DESNOES AND GEDDES LIMITED
UNAUDITED OPERATING RESULTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2007

The Directors are pleased to present the unaudited results of the Group for the 3-month period (or first quarter) ended September 30, 2007.

Highlights

	J$ Millions		
	3-months ended Sept 30,		
	2007	2006	Change %
Turnover	3,087	2,604	18.6%
Trading profit	397	351	13.1%
Profit before tax	422	364	16.1%
Profit after tax	260	207	25.8%
Earnings per stock unit (cents)	9.25	7.35	25.8%

Total turnover for the first quarter was $3,087 million or 18.6% higher than the comparative period last year, with the increase attributable to continued volume growth combined with higher selling prices. Trading profit was $397 million representing a 13.1% increase over the same period last year. Profit before tax was $422 million or 16.1% higher than last year's comparative period, being favourably impacted by the inclusion of $20.2 million of employee benefits income. Profit after tax was $260 million, or 25.8% higher than last year's first quarter.

Volume performance

Volume growth summary	
Segment	growth (vs same preiod in previous year)
	3 months ended September 30, 2007
Domestic	**11.1%**
Export: USA	15.7%
Other	(16.2%)
Total Exports	**9.5%**
Total volumes	**10.6%**

Total volume (including exports) for the first quarter was 10.6% higher than last year's comparative period.

- Domestic volume continued its positive growth trajectory with an 11.1% increase over last year's first quarter.

- Total export volume was 9.5% higher when compared to the same period last year, driven primarily by a 15.7% increase in exports to the United States market.

Total cost of sales was $1,562 million, or 19% more than the comparative period last year. The increase was driven by the higher volume as well as increased costs of raw materials, salaries and wages, energy and other manufacturing overheads. Gross profit was $1,085 million, an increase of 17% over last year's first quarter.

Total marketing cost was $466 million, with $211 million spent in the domestic market. While much of the expenditure was invested behind the Red Stripe brand in a successful *"Red Summer"* campaign, other brands such as Guinness and Heineken also benefited from significant advertising and promotional activities.

The strategic investments in overseas markets continued with $255 million spent primarily to drive the growth of Red Stripe in the North American market.

General, selling and administrative expenses were $224 million or $50 million more than the same period last year. The increase was mainly due to annual salary adjustments as well as expenses associated with staff training.

Balance Sheet Highlights

- At September 30, 2007, the Group's investments were valued at $511 million (September 30, 2006: $45 million) while property, plant and equipment was $5,683 million (September 30, 2006: $3,512 million). These material increases were primarily due to the revaluation of those assets at the end of the financial year ended June 30, 2007.

- Focus on capital investments continued with $79 million spent on projects to improve plant and packaging processes. These projects are slated for completion in the 2nd quarter.

- Inventory was valued at $1,584 million or 11% higher than the year-end balances as the company commenced a build-up of raw materials and finished goods for the traditionally high-volume 2nd quarter period.
- Amounts due to Diageo Group companies was $623 million (June 30, 2007: $467 million) reflecting increased trading primarily in raw materials as well as marketing expenses incurred in the United States on the Company's behalf. In addition, the phasing of purchases impacted the higher quarter end balance.
- Accounts receivable balance was $493 million or 35% higher than the $367 million recorded at the June 30, 2007 year-end, due mainly to the inclusion of insurance prepayments.

The company continued to lead in responsible drinking by investing in '*Think Responsibly, Drink Responsibly'* initiatives across all brand activations. Also, during the quarter, its enriched community efforts were directed at providing relief for individuals who suffered damage due to Hurricane Dean.

We take this opportunity to thank all our customers, consumers, suppliers and other stakeholders for their support and contribution to the first quarter's results.

