Appendix 1
Audited Financial Statements – June 30, 2015

KPMG
KPMG
Chartered Accountants
The Victoria Mutual Building
6 Duke Street
Kingston
Jamaica, W.I.

P.O. Box 76
Kingston
Jamaica, W.I.
Telephone +1 (876) 922-6640
Fax +1 (876) 922-7198
+1 (876) 922-4500
e-Mail firmmail@kpmg.com.jm

INDEPENDENT AUDITORS' REPORT

To the Members of
DESNOES & GEDDES LIMITED

Report on the financial statements

We have audited the financial statements of Desnoes & Geddes Limited, set out on pages 3 to 41, which comprise the statement of financial position as at June 30, 2015, the income statement, statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 relating to the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 control. 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 (continued)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Desnoes & Geddes Limited as at June 30, 2015, and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Jamaican Companies Act.

Report on additional matters as required by the Jamaican 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, so far as appears from our examination of those records and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.

KPMG

Chartered Accountants
Kingston, Jamaica

August 21, 2015

DESNOES & GEDDES LIMITED

Statement of Financial Position
June 30, 2015

	Notes	2015 $'000	2014* $'000
Non-current assets			
Investment in joint venture	4	86,711	181,033
Investment properties	5	943,299	889,599
Property, plant and equipment	6	6,631,278	5,495,994
Employee benefits asset	7	1,200,100	1,046,000
Total non-current assets		8,861,388	7,612,626
Current assets			
Cash and cash equivalents		1,367,063	1,788,523
Accounts receivable	8	1,742,356	1,368,754
Due from fellow subsidiaries	9	477,811	407,208
Inventories	10	1,147,018	1,076,485
Total current assets		4,734,248	4,640,970
Current liabilities			
Accounts payable	11	2,113,095	2,014,807
Taxation payable		310,159	416,451
Due to fellow subsidiaries	9	173,511	193,601
Total current liabilities		2,596,765	2,624,859
Net current assets		2,137,483	2,016,111
Total assets less current liabilities		10,998,871	9,628,737
Equity			
Share capital	12	2,174,980	2,174,980
Capital reserves	13	378,129	378,129
Other reserves	14	796,575	678,000
Retained earnings		6,984,197	5,779,518
Total equity		10,333,881	9,010,627
Non-current liabilities			
Employee benefits obligation	7	138,000	142,000
Deferred tax liabilities	15	526,990	476,110
Total non-current liabilities		664,990	618,110
Total equity and non-current liabilities		10,998,871	9,628,737

The financial statements on pages 3 to 41 were approved for issue by the Board of Directors on August 21, 2015 and signed on its behalf by:

Director
Richard O. Byles

Director
Cedric Blair

*See notes 1 and 2(b).
The accompanying notes form an integral part of these financial statements.

DESNOES & GEDDES LIMITED

Income Statement
Year ended June 30, 2015

	Notes	Company 2015 $'000	Company 2014* $'000	Group 2014* $'000
Gross sales	16	15,895,710	14,085,101	14,085,101
Special Consumption Tax		(2,809,526)	(2,587,620)	(2,587,620)
Net sales		13,086,184	11,497,481	11,497,481
Cost of sales	10	(7,626,926)	(6,778,859)	(6,778,859)
Gross profit		5,459,258	4,718,622	4,718,622
Marketing costs		(1,370,168)	(1,003,439)	(1,003,439)
Contribution after marketing costs		4,089,090	3,715,183	3,715,183
General, selling and administration expenses		(1,256,786)	(1,222,601)	(1,222,601)
Gain on settlement of intra-group balances upon liquidation of subsidiaires		-	155,140	-
Other income, net		155,540	231,926	231,926
Trading profit		2,987,844	2,879,648	2,724,508
Gain on disposal of investments		-	973,697	973,697
Finance income – interest		19,412	23,953	23,953
Share of loss in joint venture	4	(94,322)	(22,369)	(22,369)
Loss on disposal of property, plant and equipment		(70,389)	(21,881)	(21,881)
Pension and medical benefits expense, net	7(d)	(8,100)	(1,000)	(1,000)
Profit before taxation	17	2,834,445	3,832,048	3,676,908
Taxation	18	(500,923)	(523,745)	(523,745)
Profit for the year		2,333,522	3,308,303	3,153,163
Earning per stock unit	19	83.07¢		112.25¢

*See notes 1 and 2(b).
The accompanying notes form an integral part of these financial statements.

DESNOES & GEDDES LIMITED

Statement of Profit or Loss and Other Comprehensive Income
Year ended June 30, 2015

	Notes	2015 $'000	2014* $'000
Profit for the year		2,333,522	3,308,303
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Realised gains on disposal of available-for-sale investment transferred to profit		-	(954,565)
Revaluation surplus on property, plant and equipment		-	310,374
Items that may not be reclassified to profit or loss:			
Change in unrecognised employee benefits asset	7(e)	383,400	1,100,000
Actuarial losses on employee benefits asset/obligation	7(e)	(232,200)	(796,000)
Deferred taxation on employee benefits asset/obligation	15	(37,800)	(76,000)
		113,400	(416,191)
Total comprehensive income for the year		2,446,922	2,892,112

*See notes 1 and 2(b).
The accompanying notes form an integral part of these financial statements.

