

**ST. VINCENT BREWERY LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

**ST. VINCENT BREWERY LIMITED**

**REGISTERED OFFICE**

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

**DIRECTORS**

**H. J. Barth - Chairman  
C. Christensen – Deputy Chairman  
M. Ballantyne - 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**  
**Index to the Financial Statements**  
**For the Year Ended December 31, 2004**

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## AUDITORS' REPORT

To the Shareholders of  
St. Vincent Brewery Limited

We have audited the accompanying balance sheet of St. Vincent Brewery Limited as of December 31, 2004, and the related statements of changes in equity, income and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as of December 31, 2004, and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards.

\*\*\*\*\*, 2005

**ST. VINCENT BREWERY LIMITED**  
**Balance Sheet**  
**As of December 31, 2004**  
**(Expressed in Eastern Caribbean Currency)**

	Notes	2004 \$	2003 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		6,649,324	4,188,267
Trade accounts receivable		2,208,965	1,941,731
Other receivables		166,304	257,435
Due from affiliated companies	4	112,980	231,777
Inventories	5	9,522,866	8,328,941
Prepaid expenses		368,350	232,219
<b>Total Current Assets</b>		<b>19,028,789</b>	15,180,370
<b>Property, Plant and Equipment</b>	6	<b>20,198,281</b>	18,910,443
<b>Total Assets</b>		<b>39,227,070</b>	34,090,813
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		5,192,494	2,536,495
Due to affiliated companies	7	666,887	320,820
Income tax payable		373,701	289,497
Dividend payable		57,060	40,074
<b>Total Current Liabilities</b>		<b>6,290,142</b>	3,186,886
<b>Deferred Tax Liability</b>	8	<b>2,256,238</b>	2,106,227
		<b>8,546,380</b>	5,293,113
<b>Shareholders' Equity</b>			
Stated capital	9	18,309,880	18,309,880
Reserve for plant extension	10	1,000,000	800,000
Retained earnings		11,370,810	9,687,820
<b>Total Shareholders' Equity</b>		<b>30,680,690</b>	28,797,700
<b>Total Liabilities and Shareholders' Equity</b>		<b>39,227,070</b>	34,090,813

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 – Company Secretary

**ST. VINCENT BREWERY LIMITED**  
**Statement of Changes in Equity**  
**For the Year Ended December 31, 2004**  
**(Expressed in Eastern Caribbean Currency)**

	<b>Stated Capital \$</b>	<b>Reserve for Plant Extension \$</b>	<b>Retained Earnings \$</b>	<b>Total \$</b>
<b>Balance as of December 31, 2002</b>	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)
<b>Balance as of December 31, 2003</b>	18,309,880	800,000	9,687,820	28,797,700
Net Income for the Year	-	-	3,707,990	3,707,990
Reserve for Plant Extension	-	200,000	(200,000)	-
Final Cash Dividend - 2003	-	-	(912,500)	(912,500)
Interim Cash Dividend -2004	-	-	(912,500)	(912,500)
<b>Balance as of December 31, 2004</b>	18,309,880	1,000,000	11,370,810	30,680,690

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

**ST. VINCENT BREWERY LIMITED**  
**Statement of Income**  
**For the Year Ended December 31, 2004**  
**(Expressed in Eastern Caribbean Currency)**

	Note	2004 \$	2003 \$
<b>Turnover</b>		<b>32,652,942</b>	28,880,175
<b>Production, Marketing and Administrative Expenses</b>		<b>25,028,763</b>	22,029,240
<b>Trading Profit before Charging the Following Items:-</b>		<b>7,624,179</b>	6,850,935
Interest Income		(103,082)	(145,688)
Amortisation		-	92,405
Depreciation		<b>2,492,329</b>	2,329,341
<b>Income before Income Tax</b>		<b>5,234,932</b>	4,574,877
<b>Income Tax</b>	11	<b>1,526,942</b>	1,382,669
<b>Net Income for the Year</b>		<b>3,707,990</b>	3,192,208
<b>Earnings per Share</b>	12	<b>2.03</b>	1.75
<b>The following expense is included in the foregoing:-</b>			
Staff cost		<b>4,451,559</b>	4,362,955

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, 2004**  
**(Expressed in Eastern Caribbean Currency)**