Richard O. Byles
Chairman
November 14, 2007

Mark McKenzie
Managing Director
November 14, 2007

DESNOES AND GEDDES LIMITED

COMPANY BALANCE SHEET

As at September 30, 2007

	Unaudited September 30, 2007 $'000	Unaudited September 30, 2006 $'000	Audited June 30, 2007 $'000
ASSETS			
Investments	511,380	46,286	511,380
Investment properties	84,500	36,000	84,500
Property, plant and equipment	5,683,453	3,512,171	5,682,522
Employee benefits asset	1,124,225	975,000	1,104,000
Total non-current assets	**7,403,558**	**4,569,457**	**7,382,402**
Cash and cash equivalents	92,397	369,435	285,249
Short-term deposits	439,569	829,664	165,864
Accounts receivable	493,173	430,276	366,583
Due from fellow subsidiaries	243,973	271,492	245,405
Inventories	1,583,779	1,095,469	1,398,234
Total current assets	**2,852,891**	**2,996,336**	**2,461,335**
Accounts payable	1,458,895	1,446,782	1,446,230
Taxation payable	220,885	90,470	298,194
Due to fellow subsidiaries	623,091	203,088	467,142
Total current liabilities	**2,302,871**	**1,740,340**	**2,211,566**
Net current Assets	**550,020**	**1,255,996**	**249,769**
Total assets less current liabilities	**7,953,578**	**5,825,453**	**7,632,171**
EQUITY			
Share capital	2,174,980	2,174,980	2,174,980
Capital reserves	2,147,582	831,536	2,141,578
Other reserve	1,189,568	644,473	1,189,568
Retained earnings	1,126,556	1,192,609	872,817
Total equity	**6,638,686**	**4,843,598**	**6,378,943**
NON-CURRENT LIABILITIES			
Employee benefits obligation	75,000	66,000	75,000
Long-term liability	157,235	157,235	157,235
Deferred tax liabilities	1,082,657	758,620	1,020,993
Total non-current liabilities	**1,314,892**	**981,856**	**1,253,229**
Total equity and liabilities	**7,953,578**	**5,825,453**	**7,632,171**

DESNOES AND GEDDES LIMITED

GROUP BALANCE SHEET

As at September 30, 2007

	Unaudited September 30, 2007 $'000	Unaudited September 30, 2007 $'000	Audited June 30, 2007 $'000
ASSETS			
Investments	510,225	45,131	510,225
Investment properties	84,500	36,000	84,500
Property, plant and equipment	5,683,453	3,512,171	5,682,522
Employee benefits asset	1,124,225	975,000	1,104,000
Total non-current assets	**7,402,403**	**4,568,302**	**7,381,247**
Cash resources	94,153	371,191	287,005
Short-term deposits	439,569	829,664	165,864
Accounts receivable	493,173	430,276	366,583
Due from fellow subsidiaries	243,973	271,492	245,405
Inventories	1,583,779	1,095,469	1,398,234
Total current assets	**2,854,647**	**2,998,092**	**2,463,091**
Accounts payable	1,461,601	1,449,488	1,448,936
Taxation payable	220,875	90,460	298,184
Due to fellow subsidiaries	623,091	203,088	467,142
Total current liabilities	**2,305,567**	**1,743,036**	**2,214,262**
Net current assets	**549,080**	**1,255,056**	**248,829**
Total assets less current liabilities	**7,951,483**	**5,823,358**	**7,630,076**
EQUITY			
Share capital	2,174,980	2,174,980	2,174,980
Capital reserves	2,155,352	839,306	2,149,348
Other reserves	1,189,568	644,473	1,189,568
Retained earnings	1,266,479	1,332,532	1,012,740
Shareholders equity	**6,786,379**	**4,991,291**	**6,526,636**
Minority interest	7,447	7,447	7,447
Total equity	**6,793,826**	**4,998,738**	**6,534,083**
NON-CURRENT LIABILITIES			
Employee benefits obligation	75,000	66,000	75,000
Deferred tax liabilities	1,082,657	758,620	1,020,993
Total non-current liabilities	**1,157,657**	**824,620**	**1,095,993**
Total equity and liabilities	**7,951,483**	**5,823,358**	**7,630,076**