DESNOES & GEDDES LIMITED

Statement of Changes in Equity
Year ended June 30, 2015

	Share capital $'000 (Note 12)	Capital reserves $'000 (Note 13)	Other reserves $'000 (Note 14)	Retained earnings $'000	Total $'000
Balances at June 30, 2013	2,174,980	67,755	1,365,465	3,914,901	7,523,101
Total comprehensive income for the year:					
Profit for the year	-	-	-	3,308,303	3,308,303
Other comprehensive income:					
Items that may be reclassified to profit or loss					
Fair value adjustment on available-for-sale investments	-	-	(954,565)	-	(954,565)
Revaluation surplus on property, plant and equipment	-	310,374	-	-	310,374
Items that will not be reclassified to profit or loss					
Change in unrecognised employee benefits asset	-	-	-	1,100,000	1,100,000
Deferred taxation on employee benefits asset/ obligation	-	-	-	(76,000)	(76,000)
Actuarial losses recognised in equity	-	-	-	(796,000)	(796,000)
Total other comprehensive	-	310,374	(954,565)	228,000	(416,191)
Total comprehensive income	-	310,374	(954,565)	3,536,303	2,892,112
Movement within equity:					
Transfer to pension equalisation reserve	-	-	267,100	(267,100)	-
Transactions with owners recorded directly in equity					
Dividends (note 20)	-	-	-	(1,404,586)	(1,404,586)
Balances at June 30, 2014*	2,174,980	378,129	678,000	5,779,518	9,010,627
Total comprehensive income for the year:					
Profit for the year	-	-	-	2,333,522	2,333,522
Other comprehensive income:					
Items that may not be reclassified to profit or loss					
Change in unrecognised employee benefits asset	-	-	-	383,400	383,400
Deferred taxation on employee benefits asset/ obligation	-	-	-	(37,800)	(37,800)
Actuarial losses recognised in equity	-	-	-	(232,200)	(232,200)
Total other comprehensive income	-	-	-	113,400	113,400
Total comprehensive income	-	-	-	2,446,922	2,446,922
Movement within equity:					
Transfer to pension equalisation reserve	-	-	118,575	(118,575)	-
Transactions with owners recorded directly in equity					
Dividends (note 20)	-	-	-	(1,123,668)	(1,123,668)
Balances at June 30, 2015	**2,174,980**	**378,129**	**796,575**	**6,984,197**	**10,333,881**

*See notes 1 and 2(b).
The accompanying notes form an integral part of these financial statements.

DESNOES & GEDDES LIMITED

Statement of Cash Flows
Year ended June 30, 2015

	Notes	2015 $'000	2014* $'000
Cash flows from operating activities			
Profit for the year		2,333,522	3,308,303
Adjustments for:			
Share of loss in joint venture	4	94,322	22,369
Fair value gain on investment properties	5	(53,700)	(194,949)
Depreciation	6	837,392	631,679
Loss on disposal of property, plant and equipment		70,389	21,881
Pension and medical benefits expense, net	7(d)	8,100	1,000
Gain on disposal of investments		-	(973,697)
Write back of long-term liabilities		-	(157,235)
Finance income - interest		(19,412)	(23,953)
Taxation	18	500,923	523,745
		3,771,536	3,159,143
Changes in:			
Accounts receivable		(373,602)	(248,452)
Due from fellow subsidiaries		(70,603)	(89,218)
Inventories		(65,152)	(42,492)
Accounts payable		98,288	(1,763)
Due to fellow subsidiaries		(20,090)	(55,285)
Cash generated from operations		3,340,377	2,721,933
Pension contributions and medical benefits paid		(15,000)	(14,000)
Income taxes paid		(594,135)	(489,212)
Net cash provided by operating activities		2,731,242	2,218,721
Cash flows from investing activities			
Acquisition of property, plant and equipment	6	(2,049,568)	(1,720,822)
Proceeds from disposal of property, plant and equipment		1,122	3,166
Proceeds from disposal of investments		-	956,277
Interest received		19,412	23,953
Net cash used in investing activities		(2,029,034)	(737,426)
Cash flows from financing activity			
Dividends paid, being net cash used in financing activity		(1,123,668)	(1,404,586)
Net (decrease)/increase in cash and cash equivalents		(421,460)	76,709
Cash and cash equivalents at beginning of year		1,788,523	1,711,814
Cash and cash equivalents at end of year		1,367,063	1,788,523

*See notes 1 and 2(b).
The accompanying notes form an integral part of these 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, stouts and spirits.

The company's subsidiaries were wound up and its interest in the subsidiaries written off as at June 30, 2014. Consequently, consolidated financial statements are not presented, as the company had no subsidiaries for the year ended June 30, 2015 [see note 2(b)].

The number of employees at June 30, 2015 was 322 (2014: 322) for the company.

2. Statement of compliance and basis of preparation

(a) Statement of compliance

The financial statements as at and for the year ended June 30, 2015 (the reporting date) are prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations issued by the International Accounting Standards Board, and the Jamaican Companies Act.

Certain new, revised and amended standards and interpretations became effective for the current financial year. The company has adopted new standards and amendments to standards, including consequential amendments to other standards. The nature and effect of the changes are as follows:

(i) Amendments to IAS 32, *Offsetting of Financial Assets and Financial Liabilities* clarifies those conditions needed to meet the criteria specified for offsetting financial assets and liabilities. The change had no significant impact on the measurements of the company's assets and liabilities.

(ii) Amendments to IAS 19, *Defined Benefit Plans: Employee Contributions* clarified the requirements that relate to how contributions from employees or third parties that are linked to services should be attributed to periods of services.

(iii) *Improvements to IFRS, 2010-2012 and 2011-2013* cycles. The main amendments applicable to the company are as follows:

- IFRS 13, *Fair Value Measurement,* has been amended to clarify that issuing of the standard and consequential amendments to IAS 39 and IFRS 9 did not intend to prevent entities from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial.

2. Statement of compliance and basis of preparation (continued)

(a) Statement of compliance (continued)

(iii) *Improvements to IFRS, 2010-2012 and 2011-2013* cycles. The main amendments applicable to the company are as follows:

- IAS 24, *Related Party Disclosures,* has been amended to extend the definition of 'related party' to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

(iv) IFRIC 21, *Levies,* provides guidance on accounting for levies in accordance with the requirements of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It requires an entity to recognise a liability for a levy when and only when the triggering event specified in the legislation occurs.

The adoption of these amendments did not result in any change to the presentation and disclosures in the financial statements.

The company has assessed the relevance of new standards, amendments, and interpretations issued but which were issued but not yet effective at the reporting date and have not been early adopted, and has concluded as follows:

(i) IAS 1, *Presentation of Financial Statements*, effective for accounting periods beginning on or after January 1, 2016, has been amended to clarify or state the following:

- specific single disclosures that are not material do not have to be presented even if they are minimum requirements of a standard.
- the order of notes to the financial statements is not prescribed. Instead, entities can choose their own order.
- line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Line items can be aggregated if they are not material.
- specific criteria are now provided for presenting subtotals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirements for the statement of profit or loss and OCI.
- the presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method follows the IAS approach of splitting items that may, or that will never, be reclassified to profit or loss.

The company is assessing the impact that this amendment will have on its 2017 financial statements.

2. Statement of compliance and basis of preparation (continued)

(a) Statement of compliance (continued)

(ii) Amendments to IAS 16 and IAS 38, *Clarification of Acceptable Methods of Depreciation and Amortisation,* are effective for accounting periods beginning on or after January 1, 2016.

