proceeds from disposal of property, plant and equipment	1,652	9
Proceeds from disposal of investment property	-	14,670
Interest received	62,588	62,691
Pension contributions	(11,000)	(12,000)
Net cash used by investing activities	(699,306)	(374,412)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend payments, being net cash used by financing activities	(1,488,860)	(1,601,227)
Net decrease in cash and cash equivalents	(244,204)	(192,885)
Cash and cash equivalents at beginning of year	695,317	888,202
Cash and cash equivalents at end of year	451,113	695,317
Comprised of –		
Cash and bank balances	285,249	125,219
Short-term deposits	165,864	570,098
	451,113	695,317

The accompanying notes form an integral part of the financial statements.

Group Statement of Cash Flows

Year ended June 30, 2007

	2007 $'000	2006 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	1,421,874	2,211,847
Adjustments for:		
Items not involving cash:		
Interest income	(62,703)	(62,138)
Depreciation	281,314	268,661
Revaluation surplus on investment property	(48,500)	-
Gain on disposal/write-off of property, plant and equipment	4,842	(9)
Gain on disposal/write-off of investment properties	-	(10,770)
Deferred taxation	9,045	22,197
Tax charge	682,307	90,357
Increase in employee benefits asset/(obligation)	(109,000)	(259,000)
	2,179,179	2,261,145
Operating profit before changes in working capital:		
Accounts receivable	(7,322)	(94,258)
Due from fellow subsidiaries	19,869	(96,837)
Inventories	(243,212)	4,413
Increase/(decrease) in current liabilities:		
Accounts payable	101,050	108,082
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Proceeds from disposal of investment property	-	14,670
Interest received	62,588	62,691
Pension contributions	(11,000)	(12,000)
Net cash used by investing activities	(699,306)	(374,412)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend payments being net cash used by financing activities	(1,488,860)	(1,601,227)
Net decrease in cash and cash equivalents	(244,204)	(192,885)
Cash and cash equivalents at beginning of year	697,073	889,958
Cash and cash equivalents at end of year	452,869	697,073
Comprised of –		
Cash and bank balances	287,005	126,975
Short-term deposits	165,864	570,098
	452,869	697,073

The accompanying notes form an integral part of the financial statements.

1. Identification

Desnoes & Geddes Limited ("the company"), is incorporated and domiciled in Jamaica and is a 58% subsidiary of Udiam Holdings AB, a company incorporated in Sweden. The ultimate parent company is Diageo PLC, incorporated in the United Kingdom. The company's registered office is located at 214 Spanish Town Road, Kingston 11. The principal activities of the company comprise the brewing, bottling and distribution of beers and stouts.

The number of employees at June 30, 2007 was 762 (2006: 734) for the company and the group.

2. Basis of preparation

(a) Statement of compliance:

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations, adopted by the International Accounting Standards Board (IASB), and comply with the provisions of the Companies Act.

(b) Basis of measurement:

The financial statements are prepared on the historical cost basis, except for available-for-sale investments (except for those for which a reliable measure of fair value is not available), investment properties and certain classes of property, plant and equipment at fair value.

(c) Functional and presentation currency:

The financial statements are presented in Jamaica dollars, which is the company's functional currency. All financial information presented has been rounded to the nearest thousand unless otherwise indicated.

(d) Use of estimates and judgements:

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, contingent assets and contingent liabilities at the balance sheet date and the income and expenses. Actual amounts could differ from those estimates.

The estimates and underlying assumption are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period, if the revision and future periods of the revision affects both future periods, if the revision affects both current and future periods.

2. Basis of preparation (cont'd)

(d) Use of estimates and judgements (cont'd):

The significant area of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is in respect of the measurement of defined benefit obligations.

The amounts recognised in the balance sheets and group income statements for pension and other post-retirement benefits are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised include expected long-term return on plan assets, the discount rate used to determine the present value of estimated future cash flows required to settle the pension and other post-retirement obligations and the expected rate of increase in medical costs for post-retirement medical benefits.

The expected return on plan assets is assumed considering the long-term historical returns, asset allocation and future estimates of long-term investment returns. The discount rate is determined based on the estimate of yield on long-term government securities that have maturity dates approximating the terms of the company's obligation; in the absence of such instruments in Jamaica, it has been necessary to estimate the rate by extrapolating from the longest-tenor security on the market. The estimate of expected rate of increase in medical costs is determined based on inflationary factors. Any changes in these assumptions will impact the amounts recorded in the financial statements for these obligations.

The carrying amount for available for sale investment is determined by a professional valuator using a maintainable earnings approach. Certain assumptions are made in respect of increased profitability, future tax rate, applicable multiple and discount rate for a minority share in an unquoted investment.