DESNOES AND GEDDES LIMITED

Company and Group Income Statements

3-month period ended September 30, 2007

	Unaudited 3 months to Sept.30, 2007 $'000	Unaudited 3 months to Sept.30, 2006 $'000
Turnover	3,087,447	2,604,326
Special Consumption Tax (SCT)	(439,480)	(369,502)
Net sales	2,647,967	2,234,824
Cost of sales	(1,562,357)	(1,307,853)
Gross profit (2007:35.2%; 2006:35.6%)	1,085,610	926,971
Marketing cost	(465,655)	(430,150)
Contribution after marketing	619,955	496,821
General, selling and administration expenses	(223,960)	(173,964)
Other income	1,415	28,427
Trading profit	397,410	351,284
Employee benefits income	20,225	-
Interest income	4,837	12,551
Profit before taxation	422,472	363,835
Taxation	(162,730)	(157,306)
Profit after taxation	259,742	206,528
Earnings per stock unit	9.25 ¢	7.35 ¢

DESNOES & GEDDES LIMITED

Unaudited Group Statement of Changes in Equity

3 months ended September 30, 2007

	Attributable to equity holders of the parent company					
	Share capital	Capital reserves	Other reserves	Retained earnings	Minority interest	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balances at June 30, 2006	**2,174,980**	**850,546**	**644,474**	**1,114,763**	**7,447**	**4,792,210**
Profit for the year	-	-	-	1,421,874	-	1,421,874
Revaluation surplus		1,667,366	-	-	-	1,667,366
Fair value adjustment	-	-	465,094	-	-	465,094
Deferred taxation on revalued property, plant and equipment	-	(323,601)	-	-	-	(323,601)
Transfer to pension equalisation reserve	-	-	80,000	(80,000)	-	-
Transfer of depreciation charge on revaluation surplus of property, plant and equipment	-	(44,963)	-	44,963	-	-
Dividends	-	-	-	(1,488,860)	-	(1,488,860)
Balances at June 30, 2007	**2,174,980**	**2,149,348**	**1,189,568**	**1,012,740**	**7,447**	**6,534,083**
Profit for the period	-	-	-	259,742	-	259,742
Transfer of depreciation charge on revaluation surplus of property, plant and equipment	-	6,003	-	(6,003)	-	-
Balances at September 30, 2007	**2,174,980**	**2,155,352**	**1,189,568**	**1,266,479**	**7,447**	**6,793,826**
Reflected in the financial statements of:						
The Company	2,174,980	2,147,582	1,189,568	1,126,556	-	6,638,686
Subsidiaries	-	7,770	-	139,923	7,447	155,140
September 30, 2007	**2,174,980**	**2,155,352**	**1,189,568**	**1,266,479**	**7,447**	**6,793,826**
The Company	2,174,980	2,141,578	1,189,568	872,817	-	6,378,943
Subsidiaries	-	7,770	-	139,923	7,447	155,140
June 30, 2007	**2,174,980**	**2,149,348**	**1,189,568**	**1,012,740**	**7,447**	**6,534,083**

DESNOES & GEDDES LIMITED

Group Statement of Cash Flows

3 months ended September 30, 2007

	Unaudited September 30, 2007 $'000	Unaudited September 30, 2006 $'000
CASHFLOW FROM OPERATING ACTIVITIES		
Net profit for the period	**259,742**	**206,528**
Adjustments to reconcile net profit to net cash provided by operating activities:		
Interest income	(4,836)	(12,551)
Interest expense	-	470
Depreciation	78,362	70,679
Loss on diposal of property, plant and equipment	-	(2,483)
Deferred taxation	61,664	70,273
Tax charge	101,066	87,033
(Increase)/decrease in employee benefits asset	(20,225)	-
	475,772	419,949
(Increase)/decrease in current assets:		
Accounts receivable	(126,787)	17,553
Due from fellow subsidiary	1,432	(6,218)
Inventories	(185,545)	(26,429)
Increase/(decrease) in current liabilities:		
Accounts payable	12,665	101,602
Due to fellow subsidiaries	155,949	40,316
Cash generated from operations	333,486	546,773
Interest paid	-	(470)
Income taxes paid	(178,374)	(22,422)
Net cash provided by operating activities	155,113	523,881
CASHFLOW FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(79,293)	(32,432)
Proceeds from disposal of property, plant and equipment	-	2,483
Interest received	5,033	9,850
Net cash used by investing activities	(74,260)	(20,099)
Net increase/(decrease) in cash resources	80,853	503,782
Cash resources at beginning of year	452,869	697,073
Cash resources at end of period	**533,722**	**1,200,855**
Comprised of:-		
Cash resources	94,153	371,191
Short-term deposits	439,569	829,664
	533,722	**1,200,855**