- The amendment to IAS 16, *Property, Plant and Equipment,* explicitly states that revenue-based methods of depreciation cannot be used. This is because such methods reflect factors other than the consumption of economic benefits embodied in the assets.

- The amendment to IAS 38, *Intangible Assets,* introduces a rebuttable presumption that revenue-based amortisation methods are inappropriate for intangible assets.

The company is assessing the impact that these amendments will have on its 2017 financial statements.

(iii) Amendments to IAS 16, *Property, Plant and Equipment,* and IAS 41, *Biological Assets,* which are effective for annual reporting periods beginning on or after January 1, 2016, require a bearer plant, defined as a living plant, to be accounted for as property, plant and equipment and included in the scope of IAS 16, instead of IAS 41. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41. The company is assessing the impact that these amendments will have on its 2017 financial statements.

(iv) Amendments to IFRS 11, *Accounting for Acquisitions of Interests in Joint Operations*, effective for accounting periods beginning on or after January 1, 2016, require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value but previously held interests will not be remeasured. The company is assessing the impact that these amendments will have on its 2017 financial statements.

(v) *Improvements to IFRS 2012-2014* cycle, contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2016. The main amendments applicable to the company are as follows:

- IAS 19, *Employee Benefits,* has been amended to clarify that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid. Consequently, the depth of the market for high-quality corporate bonds should be assessed at the currency level and not the country level.

2. Statement of compliance and basis of preparation (continued)

(a) Statement of compliance (continued)

(v) *Improvements to IFRS 2012-2014* cycle (continued):

- IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations,* has been amended to clarify that if an entity changes the method of disposal of an asset or disposal group – i.e. reclassifies an asset or disposal group from held-for-distribution to owners to held-for-sale or vice versa without any time lag, then the change in classification is considered a continuation of the original plan of disposal and the entity continues to apply held-for-distribution or held-for-sale accounting. At the time of the change in method, the entity measures the carrying amount of the asset or disposal group and recognizes any write-down (impairment loss) or subsequent increase in the fair value less costs to sell/distribute of the asset or disposal group. If an entity determines that an asset or disposal group no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution accounting in the same way as it would cease held-for-sale accounting.

- IFRS 7, *Financial Instruments: Disclosures,* has been amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred assets in cases when they are derecognized in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset, e.g, if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement'.

The company is assessing the impact that these amendments will have on its 2017 financial statements.

(vi) IFRS 9, *Financial Instruments*, which is effective for annual reporting periods beginning on or after January 1, 2018, retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. It also includes guidance on classification and measurement of financial liabilities designated as at fair value through profit or loss and incorporates certain existing requirements of IAS 39, *Financial Instruments: Recognition and Measurement,* on the recognition and de-recognition of financial assets and financial liabilities. The company is assessing the impact that the standard will have on its 2019 financial statements.

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
June 30, 2015

2. Statement of compliance and basis of preparation (continued)

(a) Statement of compliance (continued)

(vii) IFRS 15, *Revenue From Contracts With Customers*, effective for accounting periods beginning on or after January 1, 2017, replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers* and SIC 31 *Revenue, Barter Transactions Involving Advertising Services.* It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties.

The company will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance.

There will be new qualitative and quantitative disclosure requirements to describe the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The company is assessing the impact that the standard will have on its 2018 financial statement.

(b) Basis of preparation

These financial statements are individual financial statements of the company as at and for the year ended June 30, 2015, which incorporate the financial position and performance of the company, with the company's investment in joint venture accounted for using the equity method, in accordance with IFRS 11, *Joint Arrangements* and IAS 28, *Investment in Associates*. The financial statements provide comparative information in respect of the previous period on the same basis as the current period. In addition to the minimum comparative information, the income statement includes the consolidated income statement of the company and its subsidiaries for the year ended June 30, 2014 (note 1), which differs from the individual income statement in the recognition of gains of $155,140,000 on the settlement of intra-group balances.

(c) Basis of measurement

The financial statements are prepared on the historical cost basis, except as follows:

- biological assets are measured at fair value less cost to sell
- investment properties are carried at fair value;
- the employee-benefit asset is recognised as plan assets, less the present value of the defined-benefit obligation, and is restricted as explained in note 3(d); and
- the defined-benefit liability is the present value of the unfunded obligation.

2. Statement of compliance and basis of preparation (continued)

(d) 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.

(e) Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended. Actual amounts could differ from those estimates.

The estimates and underlying assumptions 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 of the revision and future periods if the revision affects current and future periods.

The significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are disclosed below:

(i) Pension and other post-employment benefits

The amounts recognised in the statement of financial position, income statement and statement of profit or loss and other comprehensive income for pension and other post-employment benefits are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised include 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 discount rate is determined based on the estimated 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-tenure security on the market. The estimate of expected rate of increase in medical costs is determined based on inflationary factors. Any changes in assumptions will impact the amounts recorded in the financial statements for these obligations.

2. Statement of compliance and basis of preparation (continued)

(e) Use of estimates and judgments (continued)

(ii) Allowance for impairment losses on accounts receivable

In determining amounts recorded for impairment losses in the financial statements, management makes judgments regarding indicators of impairment, that is, whether there are indicators that there may be a measurable decrease in the estimated future cash flows from receivables, for example, due to default or adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired receivables as well as the timing of such cash flows.

(iii) Net realisable value of inventories

Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the reporting date to the extent that such events confirm conditions existing as at that date. Estimates of net realisable value also take into consideration the purpose for which the inventory is held.

(iv) Determination of fair values

When measuring the fair value of an asset or liability, the company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 – Quoted market price (unadjusted) in an active market for an identical assets or liability.
- Level 2 – Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3 – Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

2. **Statement of compliance and basis of preparation (continued)**

(e) Use of estimates and judgments (continued)

(iv) Determination of fair values (continued)

- Level 3 (continued)

  Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates.

  Considerable judgment is required in interpreting market data to arrive at estimates of fair values. Consequently, the estimates arrived at may be significantly different from the actual price of the instrument in an arm's length transaction.

Where the carrying amounts of financial assets and financial liabilities are not measured at fair value, and those carrying amounts are a reasonable approximation of fair value, fair value information including amounts and levels in the fair value hierarchy is not disclosed (note 24).

(iv) Investment properties

Investment properties reflect fair value amounts, based on market information, including valuations done by external independent valuers. On the instructions of management, the valuers have used valuation techniques such as the direct sales comparison approach, income approach and cost approach to determine fair value as detailed in note 5.