	2004	2003
	\$	\$
<b>Cash Flows from Operating Activities</b>		
Income before income tax	5,234,932	4,574,877
<b>Adjustment for</b>		
Depreciation	2,492,329	2,329,341
Amortisation of brands	-	92,405
Gain on disposal of property, plant and equipment	(14,260)	(67,755)
Interest income	(103,082)	(145,688)
<b>Operating Profit before Working Capital Changes</b>	<b>7,609,919</b>	<b>6,783,180</b>
(Increase) Decrease in trade accounts receivable	(267,234)	858,376
Decrease in other receivables	91,131	350,958
Decrease (Increase) in amounts due from affiliated companies	118,797	(206,777)
(Increase) Decrease in prepaid expenses	(136,131)	182,981
Increase in inventories	(1,193,925)	(174,595)
Increase (Decrease) in accounts payable and accrued liabilities	2,655,999	(272,129)
Increase (Decrease) in amounts due to affiliated companies	346,067	(208,674)
<b>Cash Generated from Operations</b>	<b>9,224,623</b>	<b>7,313,320</b>
Income tax paid	(1,292,727)	(1,278,811)
Interest received	103,082	145,688
<b>Net Cash Generated from Operating Activities</b>	<b>8,034,978</b>	<b>6,180,197</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of property, plant and equipment	(3,796,531)	(3,487,177)
Proceeds from disposal of property, plant and equipment	30,624	86,146
<b>Net Cash Used in Investing Activities</b>	<b>(3,765,907)</b>	<b>(3,401,031)</b>
<b>Cash Flows from Financing Activities</b>		
Dividend paid	(1,808,014)	(1,820,438)
<b>Net Cash Used in Financing Activities</b>	<b>(1,808,014)</b>	<b>(1,820,438)</b>
<b>Increase in Net Cash</b>	<b>2,461,057</b>	<b>958,728</b>
<b>Net Cash – Beginning of Year</b>	<b>4,188,267</b>	<b>3,229,539</b>
<b>Net Cash – End of Year</b>	<b>6,649,324</b>	<b>4,188,267</b>
<b>Represented by:-</b>		
Bank and cash balances	6,649,324	4,188,267

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



**ST. VINCENT BREWERY LIMITED**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2004**  
**(Expressed in Eastern Caribbean Currency)**

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**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 \*\*\*\*\*, 2005.

**3. Principal Accounting Policies**

These financial statements are stated in Eastern 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, 2004**  
**(Expressed in Eastern Caribbean Currency)**

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**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 the tax bases of assets and liabilities and their carrying values for financial reporting purposes are accounted for as deferred tax at the current tax rate. Deferred tax assets relating to unutilised tax losses are recognised only when it is probable that future taxable profits will be available against which losses can be utilised.

**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. Customer Deposits/Refunds**

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

**g. 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.

**h. 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.

**ST. VINCENT BREWERY LIMITED**  
**Notes to the Financial Statements (Cont'd)**  
**For the Year Ended December 31, 2004**  
**(Expressed in Eastern Caribbean Currency)**

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**3. Principal Accounting Policies (Cont'd)**

**i. 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 gain 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 is recorded in current operations.

**4. Due from Affiliated Companies**

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

**5. Inventories**

	2004	2003
	\$	\$
Raw materials	<b>805,697</b>	891,015
Packaging materials	<b>434,374</b>	410,553
Finished and semi-finished products	<b>1,665,187</b>	1,566,736
Other	<b>50,406</b>	46,446
Fuel	<b>20,519</b>	24,639
Bottles and crates	<b>5,037,450</b>	4,855,798
	<b>8,013,633</b>	7,795,187
Goods-in-transit	<b>1,509,233</b>	533,754
	<b>9,522,866</b>	8,328,941

**ST. VINCENT BREWERY LIMITED**  
**Notes to the Financial Statements (Cont'd)**  
**For the Year Ended December 31, 2004**  
**(Expressed in Eastern Caribbean Currency)**

**6. Property, Plant and Equipment**

	Freehold Land & Buildings \$	Plant & Machinery \$	Furniture & Equipment \$	Motor Vehicles \$	Work-in- Progress Buildings \$	Total \$
<b>Cost or Valuation</b>						
As of December 31, 2003	11,525,266	26,265,455	2,636,482	2,265,574	-	42,692,777
Additions	-	2,734,916	236,173	247,580	577,862	3,796,531
Disposals	-	80,883	495,313	102,249	-	678,445
As of December 31, 2004	11,525,266	28,919,488	2,377,342	2,410,905	577,862	45,810,863
<b>Accumulated Depreciation</b>						
As of December 31, 2003	3,630,477	17,320,081	1,374,898	1,456,878	-	23,782,334
Charge for year	322,002	1,631,984	263,553	274,790	-	2,492,329
Elimination	-	64,519	495,313	102,249	-	662,081
As of December 31, 2004	3,952,479	18,887,546	1,143,138	1,629,419	-	25,612,582
<b>Net Book Value</b>						
As of December 31, 2003	7,894,789	8,945,374	1,261,584	808,696	-	18,910,443
As of December 31, 2004	7,572,787	10,031,942	1,234,204	781,486	577,862	20,198,281

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.

**ST. VINCENT BREWERY LIMITED**  
**Notes to the Financial Statements (Cont'd)**  
**For the Year Ended December 31, 2004**  
**(Expressed in Eastern Caribbean Currency)**

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**7. Due to Affiliated Companies**

The amounts due to affiliated companies are unsecured and payable within 30 - 45 days.

