

ST. VINCENT BREWERY LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

ST. VINCENT BREWERY LIMITED

REGISTERED OFFICE

**Campden Park Industrial Estate
Campden Park, St. Vincent and the Grenadines**

DIRECTORS

**H. J. Barth - Chairman
M. Ballantyne - Director
C. Christensen - Director
S. Goodluck - Director
C. Niemeyer - Director
I. Trier - Director**

COMPANY SECRETARY

H. A. Bailey

SOLICITOR

Samuel Commissiong

BANKERS

**FirstCaribbean International Bank (Barbados) Limited
The Bank of Nova Scotia**

AUDITORS

**Pannell Kerr Forster
Chartered Accountants**

ST. VINCENT BREWERY LIMITED
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For the Year Ended December 31, 2003

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ST. VINCENT BREWERY LIMITED
Balance Sheet
As of December 31, 2003
(Expressed in Eastern Caribbean Currency)

	Notes	2003 \$	2002 \$
ASSETS			
Current Assets			
Cash		4,188,267	3,229,539
Trade accounts receivable		1,941,731	2,800,107
Other receivables		257,435	608,393
Due from affiliated companies	4	231,777	25,000
Inventories	5	8,328,941	8,154,346
Prepaid expenses		232,219	415,200
Total Current Assets		15,180,370	15,232,585
Property, Plant and Equipment	6	18,910,443	17,770,998
Brands	7	-	92,405
Total Assets		34,090,813	33,095,988
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities		2,671,603	2,808,624
Due to affiliated companies	8	185,712	529,494
Income tax payable		289,497	255,256
Dividend payable		40,074	35,512
Total Current Liabilities		3,186,886	3,628,886
Deferred Tax Liability	9	2,106,227	2,036,610
		5,293,113	5,665,496
Shareholders' Equity			
Stated capital	10	18,309,880	18,309,880
Reserve for plant extension	11	800,000	600,000
Retained earnings		9,687,820	8,520,612
Total Shareholders' Equity		28,797,700	27,430,492
Total Liabilities and Shareholders' Equity		34,090,813	33,095,988

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

APPROVED ON BEHALF OF THE BOARD:-

Henry. J. Barth – Chairman

Samuel. G. Goodluck - Director

Helen. A. Bailey – Secretary

ST. VINCENT BREWERY LIMITED
Statement of Changes in Equity
For the Year Ended December 31, 2003
(Expressed in Eastern Caribbean Currency)

	Stated Capital \$	Reserve for Plant Extension \$	Retained Earnings \$	Total \$
Balance as of December 31, 2001	18,309,880	400,000	7,086,620	25,796,500
Net Income for the Year	-	-	3,002,742	3,002,742
Reserve for Plant Extension	-	200,000	(200,000)	-
Final Cash Dividend - 2001	-	-	(456,250)	(456,250)
Interim Cash Dividend - 2002	-	-	(912,500)	(912,500)
Balance as of December 31, 2002	18,309,880	600,000	8,520,612	27,430,492
Net Income for the Year	-	-	3,192,208	3,192,208
Reserve for Plant Extension	-	200,000	(200,000)	-
Final Cash Dividend - 2002	-	-	(912,500)	(912,500)
Interim Cash Dividend -2003	-	-	(912,500)	(912,500)
Balance as of December 31, 2003	18,309,880	800,000	9,687,820	28,797,700

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

ST. VINCENT BREWERY LIMITED
Statement of Income
For the Year Ended December 31, 2003
(Expressed in Eastern Caribbean Currency)

	Note	2003 \$	2002 \$
Turnover		28,880,175	27,493,360
Production, Marketing and Administrative Expenses		22,029,240	20,962,803
Trading Profit before Charging the Following Items:-		6,850,935	6,530,557
Interest Income		(145,688)	(146,455)
Amortisation		92,405	92,405
Depreciation		2,329,341	2,259,893
Income before Income Tax		4,574,877	4,324,714
Income Tax	12	1,382,669	1,321,972
Net Income for the Year		3,192,208	3,002,742
Earnings per Share	13	1.75	1.65
The following expense is included in the foregoing:-			
Staff cost		4,362,955	4,668,273