It is reasonably probable, 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 amounts reflected in the financial statements.

3. **Significant accounting policies**

(a) Joint arrangements

Joint arrangements are arrangements of which the company has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the investee's returns.

The company accounts for its interest in joint venture on the equity method, as the company has rights to the net assets of the venture, which is established as a separate legal entity from the investors.

3. **Significant accounting policies (continued)**

(b) Investment properties

Investment properties are measured at fair value determined annually by an independent registered valuator or by management, using available market information (note 5). Fair value is based on current prices in an active market for similar properties in similar locations and condition. Any gain or loss arising from changes in fair value is recognised in profit or loss.

(c) Property, plant and equipment

(i) Cost

Items of property, plant and equipment are measured at cost, less accumulated depreciation and impairment losses. Cost includes expenditure that is 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.

The company 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 company and the cost of the item can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

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.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) Depreciation

Property, plant and equipment, with the exception of freehold land, on which no depreciation is charged, are depreciated on the straight-line basis at annual rates to write down the carrying value of each asset to its estimated residual value over the period of its expected useful life and is generally recognised in profit or loss. Annual depreciation rates are as follows:

Buildings	2%-2½%
Plant and equipment	2%-12½%
Furniture, fixtures and computer equipment	25%
Vending equipment	20%
Returnable bottles	20%
Returnable crates	10%

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

3. Significant accounting policies (continued)

(d) Employee benefits

Employee benefits are all forms of consideration given by the company 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.

(i) Short-term employee benefits

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 over the period that the employee becomes entitled to the leave.

(ii) Defined-benefit plan

Employee benefits, comprising pensions and other post-employment obligations included in the 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 post-employment benefit asset and obligation as computed by the actuary. In carrying out their audit, the auditors rely on the actuary's report.

The company's net asset 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 reporting date on long-term government instruments of terms approximating those of the company's obligation. The calculation is performed by a qualified actuary, using the projected unit credit method.

Re-measurements of the net defined-benefit liability, which comprise actuarial gains and losses, are recognised immediately in other comprehensive income. The company determines the net interest expense on the net defined-benefit liability for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the year to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the year as a result of the contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

3. Significant accounting policies (continued)

(d) Employee benefits (continued)

(ii) Defined-benefit plan (continued)

When the benefits of the plan are changed or when a plan is curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

When the fair value of plan 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 reductions in future contributions to the plan.

(iii) Other long-term employees benefits

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 reporting date is shown as an obligation on the statement of financial position. Re-measurements are recognised in profit or loss in the period in which they arise.

(iv) Termination benefits

Termination benefits are expensed at the earlier of when the company can no longer withdraw the offer of those benefits and when the company recognises cost for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(e) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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

Non-derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses in respect of financial assets.

3. Significant accounting policies (continued)

(e) Financial instruments (continued)

Non-derivative financial instruments comprise cash and cash equivalents, accounts receivable, due from fellow subsidiaries, accounts payable and due to fellow subsidiaries.

(f) Cash and cash equivalents

Cash equivalents comprise short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments. These investments include short-term deposits where the maturities do not exceed three months from acquisition date.

Cash and cash equivalents are measured at amortised cost.

Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(g) Accounts receivable

Accounts receivable are measured at amortised cost less allowance for impairment losses. An allowance for impairment of receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the contract. The amount of the allowance is the difference between the carrying amount and the recoverable amount.

(h) Biological assets

Biological assets are measured at fair value less costs to sell, with any change therein recognised in profit or loss over the useful life of the asset.

Cassava recognised as biological assets is carried at fair value less costs to sell at the date of harvest.

(i) 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 first-in-first-out basis). Standard cost, where applicable, includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

(j) Accounts payable

Accounts payable are measured at amortised cost.

3. Significant accounting policies (continued)

(k) 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 tax. Revenue is recognised in profit or loss 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 involvement with the goods.

(l) Finance income and costs

Finance income comprises interest income on funds invested and foreign exchange gains. Interest income is recognised as it accrues, using the effective interest method.

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

(m) Foreign currencies

Balances denominated in foreign currencies at the reporting date are translated at the rates of exchange ruling on that date. Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions. Gains and losses arising from fluctuations in exchange rates are included in profit or loss.

For the purpose of the statement of cash flows, foreign currency gains and losses recognised in profit or loss are treated as cash items and are included in cash flows from operating and financing activities.

(n) 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 from 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. All impairment losses are recognised in profit or loss.

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.

3. **Significant accounting policies (continued)**

(n) Impairment (continued)

(i) Financial assets (continued)

An impairment loss is reversed in profit or loss if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

(ii) Non-financial assets

The carrying amounts of the company's non-financial assets are reviewed at each reporting 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 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 inflows that are largely 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.

(o) 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 in other comprehensive income, in which case it is also recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided 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 reporting date.

3. **Significant accounting policies (continued)**

(o) Taxation (continued)

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.

(p) Provisions and contingencies

(i) Provisions

A provision is recognised in the statement of financial position when the company has 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 obligation.

(ii) Contingencies

When it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability unless the probability of outflow of economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable.

(q) Segment reporting

An operating segment is a component of the company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the company's other components. All operating segments' operating results are reviewed regularly by the company's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(r) Earnings per stock unit

The company presents basic earnings per stock unit (EPS) data for its ordinary stock. Basic EPS is calculated by dividing the profit or loss attributable to ordinary stockholders of the company by the weighted average number of ordinary stock units in issue during the year.

4. Investment in joint venture

The company jointly controls Celebration Brands Limited (CBL), in which it holds a 50% shareholding and is party to a shareholders' agreement, which requires unanimous agreement on significant strategic and operating decisions. CBL is engaged in the distribution of the products of the venturers in Jamaica. This involves taking orders, delivery and collection, management of credit risk, maintaining coolers and trade dispensing equipment. CBL is structured as a separate vehicle, and provides the company rights to the net assets of the entity, and is therefore accounted for using the equity method.