It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from these assumptions could require a material adjustment to the carrying amount reflected in the financial statements.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by group companies.

(a) Basis of consolidation:

(i) Subsidiaries are entities controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

3. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd):

(i) Continued:

The consolidated financial statements include the financial statements of the company and its subsidiaries, made up to June 30, 2007.

The subsidiaries, incorporated in Jamaica, unless stated otherwise, are as follows:-

Wholly-owned –
D & G Wines Limited (In liquidation)
Jamaica Metal Lithographers Limited (In liquidation)
Foods of Jamaica (Export) Limited
Red Stripe Brewing Company Limited [formerly GJL Limited]

These companies are currently inactive and the shareholdings are the same for 2007 and 2006. The cost of the company's interest in these subsidiaries was previously written-off. The company and its subsidiaries are collectively referred to as the "group".

(ii) Associates:

Associates are those entities in which the group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the group's share of the total recognised gains and losses of associates on an equity accounting basis, from the date that significant influence commences until the date that significant influence ceases. When the group's shares of losses exceeds its interest in an associate, the group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligations or made payments on behalf of an associate.

(iii) Transactions eliminated on consolidation:

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Revenue:

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts, volume rebates and special consumption taxes. Revenue is recognised in the income statements when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

3. Significant accounting policies (cont'd)

(c) Property, plant and equipment:

(i) Items of property, plant and equipment are measured at cost, except for plant and equipment and freehold land and buildings which are measured at valuation, less accumulated depreciation and impairment losses [see note 3(k)].

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the group and the cost of the item can be measured reliably. The cost of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

The market value of freehold land and building is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction considering its existing condition and location. The market value of plant and equipment is estimated using the depreciated replacement cost approach. Gains and losses arising from changes in market value is taken to capital reserve. Annual transfers are made from capital reserve to retained earnings, equivalent to increased depreciation arising from revaluation of property, plant and equipment.

(ii) Depreciation:

Depreciation is calculated on the straight-line basis at annual rates estimated to write off the carrying value of each asset over the period of its expected useful life. Annual rates are as follows:

Buildings	2%-2½%
Plant and equipment	2%-12½%
Furniture, fixtures and computer equipment	25%
Vending equipment	20%

The depreciation methods, useful lives and residual values are reassessed annually.

3. Significant accounting policies (cont'd)

(d) Inventories:

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based mainly on standard cost (which approximates to actual on a FIFO basis). Standard cost, where applicable, includes an appropriate share of production overheads based on normal operating capacity. Used cases and bottles are stated at the customers' deposit value which is below original cost. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

(e) Foreign currencies:

Transactions in foreign currencies are converted at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the balance sheet date. Foreign exchange differences arising from fluctuations in exchange rates are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the foreign exchange rates ruling at the dates that the values were determined.

(f) Taxation:

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax 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, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided 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 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 realised.

3. Significant accounting policies (cont'd)

(g) Employee benefits:

Employee benefits are all forms of consideration given by the group in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, NIS contributions, annual leave, and non-monetary benefits such as medical care and housing, post-employment benefits such as pension and other long-term employee benefits such as termination benefits.

Employee benefits that are earned as a result of past or current service are recognised in the following manner: Short-term employee benefits are recognised as a liability, net of payments made, and charged as expense. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave. Post employment benefits are accounted for as described below.

Employee benefits comprising pensions and other post-employment obligations included in these financial statements have been actuarially determined by a qualified independent actuary, appointed by management. The appointed actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuation was conducted in accordance with IAS 19, and the financial statements reflect the company's and group's post-employment benefit asset and obligations as computed by the actuary. In carrying out their audit, the auditors rely on the actuary's report.

Pension scheme costs (note 7) are accrued and funded annually. Such costs are actuarially determined and include amounts to fund past service benefits, expenses and future service benefits.

The company's net obligation in respect of the defined benefit pension plan is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that value is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is determined by reference to the yield at the balance sheet date on long-term government bonds with maturities approximating the terms of the company's obligation. The calculation is performed by a qualified actuary, using the projected unit credit method.

When the benefits of the plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statements on the straight-line basis over the average period until the benefits become vested. To the extent that the benefits are vested immediately, the expense is recognised immediately in the income statements.

To the extent that any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the income statements over a period of the average remaining working lives of staff members in the plan.

3. Significant accounting policies (cont'd)

(g) Employee benefits (cont'd):

When the fair value of planned assets exceeds the present value of the obligation, a pension asset is recorded to the extent of economic benefits which can be derived in the form of reduction in future contributions to the plan.

The company also provides post-retirement health benefits to employees upon retirement. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for the defined benefit pension plan and the present value of future benefits at the balance sheet date is shown as an obligation on the balance sheet.