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

ST. VINCENT BREWERY LIMITED
Statement of Cash Flows
For the Year Ended December 31, 2003
(Expressed in Eastern Caribbean Currency)

	2003	2002
	\$	\$
Cash Flows from Operating Activities		
Income before income tax	4,574,877	4,324,714
Adjustment for		
Depreciation	2,329,341	2,259,893
Amortisation of brands	92,405	92,405
Gain on disposal of property, plant and equipment	(67,755)	(23,000)
Interest income	(145,688)	(146,455)
Operating Profit before Working Capital Changes	6,783,180	6,507,557
Decrease (Increase) in trade accounts receivable	858,376	(186,226)
Decrease (Increase) in other receivables	350,958	(233,892)
Increase in amounts due from affiliated companies	(206,777)	(25,000)
Decrease (Increase) in prepaid expenses	182,981	(68,194)
Increase in inventories	(174,595)	(1,010,410)
(Decrease) Increase in accounts payable and accrued liabilities	(56,688)	457,422
Decrease in amounts due to affiliated companies	(424,115)	(71,338)
Cash Generated from Operations	7,313,320	5,369,919
Income tax paid	(1,278,811)	(1,251,854)
Interest received	145,688	146,455
Net Cash Generated from Operating Activities	6,180,197	4,264,520
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(3,487,177)	(2,370,095)
Proceeds from disposal of property, plant and equipment	86,146	23,000
Net Cash Used in Investing Activities	(3,401,031)	(2,347,095)
Cash Flows from Financing Activities		
Dividend paid	(1,820,438)	(1,375,996)
Net Cash Used in Financing Activities	(1,820,438)	(1,375,996)
Increase in Net Cash	958,728	541,429
Net Cash – Beginning of Year	3,229,539	2,688,110
Net Cash – End of Year	4,188,267	3,229,539
Represented by:-		
Bank and cash balances	4,188,267	3,229,539

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

ST. VINCENT BREWERY LIMITED
Notes to the Financial Statements (Cont'd)
For the Year Ended December 31, 2003
(Expressed in Eastern Caribbean Currency)

1. Incorporation and Principal Activities

The company was incorporated as a public company limited by shares, under the laws of St. Vincent and the Grenadines on October 31, 1979, and has been continued as company 34 of 1979 under Section 365 of the Companies Act of 1994. Its principal activities are brewing, manufacturing and merchandising of beer and other beverages.

2. Date of Authorisation of Issue

These financial statements were authorised for issue by the Board of Directors on ***** , 2004.

3. Principal Accounting Policies

These financial statements are stated in East Caribbean dollars and have been prepared in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board.

The preparation of the financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. The following are the significant accounting policies adopted by the Company:-

a. Basis of Accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of freehold land and buildings and plant and machinery, as described in note 6.

b. Inventories

Inventories are valued at the lower of cost and net realisable value. In general, cost is determined on the first-in, first-out basis and, in the case of finished and semi-finished products, includes direct costs and attributable production overheads. Net realisable value is the price at which inventories can be realised in the normal course of business.

c. Depreciation

Depreciation is provided on a straight line basis at rates which are expected to write off the cost of depreciable assets over the period of their estimated useful lives. Depreciation is charged at the following annual rates:-

Freehold buildings	3	-	15%
Plant and machinery	3	-	20%
Office furniture and equipment	10	-	33 1/3%
Motor vehicles			20%

ST. VINCENT BREWERY LIMITED
Notes to the Financial Statements (Cont'd)
For the Year Ended December 31, 2003
(Expressed in Eastern Caribbean Currency)

3. Principal Accounting Policies (Cont'd)

d. Income Tax

Income tax expense is determined on the basis of tax effect accounting using the liability method. Accordingly, temporary differences between accounting results and taxable income or losses, which result in either future tax liability or future tax benefits, are accounted for as deferred tax at the current tax rate. Future tax benefits arising therefrom are recognised only to the extent that there is reasonable expectation of their realisation.