In accordance with the agreement under which CBL is established, the company and the other investor may make additional capital contributions as determined by the Board of CBL to be reasonably necessary for the conduct of CBL's business. If either party fails to meet the capital call, the other may advance the funds and treat such advance as a deficiency loan to CBL, which would be repayable before any distributions to the non-contributing party. The company's investment in the joint venture is represented as follows:

	2015 $'000	2014 $'000
Shares, at cost	191,500	191,500
Share of accumulated loss	(104,789)	(10,467)
	86,711	181,033

The following tables summarise the financial information of CBL:

	2015 $'000	2014 $'000
Non-current assets	243,800	311,208
Current assets	3,284,604	3,435,503
Current liabilities	(3,354,982)	(3,384,644)
Net assets	173,422	362,067
Revenue	20,826,280	18,873,358
Loss for the year	(188,644)	(44,738)
Company's share of CBL's loss for the year [note 9(d)]	(94,322)	(22,369)

5. Investment properties

	2015 $'000	2014 $'000
Balance as at beginning of year	889,599	275,650
Fair value gain	53,700	194,949
Transfer from property, plant and equipment (note 6)	-	419,000
Balance as at end of year	943,299	889,599

5. Investment properties (continued)

The carrying amount of investment properties is the fair value of the properties as determined in the current and prior years by Property Consultants Limited and Breakenridge & Associates, registered independent valuators having an appropriate recognised professional qualification and recent experience in the locations and category of the properties being valued. In estimating the fair values of the properties at the reporting date, management has used the independent valuations as a point of reference.

Income amounting to $49,912,104 (2014: $45,613,908) was earned and expenses of $23,961,307 (2014: $1,053,625) were incurred in relation to these properties for the year.

The fair value measurement for investment properties is classified as Level 3.

Investment properties revalued during the year were valued at open market values in accordance with IFRS 13. The valuation techniques used in arriving at the market value, along with the significant assumptions, are described below:

Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Direct sales comparison approach: The approach is based on the principle of substitution whereby the purchaser with perfect knowledge of the property market pays no more for the subject property than the cost of acquiring an existing comparable property, assuming no cost delay in making the substitution. The approach requires comparison of the subject property with others of similar design and utility, inter alia, which were sold in the recent past. However as no two properties are exactly alike, adjustment is made for the difference between the properties subject to valuation and comparable properties.	• Details of the sales of comparable properties based on estimated rental income potential. • Conditions influencing the sale of the comparable properties. • Comparability adjustment.	The estimated fair value would increase/(decrease) if: • Value of comparable properties were higher/(lower). • Comparability adjustment were higher/(lower).

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
June 30, 2015

5. Investment properties (continued)

Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Income approach: The approach is based on income/utility expected to be derived from the ownership of the property. Actual or estimated net income and/reversions for comparable alternative investments of similar quality and durability as the subject property are adopted and capitalized/discounted to obtain the present market rates.	• Net annual income	The estimated fair value would increase/(decrease) if: • Annual net income was higher/(lower).
Cost approach: The approach is based on the principle of substitution whereby the purchaser with perfect knowledge of the property market pays no more for the subject property than the cost of constructing a similar facility of similar size and design. The approach requires the estimated replacement cost of improvements similar to those of the subject property and the deduction of accrued depreciation. The resulting depreciated amount is then added to the current estimated value of the unimproved land.	• Details of the cost of constructing a similar facility of similar size and design. • Estimated replacement cost of improvements similar to those of subject properties. • Depreciation rates.	The estimated fair value would increase/(decrease) if: • Cost of constructing comparable properties were higher/(lower). • Estimated replacement costs of improvements of comparable properties were higher/(lower). • Depreciation rates were higher/(lower).

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
June 30, 2015

6. Property, plant and equipment

	Freehold land and buildings $'000	Plant and equipment $'000	Furniture, fixtures and computer equipment $'000	Returnable packaging $'000	Construction in progress $'000	Total $'000
Cost:						
June 30, 2013	1,642,506	5,528,399	611,714	2,216,791	292,210	10,291,620
Additions	13,730	19,356	-	453,043	1,234,693	1,720,822
Revaluation of buildings reclassified to investment property	310,374	-	-	-	-	310,374
Offset of accumulated depreciation on building reclassified to investment properties	(85,421)	(3,807)	-	-	-	(89,228)
Reclassified to investment properties	(416,239)	(2,761)	-	-	-	(419,000)
Transfers	16,268	24,745	3,655	-	(44,668)	-
Disposals/write-off	(58,138)	(75)	(19,707)	(20,801)	-	(98,721)
June 30, 2014	1,423,080	5,565,857	595,662	2,649,033	1,482,235	11,715,867
Additions	15,159	175,723	22,648	1,059,564	776,474	2,049,568
Transfers	34,208	760,747	18,953	-	(813,908)	-
Disposals/write-off	-	(42,305)	(2,465)	(465,299)	-	(510,069)
June 30, 2015	1,472,447	6,460,022	634,798	3,243,298	1,444,801	13,255,366
Depreciation and impairment losses:						
June 30, 2013	580,660	3,155,832	488,592	1,512,901	-	5,737,985
Charge for the year	34,867	291,890	55,193	249,729	-	631,679
Eliminated on disposals/write-off	(132,550)	(3,839)	(11,162)	(2,240)	-	(149,791)
June 30, 2014	482,977	3,443,883	532,623	1,760,390	-	6,219,873
Charge for the year	34,827	317,795	46,616	438,154	-	837,392
Eliminated on disposals/write-off	-	(27,692)	(1,972)	(403,513)	-	(433,177)
June 30, 2015	517,804	3,733,986	577,267	1,795,031	-	6,624,088
Carrying amounts:						
June 30, 2015	954,643	2,726,036	57,531	1,448,267	1,444,801	6,631,278
June 30, 2014	940,103	2,121,974	63,039	888,643	1,482,235	5,495,994
June 30, 2013	1,061,846	2,372,567	123,122	703,890	292,210	4,553,635

7. Employee benefits asset/obligation

The company operates a defined-benefit pension plan which is open to all permanent employees and is managed by an independent fund manager. The plan 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 employees upon retirement.