(h) Financial instruments:

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, short-term deposits, related party balances, trade and other payables and long-term liabilities.

Non-derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the group's contractual rights to the cash flows from the financial assets expire or if the group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the company's and group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Short-term deposits, with maturities ranging from one to three months, which form part of the group's cash management, are included in cash and cash equivalents for the purpose of the company and group statement of cash flows.

Non-derivative financial instruments are subsequently measured as follows:

(i) Unquoted equity investment is classified as available-for-sale financial asset. Subsequent to initial recognition, they are measured at fair value, except where fair value cannot be reliably determined, they are measured at cost. Gains and losses arising from changes in fair value, except for impairment losses [see note 3 (k)], is recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss. Fair value is estimated using a valuation technique.

(ii) Debt securities are classified as loans and receivable and after initial recognition is subsequently measured at amortised cost using the effective interest method, less impairment losses.

3. Significant accounting policies (cont'd)

(h) Financial instruments (cont'd):

Non-derivative financial instruments are subsequently measured as follows (cont'd):

(iii) Other non-derivative financial instruments including cash and cash equivalents, short-term deposits, trade and other receivables, related party balances, trade and other payables and long-term liabilities are measured at amortised cost using the effective interest method, less any impairment losses in respect of financial assets.

(i) Investment properties:

Investment properties are measured at fair value determined annually by an independent registered valuator or the directors (note 5). Fair value is based on current prices in an active market for similar properties in the same location and condition. Any gain or loss arising from change in fair value is recognised in the income statements. In carrying out the audit, the auditors relied on the valuator's and directors' reports.

(j) Provision:

A provision is recognised in the balance sheet when the group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(k) Impairment:

(i) Financial assets:

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original interest rate. Receivables with a short duration are not discounted. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

3. Significant accounting policies (cont'd)

(k) Impairment (cont'd):

(i) Financial assets (cont'd):

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(ii) Non-financial assets:

The carrying amounts of the company's and the group's non-financial assets, other than investment property and inventories, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(l) Finance income and expenses:

Finance income comprises interest income on funds invested, dividend and foreign exchange gains. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the company's and group's right to receive payment is established.

3. Significant accounting policies (cont'd)

(l) Finance income and expenses (cont'd):

Finance expenses comprise interest expense on borrowings and foreign currency losses. Borrowing costs are recognised in profit or loss using the effective interest method.

(m) Segment reporting:

A segment is a distinguishable component of the company that is engaged either in providing products (business segment), or in providing products within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(n) Earnings per share:

The group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the year.

(o) New standards and interpretations adopted:

During the year, the following new standards and interpretations became effective:

IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRIC 4	Determining Whether an Arrangement Contains a Lease
IFRIC 5	Rights to Interest Arising from Decommissioning, Restoration
IFRIC 6	Liabilities arising from Participating in a Specific Market – Waste, Electrical and Electronic Equipment
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyper-Inflationary Economies
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IAS 19 Amendments	Actuarial Gains & Losses, Group Plans and Disclosures
IAS 39 Amendments	The Fair Value Option, Financial Instrument Cash Flow Hedge Accounting for Forecast Intra-group Transactions and Financial Guarantee Contracts

The adoption of these standards did not result in any change in accounting policies and did not have any effect on the company's and group's operating results or financial position. The adoption of IAS 19 Amendments resulted in additional disclosures in respect of post retirement benefits.

3. Significant accounting policies (cont'd)

(p) New standards and interpretations issued but not yet adopted:

The following new standards, amendments to standards and interpretations which have been issued are not yet effective for the year ended June 30, 2007, and have not been applied in preparing these financial statements.

- *IFRS 7 Financial Instruments: Disclosures and the Amendments to IAS 1 Presentation of Financial Statements: Capital Disclosures* require disclosures about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks. IFRS 7 and amended IAS 1, which become mandatory for the company's and group's 2008 financial statements, will require additional disclosures with respect to financial instruments and share capital.

- *IFRS 8 Operating Segments* requires disclosures based on the components of the company that management monitors in making decisions about operating matters as well as qualitative disclosures on segments. The standard which will become applicable for the company's and group's 2010 financial statements is not expected to have any material impact on the financial statements.

- *IFRIC 10 Interim Financial Reporting and Impairment* prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment, in an equity instrument or a financial asset carried at cost. IFRIC 10 will which is not expected to have any material impact on the financial statements will become mandatory for the company's and group's 2008 financial statements.

- *IFRIC 11 – IFRS 2 – Group and Treasury Share Transactions* addresses the classification of a share-based payment transaction (as equity or cash-settled), in the financial statements of the entity whose employees are entitled to the share-based payment, where equity instruments of the parent or another group co-operative are transferred in settlement of the obligation. IFRIC 11 will become mandatory for the company's and group's 2008 financial statements and is not expected to have any material impact on the financial statements.