e. Foreign Currency Transactions

The company uses the current rate method of accounting for foreign currency transactions. Accordingly, assets and liabilities denominated in foreign currencies at balance sheet date are converted to the Eastern Caribbean dollar at the prevailing rates of exchange at that date. Foreign currency transactions are effected at the rates of exchange prevailing at the dates of the transactions. Foreign currency gains or losses arising from the conversion or settlement of foreign currency denominated balances are reflected in operations.

f. Brands

The fair value of business acquired and of interests taken in associated undertakings includes brands, which are recognised where the brand has a value, which is substantial and long term. Acquired brands are recognised where brand earnings are separately identifiable and the brand could be sold separately from the rest of the business.

Brands are amortised over a seven-year period on a straight-line basis.

g. Turnover

Turnover represents invoiced value of products sold less trade discounts.

h. Customer Deposits/Refunds

Customer deposits and refunds on bottles and crates are reflected in current operations.

i. Pension Expenses

Current service costs are charged to operations as they accrue based on services rendered by employees during the year.

Pension benefit obligations are determined by independent actuaries based on the length of service and rate of pay. Adjustments arising from plan amendments, changes in assumptions, experienced gains and losses, and the difference between the actuarial present value of accrued benefits and the value of pension fund assets are amortised over the expected average remaining service life of the employee group.

ST. VINCENT BREWERY LIMITED
Notes to the Financial Statements (Cont'd)
For the Year Ended December 31, 2003
(Expressed in Eastern Caribbean Currency)

3. Principal Accounting Policies (Cont'd)

j. Impairment of Assets

The company periodically evaluates the carrying value of its assets for potential impairment. The company considers projected future operating results, cash flows, trends and other circumstances in making such estimates and evaluation. Generally, any impairment in the value of an asset is charged to current operations. In the case of revalued assets, an impairment in value is charged to revaluation surplus to the extent that previous increases credited thereto were not utilised and amounts in excess of previous credits for the same asset are charged to operations.

k. Financial Instruments

The company recognises a financial asset or financial liability on its balance sheet using the settlement date method. Accordingly, a financial asset or a financial liability is recognised on the date of receipt or delivery to or by the company respectively. Any gains or loss arising from price, interest rate, or currency changes between the trade date, the date the company commits to the purchase or sale of an asset, and balance sheet date are recorded in current operations.

4. Due from Affiliated Companies

The amounts due from affiliated companies are unsecured and non-interest bearing.

5. Inventories

	2003	2002
	\$	\$
Raw materials	891,015	626,305
Packaging materials	410,553	386,332
Finished and semi-finished products	1,566,736	1,602,222
Advertising material and stationery	46,446	132,507
Fuel	24,639	13,594
Bottles and crates	4,855,798	4,820,099
	<u>7,795,187</u>	<u>7,581,059</u>
Goods-in-transit	533,754	573,287
	<u>8,328,941</u>	<u>8,154,346</u>

ST. VINCENT BREWERY LIMITED
Notes to the Financial Statements (Cont'd)
For the Year Ended December 31, 2003
(Expressed in Eastern Caribbean Currency)

6. Property, Plant and Equipment

	Freehold Land & Buildings \$	Plant & Machinery \$	Furniture & Equipment \$	Motor Vehicles \$	Total \$
Cost or Valuation					
As of December 31, 2002	10,920,441	24,796,227	2,423,100	1,920,119	40,059,887
Additions	604,825	2,127,466	333,886	421,000	3,487,177
Disposals	-	658,238	120,504	75,545	854,287
As of December 31, 2003	11,525,266	26,265,455	2,636,482	2,265,574	42,692,777
Accumulated Depreciation					
As of December 31, 2002	3,308,838	16,513,143	1,185,150	1,281,758	22,288,889
Charge for year	321,639	1,465,176	291,861	250,665	2,329,341
Elimination	-	658,238	102,113	75,545	835,896
As of December 31, 2003	3,630,477	17,320,081	1,374,898	1,456,878	23,782,334
Net Book Value					
As of December 31, 2002	7,611,603	8,283,084	1,237,950	638,361	17,770,998
As of December 31, 2003	7,894,789	8,945,374	1,261,584	808,696	18,910,443