7. Employee benefits asset/obligation (continued)

(a) Employee benefit asset/(obligation)

	Pension asset		Medical obligation	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Present value of obligations	(5,646,000)	(4,730,000)	(138,000)	(142,000)
Fair value of plan assets	6,846,100	6,126,000	-	-
Asset not recognised due to limitation	-	(350,000)	-	-
Net asset/(obligation) at end of year	1,200,100	1,046,000	(138,000)	(142,000)

(b) Movements in the present value of funded and unfunded obligations

	Pension asset		Medical obligation	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Balance at beginning of year	(4,730,000)	(3,889,000)	(142,000)	(92,000)
Benefits paid	280,000	373,000	5,000	4,000
Service and interest costs	(527,200)	(409,000)	(20,900)	(13,000)
Members' contributions	(85,000)	(83,000)	-	-
Re-measurements	(583,800)	(722,000)	19,900	(41,000)
Balance at end of year	(5,646,000)	(4,730,000)	(138,000)	(142,000)

(c) Movement in pension plan assets

	2015 $'000	2014 $'000
Fair value of plan assets at beginning of year	6,126,000	5,892,000
Members' contributions	85,000	83,000
Employer's contributions	10,000	10,000
Interest income on plan assets	573,400	547,000
Benefits paid	(280,000)	(373,000)
Re-measurements	331,700	(33,000)
Fair value of plan assets at end of year	6,846,100	6,126,000
Plan assets consist of the following:		
Fixed income fund	3,348,000	1,960,000
Mortgage and real estate fund	1,680,000	1,449,000
Equity fund	1,448,100	1,554,000
Foreign currency fund	370,000	1,118,000
Money market fund	-	45,000
	6,846,100	6,126,000

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
June 30, 2015

7. Employee benefit asset/obligation (continued)

(d) (Income)/expense recognised for the year

	Pension asset		Medical obligation	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Current service costs	91,000	57,000	7,900	4,000
Net interest costs:				
Interest on obligation	436,200	352,000	13,000	9,000
Interest income on plan asset	(573,400)	(547,000)	-	-
Interest on effect of asset ceiling	33,400	126,000	-	-
	(12,800)	(12,000)	20,900	13,000
Actual return on plan assets	15%	9.0%		

(e) Re-measurement effects recognised in other comprehensive income

	Pension asset		Medical obligation	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Change in demographic assumptions	-	238,000	-	11,000
Change in financial assumptions	-	184,000	-	9,000
Experience adjustment	252,100	333,000	(19,900)	21,000
Change in effect of the asset ceiling	(383,400)	(1,100,000)	-	-
	(131,300)	(345,000)	(19,900)	41,000

(f) Principal actuarial assumptions at the reporting date (expressed as weighted averages)

	2015	2014
	%	%
Inflation rate	6.0	5.5
Discount rate	9.5	9.5
Pay growth	6.0	5.5
Pension increases	4.5	4.5
Medical claims growth	8.5	8.5

(i) The expected long-term rate of return is based on market expectation of inflation of 6.0% (2014: 5.5%) plus a margin for real returns of 2% 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 $100,000,000 (2014: $104,000,000).

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
June 30, 2015

7. Employee benefit asset/obligation (continued)

(g) As mortality continues to improve, estimates of life expectancy are expected to increase. The effect on the projected benefit obligation of an increase of one year in the life expectancy is approximately $90 million.

(h) Sensitivity analysis on projected benefit obligation

The calculation of the projected benefit obligation is sensitive to the assumptions used. The table below summarizes how the projected benefit obligation measured at the end of the reporting period would have increased/(decreased) as a result of a change in the respective assumptions by one percentage point. In preparing the analyses for each assumption, all others were held constant. The economic assumptions are somewhat linked as they are all related to inflation. Hence, for example, a 1% reduction in the long-term discount rate would cause some reduction in the medical trend rate.

	2015		2014	
	1 % decrease $'000	1 % increase $'000	1 % decrease $'000	1 % increase $'000
Discount rate	259	(214)	632	(493)
Pay growth	(171)	202	(155)	176
Pension increases	(473)	554	(339)	392

(i) Liability duration

	2015	2014
Active members and all participants	31 years	30 years

8. Accounts receivable

	2015 $'000	2014 $'000
Trade	1,702,765	1,208,539
Other	102,489	218,307
	1,805,254	1,426,846
Less: Allowance for impairment	(62,898)	(58,092)
	1,742,356	1,368,754

The maximum exposure to credit risk for trade receivables, less allowance for impairment, at the reporting date by type of customer was:

	2015 $'000	2014 $'000
On-trade	3,018	42,098
Off-trade	1,491,974	970,335
Export	137,376	85,656
Other	7,499	52,358
	1,639,867	1,150,447

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
June 30, 2015

8. Accounts receivable (continued)

The ageing of trade receivables at the reporting date was:

	2015		2014	
	Gross $'000	Impairment $'000	Gross $'000	Impairment $'000
Not past due	1,636,784	-	1,150,447	-
Past due 31-60 days	3,083	-	-	-
More than 60 days	62,898	(62,898)	58,092	(58,092)
Total	1,702,765	(62,898)	1,208,539	(58,092)

The movement in the allowance for impairment was as follows:

	2015 $'000	2014 $'000
Balance at beginning of year	58,092	43,418
Debts recovered	(1,750)	(6,105)
Debts written-off – trade receivables	(6,704)	(3,415)
Charge for the year – trade receivables	13,260	24,194
Balance at end of year	62,898	58,092

9. Related party balances and transactions

(a) Definition of related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity", in this case, the company).

(A) A person or a close member of that person's family is related to the company if that person:

(i) has control or joint control over the company;

(ii) has significant influence over the company; or

(iii) is a member of the key management personnel of the company or of a parent of the company.

9. **Related party balances and transactions (continued)**

(a) Definition of related parties (continued)

(B) An entity is related to the company if any of the following conditions applies:

(i) The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company.

(vi) The entity is controlled, or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent 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.

(b) Identity of related parties

The company has related party relationships with the ultimate parent company, parent company, fellow subsidiaries, directors and key management personnel.

(c) The statement of financial position includes the following balances arising from transactions with related parties, in the ordinary course of business:

	2015 $'000	2014 $'000
Fellow subsidiaries:		
Due from (i)	477,811	407,208
Due to (ii)	(173,511)	(193,601)
Key management personnel:		
Accounts receivable (iii)	239	150
Joint venture:		
Accounts receivable (iii)	1,494,858	999,241
Accounts payable (iv)	(165,322)	(26,490)

9. Related party balances and transactions (continued)

(c) The statement of financial position includes the following balances arising from transactions with related parties, in the ordinary course of business (continued):

(i) This represents balances due on exports to related companies within the Diageo group which are unsecured, interest-free and collectible within twelve (12) months.

(ii) This represents balances with Diageo group companies which are unsecured, interest-free and repayable within twelve (12) months.

(iii) These are unsecured, interest free and collectible within twelve (12) months.

(iv) This is unsecured, interest free and repayable within twelve (12) months.