- *IFRIC 12 Service Concession Arrangements* addresses the accounting requirements for public-to-private service concession arrangements in private sector entities. IFRIC 12 is not considered relevant to the company and is not expected to have any impact on the financial statements.

- *IAS 23 Borrowing Costs* removes the option of immediately recognising all borrowing costs as an expense, and requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. IAS 23 will become mandatory for the company's and group's 2010 financial statements and is not expected to have any impact on the financial statements.

3. Significant accounting policies (cont'd)

(p) New standards and interpretations issued but not yet adopted (cont'd):

- *IFRIC 13 Customer Loyalty Programmes* requires the recognition of award credits as a separately identifiable component of a sales transaction and consequently defer the recognition of revenue for the awards. IFRIC 13 is applicable for the company's and group's 2009 financial statements and is not expected to have any material impact.

- *IFRIC 14 – IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction* addresses the availability of a refund or surplus or a reduction in future contributions when a minimum funding requirement (MFR) exists. The interpretation is applicable for the company's and group's 2009 financial statements. The impact, if any, of IFRIC 14 on the company's and group's financial statements has not yet been assessed.

4. Investments

(a) Investments comprise:

	Company		Group	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Available for sale:				
Unquoted	511,380	46,286	510,207	45,113
Loans and receivables	-	-	18	18
	511,380	46,286	510,225	45,131

The carrying amount of the available for sale investment is the fair value as determined by a professional business valuator. A maintainable earnings approach was applied based on projected after tax earnings for 2007. The multiple applied was determined based on an average of the company's multiple, discounted by 40% for lack of marketability and an approximate hurdle rate for the company being valued. A discount of 10% was also applied as the company has a minority interest.

(b) Associated companies, incorporated in Jamaica unless stated otherwise, are as follows:

	Group's percentage interest	
	2007	2006
West Indies Yeast Company Limited	28.0	28.0
Jamaica Extracts Limited	20.0	20.0
Red Stripe Marketing Company Limited (Resident in the United Kingdom)	50.0	50.0

The companies are currently inactive.

5. Investment properties

	Company and Group	
	2007	2006
	$'000	$'000
Vacant commercial lands	84,500	36,000

The carrying amount of investment properties is the fair value of the properties as determined by Property Consultants Limited, registered independent valuator having an appropriate recognised professional qualification and recent experience in the locations and category of the properties being valued. The properties were valued as at the end of the previous year by the directors, who took account of the locations and category of the properties. Fair values arrived at by the directors were determined having regard to recent market transactions for similar properties in the same locations as the group's investment properties and were the same as the independent valuator [note 3 (i)].

No income is being earned from, or expenses incurred for, these properties.

6. Property, plant and equipment

	Company and Group				
	Freehold land and buildings	Plant and equipment	Furniture, fixtures and computer equipment	Construction in progress (CIP)	Total
	$'000	$'000	$'000	$'000	$'000
Cost or valuation:					
June 30, 2005	1,059,671	4,176,113	330,700	709,560	6,276,044
Additions	23,006	24,464	-	392,312	439,782
Transfers from CIP	38,121	233,381	651	(272,153)	-
June 30, 2006	1,120,798	4,433,958	331,351	829,719	6,715,826
Additions	-	418	-	752,128	752,546
Revaluation surplus	1,212,125	78,323	-	-	1,290,448
Transfers from CIP	19,558	149,238	-	(168,796)	-
Disposals/write- off	-	(57,909)	-	-	(57,909)
June 30, 2007	2,352,481	4,604,028	331,351	1,413,051	8,700,911
At cost	-	-	331,351	1,413,051	1,744,402
At valuation	2,352,481	4,604,028	-	-	6,956,509
	2,352,481	4,604,028	331,351	1,413,051	8,700,911
Depreciation and impairment losses:					
June 30, 2005	331,345	2,314,640	250,762	-	2,896,747
Charge for the year	22,114	218,673	27,874	-	268,661
June 30, 2006	353,459	2,533,313	278,636	-	3,165,408
Charge for the year	23,459	234,711	23,144	-	281,314
Eliminated on revaluation	(376,918)	-	-	-	(376,918)
Eliminated on disposals/write-off	-	(51,415)	-	-	(51,415)
June 30, 2007	-	2,716,609	301,780	-	3,018,389
Carrying amounts:					
June 30, 2007	2,352,481	1,887,419	29,571	1,413,051	5,682,522
June 30, 2006	767,339	1,900,645	52,715	829,719	3,550,418
June 30, 2005	728,326	1,861,473	79,938	709,560	3,379,297

6. Property, plant and equipment (cont'd)

Freehold land and buildings were revalued as at June 30, 2007 at market value by Property Consultants Limited.