DESNOES AND GEDDES LIMITED

Financial Information by Geographical Segment

3-month period ended September 30, 2007

	Domestic		Export		Group	
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	Sept. 30, 2007	Sept.30, 2006	Sept. 30, 2007	Sept.30, 2006	Sept. 30, 2007	Sept.30, 2006
	$'000	$'000	$'000	$'000	$'000	$'000
Turnover	2,336,742	1,973,913	750,705	630,413	3,087,447	2,604,326
Special consumption tax	(439,480)	(369,502)	-	-	(439,480)	(369,502)
Net sales value	1,897,262	1,604,411	750,705	630,413	2,647,967	2,234,824
Cost of sales	(1,008,788)	(836,951)	(553,569)	(470,902)	(1,562,357)	(1,307,853)
Gross profit	888,474	767,460	197,136	159,511	1,085,610	926,971
Marketing costs	(211,073)	(280,066)	(254,582)	(150,084)	(465,655)	(430,150)
Segment result	677,401	487,394	(57,446)	9,426	619,955	496,821
General, selling & administration expenses					(223,960)	(173,964)
Other income					1,415	28,427
Trading profit					397,410	351,284
Employee benefits income					20,225	-
Interest income					4,837	12,551
Profit before taxation					422,472	363,835
Taxation					(162,730)	(157,306)
Profit after taxation					259,742	206,528
Segment Assets	7,853,477	5,925,233	2,403,573	1,641,162	10,257,050	7,566,395
Segment Liabilities	2,565,260	2,248,778	897,964	318,879	3,463,224	2,567,657
Depreciation	(53,286)	(48,062)	(25,076)	(22,617)	(78,362)	(70,679)
Capital Expenditure	53,919	22,054	25,374	10,378	79,293	32,432

1. Identification

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

2. Basis of preparation

(a) Statement of compliance:

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

(b) Basis of measurement:

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

(c) Functional and presentation currency:

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

(d) Use of estimates and judgements:

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

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

2. Basis of preparation (cont'd)

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

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

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

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

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

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

3. Significant accounting policies

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

(a) Basis of consolidation:

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

3. Significant accounting policies (cont'd)

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

(i) Continued:

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

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

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

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

(ii) Associates:

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

(iii) Transactions eliminated on consolidation:

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

(b) Revenue:

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

3. Significant accounting policies (cont'd)

(c) Property, plant and equipment:

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

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

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

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

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

(ii) Depreciation:

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

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

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

(d) Inventories:

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

3. Significant accounting policies (cont'd)

(e) Foreign currencies:

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

(f) Taxation:

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(g) Employee benefits:

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

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

3. Significant accounting policies (cont'd)

(g) Employee benefits (cont'd):

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

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

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

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

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

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

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

(h) Financial instruments:

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

3. Significant accounting policies (cont'd)

(h) Financial instruments (cont'd):

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

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

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

Non-derivative financial instruments are subsequently measured as follows:

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

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

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

(i) Investment properties:

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

3. Significant accounting policies (cont'd)

(j) Provision:

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

(k) Impairment:

(i) Financial assets:

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

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

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

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

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

(ii) Non-financial assets:

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

3. Significant accounting policies (cont'd)

(k) Impairment (cont'd):

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

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

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

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

(l) Finance income and expenses:

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

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

(m) Segment reporting:

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

3. Significant accounting policies (cont'd)

(n) Earnings per share:

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