(d) The income statement includes income earned from, and expenses incurred in, transactions with related parties in the ordinary course of business, as follows:

	2015 $'000	2014 $'000
Fellow subsidiaries:		
Sales	(786,441)	(795,580)
Royalty income	(477,379)	(501,608)
Royalty expense	210,614	195,608
Marketing cost	14,169	33,276
Purchases of raw materials and finished goods	326,401	336,332
Joint venture:		
Gross sales	(13,654,959)	(10,883,578)
Cost of sales	1,225,556	1,065,180
Share of losses (note 4)	94,322	22,369
Key management personnel compensation:		
Short-term employment benefits	190,777	237,096
Post-employment benefits expense/(income)	83	(155)

10. Inventories

	2015 $'000	2014 $'000
Raw materials	217,937	133,412
Work-in-progress	199,417	185,823
Finished goods	254,553	244,710
Consumables	263,457	318,886
Plant and equipment spares	211,654	193,654
	1,147,018	1,076,485

Inventories of $2,078,221 (2014: $2,005,083) were recognised as expense during the year and included in the income statement as part of cost of sales.

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
June 30, 2015

11. Accounts payable

	2015 $'000	2014 $'000
Trade	822,628	959,419
Staff accruals	319,644	380,911
Deposits – returnables	346,326	277,885
Accrued charges	198,226	234,015
Other	426,271	162,577
	2,113,095	2,014,807

12. Share capital

Authorised:
2,810,500,000 ordinary shares of no par value

	2015 $'000	2014 $'000
Issued and fully paid: 2,809,170,386 ordinary stocks of no par value	2,174,980	2,174,980

13. Capital reserves

Capital reserves represent revaluation surplus on property, plant and equipment.

14. Other reserves

Other reserves represent the net employee benefits asset of $1,062,100,000 (2014: $904,000,000), less deferred tax of $265,525,000 (2014: $226,000,000), arising on the actuarial valuation under IAS 19, of the company's defined-benefit arrangements.

15. Deferred tax liabilities

	2015			
	Balance at beginning of year $'000	Recognised in income $'000 [Note 18(a)(ii)]	Recognised in equity $'000	Balance at end of year $'000
Accrued vacation leave	(7,638)	(2,454)	-	(10,092)
Unrealised foreign exchange (loss)/gain	(1,419)	4,478	-	3,059
Property, plant and equipment	259,167	9,331	-	268,498
Employee benefits asset	226,000	1,725	37,800	265,525
	476,110	13,080	37,800	526,990

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
June 30, 2015

15. Deferred tax liabilities (continued)

	2014			
	Balance at beginning of year $'000	Recognised in income $'000 [Note 18(a)(ii)]	Recognised in equity $'000	Balance at end of year $'000
Accrued vacation leave	(11,776)	4,138	-	(7,638)
Unrealised foreign exchange gain/(loss)	3,601	(5,020)	-	(1,419)
Property, plant and equipment	368,342	(109,175)	-	259,167
Employee benefits asset	176,100	(26,100)	76,000	226,000
	536,267	(136,157)	76,000	476,110

16. Gross sales

Gross sales represents the invoiced value of goods and services, including Special Consumption Tax (SCT), environmental levy and royalties but excluding General Consumption Tax (GCT).

17. Profit before taxation

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

	2015 $'000	2014 $'000
Auditors' remuneration	7,204	6,600
Depreciation	837,392	631,679
Directors' emoluments:		
Fees	7,974	7,918
Key management personnel	84,252	71,884
Staff costs	1,820,047	1,743,234
Redundancy expenses	55,101	40,306
Foreign exchange gains	(49,536)	(43,650)
Dividends earned on overseas investments	-	(34,007)
Royalties earned	(532,897)	(525,392)
Bad debts	13,260	24,194
Inventories written off	98,470	60,313

18. Taxation

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

	2015 $'000	2014 $'000
(i) Current tax expense:		
Income tax at 25% (2014: 25%)	487,843	637,039
Prior year over-provision	-	(22,674)
Capital gain tax on sale of overseas investments	-	45,537
	487,843	659,902
(ii) Deferred taxation:		
Origination and reversal of temporary differences (note 15)	13,080	(136,157)
Taxation	500,923	523,745

(b) Reconciliation of actual taxation charge:

	2015 $'000	2014 $'000
Profit before taxation	2,834,445	3,832,048
Computed "expected" tax charge at 25% (2014: 25%)	708,611	958,012
Difference between profit for financial statements and tax reporting purposes on:		
Effect of change in tax rates	-	(89,378)
Gain on disposal of investment	-	(237,954)
Depreciation charge and capital allowances	(19,020)	(111,223)
Employer tax credit	(218,846)	-
Dividend income	-	(8,501)
Fair value gain on investment properties	(13,425)	(48,737)
Capital gain tax on sale of overseas investment	-	45,537
Other	43,603	38,663
Prior year overprovision	-	(22,674)
Actual taxation charge	500,923	523,745

19. Earnings per stock unit

The calculation of earnings per stock unit is based on the company's profit for the year of $2,333,522,000 (2014: the group's profit of $3,153,163,000) and 2,809,170,386 stock units, being the number of stock units in issue for the year.

20. Dividends

	2015 $'000	2014 $'000
Ordinary dividends:		
First interim dividend: 27¢ (2014: 25¢) per stock unit – gross	758,476	702,293
Second interim dividend: 13¢ (2014: 25¢) per stock unit – gross	365,192	702,293
	1,123,668	1,404,586

21. Segment reporting

The identification of business segments is based on the company's management and internal reporting structure. The company is managed based on its operating strategic business segments, which are domestic and export. Both segments are involved in the bottling and distribution of premium drinks.

Segment results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis.

	Domestic		Export		Total	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Gross sales	13,825,448	12,289,265	2,070,262	1,795,836	15,895,710	14,085,101
Special Consumption Tax	(2,809,526)	(2,587,620)	-	-	(2,809,526)	(2,587,620)
Net external revenue	11,015,922	9,701,645	2,070,262	1,795,836	13,086,184	11,497,481
Segment profit	3,095,965	2,916,125	993,125	799,058	4,089,090	3,715,183
General, selling and administration expenses					(1,256,786)	(1,222,601)
Other income, net					155,540	387,066
Gain on disposal of investments					-	973,697
Finance income - interest					19,412	23,953
Share of loss in joint ventre					(94,322)	(22,369)
Loss on disposal of property, plant and equipment					(70,389)	(21,881)
Employee benefits expense					(8,100)	(1,000)
Profit before taxation					2,834,445	3,832,048
Taxation					(500,923)	(523,745)
Profit for the year					2,333,522	3,308,303
Segment assets					13,595,636	12,253,596
Segment liabilities					3,261,755	3,242,969
Depreciation					837,392	631,679
Capital expenditure					2,049,568	1,720,822

21. Segment reporting (continued)

Segment information below represents segment revenue based on the country receiving the benefit of the products.