The company's plant and equipment were revalued as of June 30, 2007 on the depreciated replacement cost basis by Delano Reid and Associates Limited.

The surplus arising on revaluation was credited to capital reserves (note 12).

7. Employee benefits asset/obligation

The company operates a defined benefit pension scheme [note 3(g)] which is open to all permanent employees and is managed by an independent outside agency. The scheme is funded by employee contributions at rates varying between 6% and 10% of salary and employer contributions at rates recommended by independent actuaries from time to time. Retirement and other benefits are based on average salary for the last three years of pensionable service. The company also provides post-employment medical benefits to employee upon retirement.

(a) Employee benefits asset/(obligation):

	Company and Group Asset		Company and Group Obligation	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Present value of funded obligation	(2,462,000)	(2,001,000)	(59,000)	(62,000)
Fair value of plan assets	3,970,000	3,383,000	-	-
Asset not recognised due to limitation	(492,000)	(512,000)	-	-
Unrecognised actuarial (losses)/gains	88,000	105,000	(16,000)	(4,000)
Net asset/(obligation) at end of year	1,104,000	975,000	(75,000)	(66,000)

(b) Movements in the present value of funded obligation:

	Company and Group Pension Asset		Company and Group Obligation	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Balance at beginning of year	2,001,000	1,583,000	(62,000)	(56,000)
Benefits	(186,000)	(92,000)	-	-
Service and interest costs	298,000	234,000	(12,000)	(12,000)
Contributions	58,000	55,000	3,000	3,000
Actuarial gain	291,000	221,000	12,000	3,000
Balance at end of year	2,462,000	2,001,000	(59,000)	(62,000)

7. Employee benefits asset/obligation (cont'd)

(c) Movement in plan assets:

	Company and Group Pension Asset		Company and Group Obligation	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Fair value of plan assets at July 1	3,383,000	3,545,000	-	-
Contributions paid	66,000	64,000	-	-
Expected return on plan assets	399,000	424,000	-	-
Benefits paid	(186,000)	(92,000)	-	-
Actuarial gain	308,000	(558,000)	-	-
Fair value of plan assets on June 30	3,970,000	3,383,000	-	-
Plan assets consist of the following:				
Equities	1,601,000	1,380,000	-	-
Foreign currency	209,000	167,000	-	-
Fixed income securities	736,000	715,000	-	-
Real estate	1,424,000	1,121,000	-	-

(d) Income recognised in the company and group income statements:

	Asset		Obligation	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Current service costs	78,000	50,000	5,000	5,000
Interest on obligation	220,000	184,000	7,000	7,000
Recognised accumulated gain	(20,000)	(81,000)	-	-
Expected return on plan assets	(399,000)	(424,000)	-	-
	(121,000)	(271,000)	12,000	12,000
Actual return on plan assets	21.7%	(3.9%)		

(e) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2007	2006
	%	%
Discount rate at June 30	12.0	12.0
Expected return on plan assets at June 30	12.0	12.0
Future salary increases	9.5	9.5
Future pension increases	6.5	6.5
Medical claims growth	10.5	10.5

7. Employee benefits asset/obligation (cont'd)

(e) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages) (cont'd):

(i) The expected long-term rate of return is based on market expectation of inflation of (7%) plus a margin for real returns (5%) on a balanced portfolio of equities and bonds.

(ii) Assumptions regarding future mortality are based on American 1994 Group Annuitant Mortality (GAM94) table.

(iii) The company's best estimate of contributions expected to be paid to the plan during the next financial year is $68,000,000.

(f) Assumed health care cost trend have a significant effect on the amounts recognised in profit or loss. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase $	One percentage point decrease $
Effect on the aggregate service and interest cost	10,885,000	13,256,000
Effect on the defined benefit obligation	53,362,000	73,754,000

(g) Historical information

(i) Defined benefit pension plan:

	2007 $'000	2006 $'000	2005 $'000
Present value of defined benefit obligation	2,462,000	2,001,000	1,583,000
Fair value of plan assets ($m)	(3,970,000)	(3,383,000)	(3,545,000)
Surplus ($m)	(1,508,000)	(1,382,000)	(1,962,000)
Experience adjustments on plan liabilities	291,000	221,000	393,000
Experience adjustments on plan assets	(308,000)	558,000	(486,000)

(ii) Post-employment medical benefits:

	2007 $	2006 $	2005 $
Present value of defined benefit obligation	59,000	62,000	56,000
Experience adjustments on plan liabilities	16,000	4,000	1,000