On January 4, 1988, the company's freehold land and buildings, and plant and machinery at Campden Park were revalued by a firm of independent valuers, D. M. Simpson & Co. (1984) Limited, on a replacement cost basis.

7. Brands

	2003 \$	2002 \$
Cost		
Balance, end of year	646,835	646,835
Amortisation		
Balance, beginning of year	554,430	462,025
Amortisation charge for year	92,405	92,405
Balance, end of year	646,835	554,430
Net Book Value	-	92,405

8. Due to Affiliated Companies

The amounts due to affiliated companies are unsecured and payable within 45 days.

ST. VINCENT BREWERY LIMITED
Notes to the Financial Statements (Cont'd)
For the Year Ended December 31, 2003
(Expressed in Eastern Caribbean Currency)

9. Deferred Tax Liability

	2003 \$	2002 \$
Excess of CCA charged over depreciation	<u>2,106,227</u>	<u>2,036,610</u>

10. Stated Capital

Authorised – Unlimited number of ordinary voting shares without par or nominal value.

	2003		2002	
	Number of Shares	\$	Number of Shares	\$
Balance	1,825,000	18,309,880	1,825,000	18,309,880

11. Reserve for Plant Extension

The directors have approved the establishment of a reserve of \$800,000 (2002: \$600,000) from retained earnings for the acquisition of a water treatment plant.

12. Income Tax

The tax charge for the year comprises:-

	2003 \$	2002 \$
Current	<u>1,313,052</u>	1,346,848
Deferred	<u>69,617</u>	(24,876)
	<u>1,382,669</u>	<u>1,321,972</u>

The statutory rate of income tax of 29% (2002: 29%) represents the weighted average rate of tax applicable to manufacturing enterprises that export their manufactured goods.

The effective rate of income tax provided in the financial statements varies from the statutory rate for the following reasons:-

	2003		2002	
	\$	%	\$	%
Income before income tax	<u>4,574,877</u>	<u>100</u>	4,324,714	100
Tax calculated at the statutory rate of 29%	<u>1,326,714</u>	<u>29</u>	1,254,167	29
Expenses not deductible for tax purposes	<u>47,592</u>	<u>1</u>	61,135	2
Other	<u>8,363</u>	<u>0</u>	6,670	0
Taxation charge	<u>1,382,669</u>	<u>30</u>	<u>1,321,972</u>	<u>31</u>

ST. VINCENT BREWERY LIMITED
Notes to the Financial Statements (Cont'd)
For the Year Ended December 31, 2003
(Expressed in Eastern Caribbean Currency)

13. Earnings per Share

Earnings per share is calculated on net income of \$3,192,208 (2002: \$3,002,742) and on the 1,825,000 (2002:1,825,000) shares in issue at balance sheet date.

14. Related Party Transactions

In the normal course of business, the company had the following transactions with its affiliated companies during the year.

	2003 \$	2002 \$
Purchases		
Deutsch-Amerikanische Handelsgesellschaft (DAH)	-	2,104,462
Guinness Brewing Worldwide Limited	557,983	480,175
Danish Brewery Group A/S	1,165,724	-
	557,983	2,584,637
Plant and Equipment Purchase		
DAH	-	1,338,022
	-	1,338,022
Reimbursable Expenses		
DAH	-	-
Brauhaase International Management GmbH	-	522,988
	-	522,988
Royalties		
Guinness Overseas Limited	380,925	421,265
Brauhaase International Management GmbH	-	12,692
Danish Brewery Group A/S	458,983	-
	380,925	433,957
Management and Technical Fees		
Brauhaase International Management GmbH	-	434,888

Guinness Overseas Limited, Guinness Limited and Diageo Nederland BV are ultimately 100% owned by Diageo plc. Diageo Nederland BV holds 30% of the ordinary issued shares of the company. DAH is an affiliate of Brauhaase International Management GmbH, a company which held 21% of the ordinary issued shares of this company.