	2015 $'000	2014 $'000
Jamaica	11,015,922	9,701,645
Caribbean	462,734	337,007
Canada	428,686	369,342
Great Britain	383,237	461,412
United States	310,403	300,114
Europe	136,037	166,321
Other	349,165	161,640
	13,086,184	11,497,481

All material non-current assets are geographically located in Jamaica.

22. Contingent liabilities

(i) At the reporting date, the company had a contingent liability in respect of letters of credit issued in favour of the Collector of Customs, amounting to $47,500,000 (2014: $47,500,000), in the ordinary course of business.

(ii) Claims amounting to $14.3 million have been made against the company by former employees. Defence has been filed against these claims and no provision has been made in the financial statements with respect to these amounts, as management expects the defence to be successful.

23. Financial risk management

The company has exposure to credit risk, liquidity risk, and market risk from its use of financial instruments and its operations. This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk, and the company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework. The Board has established a Risk Management Committee, which is responsible for developing and monitoring the company's risk management policies. The company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

23. Financial risk management (continued)

(i) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's cash and cash equivalents and receivables from customers. The primary concentration of credit risk is within trade receivables, which is mitigated by the performance of regular credit evaluation of customers.

Trade receivables

Appropriate credit checks, references and analyses are performed and/or received in order to assess customers' credit risk prior to offering new credit or increasing existing credit limits. Customers who are in receivership or liquidation or exceeding their credit limits are identified and the appropriate actions taken. Key performance indicators are reviewed at least monthly, including the amount of cash collected, average debt collection period, percentage of customers with overdue balances and debts deemed uncollectible.

Credit limits for all customers are reviewed at least annually against the customers' payment history, assessment of customers' credit risk and sales department information.

Cash and cash equivalents

The company maintains cash resources with reputable financial institutions that are appropriately licensed and regulated, therefore credit risk is considered to be low. No allowance for impairment is deemed necessary.

Exposure to credit risk

The carrying amount of financial assets on the statement of financial position represents the maximum exposure to credit risk at the reporting date.

Management makes specific impairment allowance, irrespective of ageing for certain trade receivables, after assessing the circumstances relating to those receivables. The majority of the overall trade receivable balance relates to customers that have a good record of payment. The balance with the joint venture company, Celebration Brands Limited, accounts for approximately 88% (2014: 73%) of the trade receivables balance.

During 2015, the company did not renegotiate the terms of trade receivables with any of its customers.

The allowance account in respect of trade receivables is used to record impairment losses, unless management is satisfied that no recovery of the amount owing is possible. At that point, the amount considered irrecoverable is written off directly against the receivable balance.

There was no change to the company's exposure to credit risk or the manner in which it measures and manages this risk during the year.

23. Financial risk management (continued)

(ii) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it has sufficient funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The company ensures that it has sufficient cash on demand to meet expected operational expenses. The company maintains two lines of unsecured credit, which are available if the company does not have sufficient cash to settle its obligation, as follows:

(a) \$600,000,000 (2014: \$600,000,000) facility with The Bank of Nova Scotia Jamaica Limited. Interest is negotiated or determined at the time the funds are accessed.

(b) US\$9,000,000 (2014: US\$9,000,000) line of credit with Citibank N.A., Jamaica Branch. The rate of interest per annum is determined at the time the funds are accessed.

The contractual outflows for accounts payable and the amounts due to fellow subsidiaries are represented by the carrying amounts and may require settlement within 12 months of the reporting date.

There was no change to the company's exposure to liquidity risk or the manner in which it measures and manages this risk during the year.

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risk

For each of the major components of market risk, the company has policies and procedures in place which detail how each risk should be monitored and managed. The management of each of these major components of risk and the exposure of the company at the reporting date are as follows:

(a) Foreign currency risk

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

The company is exposed to currency risk on purchases that are denominated in a currency other than the Jamaica dollar, which is the functional currency of the company.

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
June 30, 2015

23. Financial risk management (continued)

(iii) Market risk (continued)

(a) Foreign currency risk (continued)

Exposure to currency risk

The company had net foreign currency assets/(liabilities) as follows:

	Jamaican dollar equivalent	
	2015	2014
Currency	$'000	$'000
Canadian dollars	114,253	57,224
United States dollars	110,514	(138,856)
Pounds sterling	41,795	(38,751)
Euro	5,347	(34,987)

Sensitivity analysis

The following table details the company's sensitivity to a 1% (2014: 1%) strengthening and 8% (2014: 15%) weakening of the Jamaica dollar against the relevant currencies based on the effect that such changes would have on the reported profits for the year. This analysis assumes that all other variables, in particular interest rates, remain constant and was performed on the same basis as 2014.

	2015		2014	
	1% strengthening	8% weakening	1% strengthening	15%weakening
Currency	$'000	$'000	$'000	$'000
Canadian dollars	(1,143)	9,140	(572)	8,584
United States dollars	(1,105)	8,841	1,389	(20,828)
Pounds sterling	(418)	3,344	388	(5,813)
Euro	(53)	428	350	(5,248)

(b) 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 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 with appropriate notice by the lender.

The company does not carry any fianancial instrument at fair value, therefore a change in market interest rates would not affect the carrying value of the company's financial instruments.

There was no change to the company's exposure to market risk or the manner in which it measures and manages this risk during the year.

23. Financial risk management (continued)

(iv) Capital management

The company is not subject to externally-imposed capital requirements. The Board's policy is to maintain a strong capital base, which the company defines as total equity, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the level of dividends to ordinary stockholders and the return on capital,

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes in the company's approach to capital management during the year.

24. Fair values

The fair value of cash and cash equivalents, accounts receivable, due from fellow subsidiaries, due to fellow subsidiaries and accounts payable was determined to approximate their carrying value due to their short-term nature [note 2(e)(iv)].

25. Lease commitment

At June 30, the future minimum lease payments under non-cancellable leases are receivable as follows:

	2015 $'000	2014 $'000
Within one year	49,912	49,912
Over one year	-	49,912
	49,912	99,824