8. Accounts receivable

	Company and Group	
	2007	2006
	$'000	$'000
Trade	279,384	317,259
Other	153,212	114,502
	432,596	431,761
Less provision for doubtful debts	(66,013)	(72,615)
	366,583	359,146

9. Inventories

	Company and Group	
	2007	2006*
	$'000	$'000
Raw materials	389,528	367,970
Work-in-progress	168,398	146,573
Finished goods	339,310	216,489
Used cases and bottles	322,224	315,713
Plant and equipment spares	178,774	108,277
	1,398,234	1,155,022

10. Accounts payable

	Company		Group	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Trade	622,414	591,964	622,414	591,964
Staff accruals	365,557	342,048	365,557	342,048
Other	458,259	411,168	460,965	413,874
	1,446,230	1,345,180	1,448,936	1,347,886

11. Share capital

	2007	2006
	$'000	$'000
Authorised:		
2,810,500,000 ordinary shares of no par value		
Stated:		
Issued and fully paid:		
2,809,171,266 ordinary stocks of no par value	2,174,980	2,174,980

Under the Companies Act 2004 (the "Act"), which became effective on February 1, 2005, all shares in issue are deemed to be shares without a par (or nominal) value, unless the company, by ordinary resolution, elects to retain its shares with a par value. The share capital is comprised of the sum of the par value of shares in issue and share premium.

*Reclassified to conform to 2007 presentation.

12. Capital reserves

	Company 2007 $'000	Company 2006 $'000	Group 2007 $'000	Group 2006 $'000
Unrealised surplus on revaluation of property, plant and equipment (note 6)	3,074,084	1,406,718	3,081,854	1,414,488
Depreciation charge on surplus of revalued property, plant and equipment, transferred to retained earnings	(182,891)	(137,928)	(182,891)	(137,928)
Deferred taxation on revalued property, plant and equipment	(687,430)	(363,829)	(687,430)	(363,829)
Realised gain on disposal of property, plant and equipment	(62,185)	(62,185)	(62,185)	(62,185)
	2,141,578	842,776	2,149,348	850,546

13. Other reserves

	Company and Group 2007 $'000	Company and Group 2006 $'000
Investment revaluation reserve [see (a)]	503,568	38,474
Pension equalisation reserve [see (b)]	686,000	606,000
	1,189,568	644,474

(a) This represents the unrealised gains on the revaluation of available-for-sale investments.

(b) This represents the net employee benefits asset of $1,029,000,000 (2006: $912,000,000), less deferred tax of $343,000,000 (2006: $303,000,000), arising on the actuarial valuation, under IAS 19, of the group's pension scheme. Annual changes in the value of the scheme are shown in the company and group income statements, then transferred to this reserve.

14. Long-term liabilities

	Company 2007 $'000	Company 2006 $'000	Group 2007 $'000	Group 2006 $'000
Subsidiaries [see (i) below]	157,235	157,235	-	-

(i) The loans from subsidiaries are unsecured, bore no interest for 2007 and 2006, and have no fixed repayment date.

15. Deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	Company and Group 2007 $'000	Company and Group 2006 $'000
Accrued vacation leave	(7,214)	(13,973)
Unrealised foreign exchange gains	6,682	3,439
Property, plant and equipment	678,458	395,852
Interest/dividend receivable	67	29
Employee benefits asset	343,000	303,000
	1,020,993	688,347

Movement in temporary differences during the year:

	Balance at July 1 $'000	Recognised in income $'000	Recognised in equity $'000	Balance at June 30 $'000
Accrued vacation leave	(13,973)	6,759	-	(7,214)
Unrealised foreign exchange gains	3,439	3,243	-	6,682
Property, plant and equipment	395,852	(40,995)	323,601	678,458
Interest receivable	29	38	-	67
Employee benefits asset	303,000	40,000	-	343,000
	688,347	9,045	323,601	1,020,993

16. Turnover

Turnover represents the net invoice value of goods and services, including Special Consumption Tax (SCT), royalties and rental income but excluding General Consumption Tax (GCT).

17. Profit before taxation

Profit before taxation is stated after charging/(crediting):

	Company and Group 2007 $'000	Company and Group 2006 $'000
Auditors' remuneration	3,822	3,822
Depreciation	281,314	268,661
Directors' emoluments:		
Fees	3,136	711
Management remuneration	96,917	75,401
Staff costs	1,529,299	1,571,759
Redundancy payments	2,296	44,086
Dividends received on:		
Other investments	(16)	(13)
Overseas investments	(84,266)	(8,700)
Royalties earned	(194,352)	(193,141)
Bad debts	85,238	23,829
Inventory written off	25,889	23,935

18. Taxation

(a) Recognised in the company and group income statements:

The taxation charge is based on the company's and group's results for the year, as adjusted for taxation purposes, and comprises:

	2007 $'000	2006 $'000
(i) Current tax expense:		
Income tax at 33⅓%	682,307	716,205
Tax remitted (see note below)	-	(626,846)
Prior year under-provision	-	998
	682,307	90,357
(ii) Deferred taxation:		
Origination and reversal of temporary differences (note 15)	9,045	22,197
Total taxation in income statement	691,352	112,554

Approval was granted to the company for five years, under the provisions of Section 86 of the Income Tax Act, for income tax applicable to operations to be remitted, which expired for the year ended June 30, 2006.

