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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 3 to 34, 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.

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.

INDEPENDENT AUDITORS' REPORT

To the Members of
DESNOES & GEDDES LIMITED

Report on the Financial Statements, cont'd

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

DESNOES & GEDDES LIMITED

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 3 to 34 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.

DESNOES & GEDDES LIMITED

Group Balance Sheet
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 3 to 34 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.

DESNOES & GEDDES LIMITED

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.

DESNOES & GEDDES LIMITED

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	4,000,252
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 $3,325,168,000 (2006: $2,238,046,000).
The accompanying notes form an integral part of the financial statements.

DESNOES & GEDDES LIMITED

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 $3,325,168,000 (2006: $2,238,046,000).
The accompanying notes form an integral part of the financial statements.

DESNOES & GEDDES LIMITED

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	0	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.

DESNOES & GEDDES LIMITED

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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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	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.

(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.

3. Significant accounting policies (cont'd)

(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.

(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.

3. Significant accounting policies (cont'd)

(g) Employee benefits (cont'd):

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.

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.

3. Significant accounting policies (cont'd)

(h) Financial instruments (cont'd):

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.

(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.

3. Significant accounting policies (cont'd)

(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.

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.

3. Significant accounting policies (cont'd)

(k) Impairment (cont'd):

(ii) Non-financial assets (cont'd) :

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.

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.

3. Significant accounting policies (cont'd)

(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.

(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.

3. Significant accounting policies (cont'd)

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

- *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.

- *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.

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
June 30, 2007

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.

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
June 30, 2007

6. Property, plant and equipment

	Company and Group				
	Freehold land and buildings $'000	Plant and equipment $'000	Furniture, fixtures and computer equipment $'000	Construction in progress (CIP) $'000	Total $'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

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)

(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	-	-

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
June 30, 2007

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

(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

(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.

(e) 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

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
June 30, 2007

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

(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 $'000	2006 $'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 $'000	2006* $'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

*Reclassified to conform to 2007 presentation.

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
June 30, 2007

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.

12. Capital reserves

	Company		Group	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'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

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
June 30, 2007

13. Other reserves

	Company and Group	
	2007	2006
	$'000	$'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		Group	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'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	2006
	$'000	$'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	Recognised in income	Recognised in equity	June 30
	$'000	$'000	$'000	$'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	2006
	$'000	$'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	2006
	$'000	$'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.

18. Taxation (cont'd)

(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.

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

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
June 30, 2007

22. Segment reporting

Segment information is presented in respect of the company's and the group's business segments. The primary format business segments is 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.

Geographical segments:

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

	Domestic		Export		Group	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'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.

24. Financial instruments (cont'd)

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

(i) Credit risk (cont'd):

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.

(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	2006
	$'000	$'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.

24. Financial instruments (cont'd)

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

(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.

DESNOES & GEDDES LIMITED
Results at a Glance
Year ended and 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

DESNOES & GEDDES LIMITED
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.