Drinktech Holdings A.G, a wholly owned subsidiary of Danish Brewery Group A/S, holds 20% of the ordinary issued shares of the company.

15. Capital Commitments

As of balance sheet date, the Board of Directors approved capital expenditure of \$2.7 million for the fiscal year 2004.

ST. VINCENT BREWERY LIMITED
Notes to the Financial Statements (Cont'd)
For the Year Ended December 31, 2003
(Expressed in Eastern Caribbean Currency)

16. Pension Plan

The company has a pension plan, covering substantially all employees, which is administered by Colonial International Life Insurance Company (Trinidad) Limited. Benefits under the plan generally are based on the employees' years of service and levels of compensation. The pension plan provides that the company matches employees' contributions up to 5.5% of their basic salaries. Pension expense for the year amounted to \$121,111 (2002: \$86,833).

17. Subsequent Event

On _____ the directors proposed a final cash dividend of \$912,500 or \$0.50 per share.

18. Financial Instruments

The company does not believe that its operations are subject to any significant concentration of price, credit, liquidity or cash flow risks. As a result, the company has not entered into any contractual arrangement with the view to hedging any risk exposure. The company, however, will continuously monitor its operating environment and assess its exposure to various risks with the view to mitigating any potential loss.

Financial assets of the company include cash, trade accounts receivable, other receivables and amounts due from affiliated companies. Financial liabilities of the company include accounts payable and accrued liabilities, dividend payable and amounts due to affiliated companies.

The fair values of cash, accounts receivable, other receivables, amounts due from affiliated companies and accounts payable and accrued liabilities, dividend payable and amounts due to affiliated companies are not considered to be materially different to their carrying amounts because of their short term maturities.

18.1. Credit Risk: Accounts Receivable

The company sells products to customers mainly in St. Vincent, Barbados, Antigua, Dominica and St. Lucia. The company performs ongoing credit evaluations of customers and generally does not require collateral. Provisions are made for credit losses.

18.2. Interest Rate Risk

The company is exposed to various risks associated with the effect of fluctuations in the prevailing market rates on its financial position and cash flows and its exposure to interest rate risk is limited to \$2,713,892 (2002: \$2,845,002) of its cash that earns interest.

ST. VINCENT BREWERY LIMITED
Notes to the Financial Statements (Cont'd)
For the Year Ended December 31, 2003
(Expressed in Eastern Caribbean Currency)

18. Financial Instruments (Cont'd)

18.3. Currency Risk

The company is subject to foreign currency risk to the extent that it trades in currencies other than Eastern Caribbean currency. The company does not use interest rate swaps or foreign currency options, or other derivative instruments to hedge any foreign currency risk exposure. At balance sheet date, the company's significant currency position was as follows:-

	EC	BDS	US	Euro	Sterling	Total 2003
	\$	\$	\$	\$	\$	\$
Financial Assets	6,332,298	155,342	131,570	-	-	6,619,210
Financial Liabilities	1,937,923	4,714	756,943	173,361	24,448	2,897,389
Currency Sensitivity Gap	4,394,375	150,628	(625,373)	(173,361)	(24,448)	3,721,821

19. Number of Employees

At balance sheet date, the company had 86 (2002: 88) full time employees.

20. Contingent Liability

A former shareholder following the cancellation of a Commercial and Technical Management Agreement with the company has made a request for arbitration. Management and the company's solicitor have reviewed the details of the claim and are of the opinion that the success of the suit against the company is remote. Consequently, no provision for any charge on the arbitration is made in the financial statements. If however, the decision goes against the company the effects, if any will be accounted for as a prior period adjustment.