(b) Reconciliation of effective tax rate:

	Company and Group	
	2007 $'000	2006 $'000
Profit before taxation	2,113,226	2,324,401
Computed "expected" tax charge at 33⅓%	704,409	774,800
Difference between profit for financial statements and tax reporting purposes on:		
Depreciation charge and capital allowances	(8,873)	(47,813)
Loss/gain on disposal of property, plant and equipment	1,614	(3,593)
Tax-free income	-	(3,734)
Tax remitted	-	(626,846)
Prior year under-provision	-	998
Disallowed expenses and other capital adjustment	(6,202)	17,399
Other	404	1,343
Actual tax charge	691,352	112,554

	2007 $'000	2006 $'000
(c) Deferred tax recognised directly in equity relating to employee benefits and revaluation of property, plant and equipment (note 15)	323,601	26,199

19. Earnings per stock unit

The calculation of earnings per stock unit is based on the group's profit for the year of $1,421,874,000 (2006: $2,211,847,000) and 2,809,171,266 stock units, being the number of stock units in issue at the end of the year.

20. Dividends

	2007 $'000	2006 $'000
Ordinary dividends:		
Interims paid in respect of 2007 - 53¢ (2006: 57¢) per stock unit – gross	1,488,860	1,601,227

A first interim ordinary dividend of 26¢ (2006: 28¢) (gross) per stock unit, was paid on December 15, 2006 (2006: December 15, 2005).

A second interim ordinary dividend of 27¢ (2006: 29¢) (gross) per stock unit, was paid on June 29, 2007 (2006: June 28, 2006).

21. Related party balances and transactions

A party is related to the company if:

(a) directly, or indirectly through one or more intermediaries, the party:
   - (i) controls, is controlled by, or is under common control with, the company
   - (ii) has an interest in the company that gives it significant influence over the company; or
   - (iii) has joint control over the company;

(b) the party is an associate of the company;

(c) the party is a joint venture in which the company is a venturer;

(d) the party is a member of the key management personnel of the company or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an company that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such company resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the company, or of any entity that is a related party of the entity.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

21. Related party balances and transactions (cont'd)

During the year the following (income)/expenses, arising in the ordinary course of business with related parties, were as follows:

	2007 $'000	2006 $'000
Fellow subsidiaries:		
Sales	(2,393,730)	(1,940,483)
Royalties	155,844	127,916
Marketing cost	660,547	474,376
Purchases of raw materials and finished goods	695,063	999,938
Key management personnel:		
Short-term employment benefits	176,180	111,471
Post-employment benefits	(16,000)	(14,928)

The balance sheet includes balances arising in the ordinary course of business with related parties as follows:

	2007 $'000	2006 $'000
Key management personnel:		
Accounts receivable	480	408

22. Segment reporting

Segment information is presented in respect of the company's and the group's business segments. The primary format business segments are based on the company's management and internal reporting structure.

There are no inter-segment sales.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period.

Business segments:

The company only has one business segment consisting of premium drinks.

22. Segment reporting (cont'd)

Geographical segments:

The company's and the group's primary segments, which are geographical, comprise domestic and export.

	Domestic		Export		Group	
	2007	2006	2007	2006	2007	2006
	$'000	$'000	$'000	$'000	$'000	$'000
Turnover	8,667,470	7,548,943	2,645,806	2,565,429	11,313,276	10,114,372
SCT	(1,619,117)	(1,383,870)	-	-	(1,619,117)	(1,383,870)
Net sales	7,048,353	6,165,073	2,645,806	2,565,429	9,694,159	8,730,502
Cost of sales	(3,728,579)	(3,056,718)	(2,016,054)	(1,877,485)	(5,744,633)	(4,934,203)
Gross profit	3,319,774	3,108,355	629,752	687,944	3,949,526	3,796,299
Marketing cost	(648,075)	(588,161)	(668,833)	(476,943)	(1,316,908)	(1,065,104)
Segment result	2,671,699	2,520,194	(39,081)	211,001	2,632,618	2,731,195
General, selling and administration expenses					(802,406)	(750,200)
Other income					67,653	11,489
Trading profit					1,897,865	1,992,484
Employee benefits income					109,000	259,000
Interest income					62,703	62,138
Revaluation surplus					48,500	-
(Loss)/gain on disposal of property, plant and equipment					(4,842)	10,779
Profit before taxation					2,113,226	2,324,401
Taxation					(691,352)	(112,554)
Profit for the year					1,421,874	2,211,847
Segment assets	7,557,879	5,351,451	2,286,459	1,731,613	9,844,338	7,083,064
Segment liabilities	2,687,066	1,825,750	623,189	465,100	3,310,255	2,290,854
Depreciation	(194,107)	(206,025)	(87,207)	(62,636)	(281,314)	(268,661)
Capital expenditure	519,234	312,929	233,312	126,853	752,546	439,782