**8. Deferred Tax Liability**

	<b>2004</b>	2003
	<b>\$</b>	\$
Excess of capital cost allowance charged over depreciation	<u><b>2,256,238</b></u>	<u>2,106,227</u>

**9. Stated Capital**

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

	<b>2004</b>		2003	
	<b>Number of</b>		Number of	
	<b>Shares</b>	<b>\$</b>	Shares	\$
<b>Balance</b>	<b>1,825,000</b>	<b>18,309,880</b>	1,825,000	18,309,880

**10. Reserve for Plant Extension**

During the year, the Directors approved an appropriation of \$200,000, which brings the total amount appropriated to \$1,000,000, for the acquisition of a waste-water treatment plant.

**ST. VINCENT BREWERY LIMITED**  
**Notes to the Financial Statements (Cont'd)**  
**For the Year Ended December 31, 2004**  
**(Expressed in Eastern Caribbean Currency)**

**11. Income Tax**

The tax charge for the year comprises:-

	<b>2004</b>	2003
	<b>\$</b>	\$
Current	<b>1,376,931</b>	1,313,052
Deferred	<b>150,011</b>	69,617
	<b>1,526,942</b>	1,382,669

The statutory rate of income tax of 29% (2003: 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:-

	<b>2004</b>		2003	
	\$	%	\$	%
Income before income tax	<b>5,234,932</b>	<b>100</b>	4,574,877	100
Tax calculated at the statutory rate of 29%	<b>1,518,130</b>	<b>29</b>	1,326,714	29
Expenses not deductible for tax purposes	<b>8,812</b>	-	47,592	1
Other	-	-	8,363	-
Taxation charge	<b>1,526,942</b>	<b>29</b>	1,382,669	30

**12. Earnings per Share**

Earnings per share is calculated on net income of \$3,707,990 (2003: \$3,192,208) and on the \$1,825,000 (2003:1,825,000) shares in issue at balance sheet date.

**ST. VINCENT BREWERY LIMITED**  
**Notes to the Financial Statements (Cont'd)**  
**For the Year Ended December 31, 2004**  
**(Expressed in Eastern Caribbean Currency)**

**13. Related Party Transactions**

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

	2004	2003
	\$	\$
<b>Purchases</b>		
Diageo Global Supply	746,652	557,983
Danish Brewery Group A/S	905,174	909,352
	<u>1,651,826</u>	<u>1,467,335</u>
<b>Royalties</b>		
Guinness Overseas Limited	459,536	380,925
Danish Brewery Group A/S	515,697	458,983
	<u>975,233</u>	<u>839,908</u>

Guinness Overseas Limited, Guinness Limited and Diageo Holdings Netherlands BV are ultimately 100% owned by Diageo plc. Diageo Netherlands BV holds 30% of the ordinary issued shares of the company.

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

**14. Capital Commitments**

- (i) The company is committed to the construction of a distribution warehouse, at a contracted cost of \$2,200,000, of which \$577,862 has already been expended.
- (ii) The company is committed to the purchase of a bottle washer for a contracted sum of \$2,397,162, of which \$1,745,106 remains outstanding.
- (iii) As of balance sheet date, the Board of Directors approved capital expenditure of \$3.7 million for the fiscal year 2005, which includes items (i) and (ii) above.

**15. 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 \$132,419 (2003: \$121,111).

**ST. VINCENT BREWERY LIMITED**  
**Notes to the Financial Statements (Cont'd)**  
**For the Year Ended December 31, 2004**  
**(Expressed in Eastern Caribbean Currency)**

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**16. Subsequent Event**

On \*\*\*\*\*, 2005 the Directors proposed a final cash dividend of \$912,500 or \$0.50 per share.

**17. Financial Instruments**

**17.1. Credit Risk: Accounts Receivable**

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

**17.2. 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 \$6,310,485 (2003: \$2,713,892) of its cash that earns interest.

**17.3. 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 \$
<b>Financial Assets</b>	8,743,117	288,853	105,603	-	-	<b>9,137,573</b>
<b>Financial Liabilities</b>	1,792,201	36,642	3,812,447	257,094	18,057	<b>5,916,441</b>
<b>Currency Sensitivity Gap</b>						
<b>December 31, 2004</b>	<u>6,950,916</u>	<u>252,211</u>	<u>(3,706,844)</u>	<u>(257,094)</u>	<u>(18,057)</u>	<b>3,221,132</b>
<b>December 31, 2003</b>	<u>4,394,375</u>	<u>150,628</u>	<u>(625,373)</u>	<u>(173,361)</u>	<u>(24,448)</u>	<b>3,721,821</b>

**18. Number of Employees**

At balance sheet date, the company had 89 (2003: 86) full time employees.



**ST. VINCENT BREWERY LIMITED**  
**Notes to the Financial Statements (Cont'd)**  
**For the Year Ended December 31, 2004**  
**(Expressed in Eastern Caribbean Currency)**

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**19. Contingent Liability**

The Company is engaged in a dispute with Brauhaase in connection with the Commercial and Technical Management Agreement. The dispute is the subject of Arbitration between the two parties at the International Court of Arbitration and is ongoing. Should the company be liable for any costs on the final resolution of the matter, those costs, if determined, would be charged to operations.”