23. Contingent liabilities

(i) At the balance sheet date, the company had a contingent liability in respect of letters of credit issued in favour of the Collector of Customs, amounting to $18,500,000 (2006: $12,500,000).

(ii) A claim has been made against the company for legal costs amounting to $2.3 million in respect of a previously settled case. This amount is being disputed. No provision has been made in these financial statements with respect to this amount.

24. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of the financial statements, financial assets have been determined to include cash and cash equivalents, short-term deposits, accounts receivable and investments. Financial liabilities include accounts payable, Diageo group companies' balances and long-term liabilities.

(a) Fair value of financial instruments:

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists.

The fair value of cash and cash equivalents, short-term deposits, accounts receivable, accounts payable, and Diageo group companies' balances approximates to their carrying values due to their relatively short-term nature.

The fair value of long-term liabilities is assumed to approximate their carrying values as no discount on settlement is anticipated.

(b) Financial instrument risks:

Exposure to credit, interest rate, foreign currency, market, liquidity and cash flow risks arises in the ordinary course of the company's and the group's business. No derivative financial instruments are presently used to manage, mitigate or eliminate financial instrument risks.

(i) Credit risk:

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The company and group generally do not require collateral in respect of financial assets, predominantly, trade receivables. Management has a credit policy in place to minimise exposure to credit risk. Credit evaluations are performed on all customers requiring credit.

At balance sheet date, there were no significant concentrations of credit risk and the maximum exposure to credit risk is represented by the carrying amount of each financial asset.

(ii) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The company and group materially contracts financial liabilities at fixed interest rates for the duration of the term. When utilised, bank overdrafts are subject to fixed interest rates, which may be varied by appropriate notice by the lender. At June 30, 2007, there were no financial liabilities subject to fixed interest rates.

24. Financial instruments (cont'd)

(b) Financial instrument risks (cont'd):

(iii) Foreign currency risk:

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The company and group are exposed to significant foreign currency risk, which is managed by maximising foreign currency sales and holding foreign currency balances.

At June 30, 2007, the company and the group had net foreign currency assets/(liabilities) as follows:

	2007 $'000	2006 $'000
Currency		
United States dollars	4,015	13,247
Canadian dollars	292	189
Pounds sterling	(861)	(389)
Euro	6	(26,462)

(iv) Market risk:

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The company and the group have no exposure to market risk as there are no traded securities.

(v) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the company and the group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed facilities. Due to the dynamic nature of the industry, the management of the company and the group maintains an adequate amount of its financial assets in liquid form to meet contractual obligations and other recurring payments.

(vi) Cash flow risk:

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. The company and the group manage this risk through budgetary measures, ensuring, as far as possible, that fluctuations in cash flows relating to monetary financial assets and liabilities are matched, to mitigate any significant adverse cash flows.

Form of Proxy

I/We ....

of ....

Being a member/members of Desnoes & Geddes Limited, hereby appoint

....of..

Or failing him, ...of...

As my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on October 26, 2007 at 10:00 a.m. and any adjournment thereof.

Dated...

Signed ....

....

PLACE
$100
STAMP
HERE

Please indicate by inserting "X" in the space below how you wish your vote to be cast. If no indication is given your proxy will vote for or against resolution or abstain as he/she thinks fit.

RESOLUTIONS

		For	Against
1.	Adopting the financial statements and reports of Directors and Auditors thereon		
2.	Approving Directors' Fees for Non-Executive Directors for the year		
3.	Approving the Declaration of final dividend		
4a	Electing Director Andrew R. Jones		
4b	Re-electing Director Marguerite Orane		
4c	Re-electing Director John Randolph Millian		
4d	Re-electing Director Damien King		
5	Fixing the remuneration of the Auditors		

Notes:

1. If a member is a corporation, this form must be done under common seal or under the hand of an officer or attorney duly authorised in writing.

2. To be valid, this form must be received at the Registered Office of the Company, 214 Spanish Town Road, Kingston 11, no later than 10:00 a.m. on October 24, 2007