# DESNOES & GEDDES LIMITED
# ANNUAL REPORT 2010

# RESULTS AT A GLANCE

| | 2010<br>$'000 | 2009<br>$'000 |
|---|---|---|
| Turnover | 13,332,436 | 13,447,889 |
| Profit before taxation | 1,182,374 | 2,211,441 |
| Profit attributable to stockholders | 789,398 | 1,551,323 |
| Profit per stock unit calculated on net profit attributable to stockholders | 28.10¢ | 55.22¢ |
| Dividends per stock unit | 25.00¢ | 35.00¢ |
| | | |
| **STOCKHOLDERS' EQUITY** | | |
| Share capital | 2,174,980 | 2,174,980 |
| Capital and other reserves | 3,197,315 | 2,744,658 |
| Revenue reserves | 1,304,784 | 1,326,998 |
| | 6,677,079 | 6,246,636 |

# CONTENTS


| | |
|---|---|
| Results At A Glance | Inside Front Cover |
| Company Profile | 2 |
| Our Purpose, Strategy and Values | 3 |
| Chairman's Statement | 4 |
| Management's Discussion and Analysis | 6 |
| Notice of Annual General Meeting | 10 |
| Corporate Data | 12 |
| Ten-Year Statistical Summary | 13 |
| Board of Directors | 14 |
| Disclosure of Shareholdings | 18 |
| Directors' Report | 19 |
| Executive Leadership Team | 20 |
| Red Stripe's Winning Ways | 23 |
| Bold Innovations | 25 |
| Sales – Setting the Platform for Growth | 27 |
| Exports – Building a Bigger Possibility Tomorrow | 29 |
| Winning in the Jamaican Market with Great Times and Experiences | 31 |
| Sustainable Community Enrichment to Unleash "People Potential" | 35 |
| Our People – Breakthrough Everyday, Everywhere by Everyone | 39 |
| Supply Breakthrough – Building Manufacturing Excellence | 43 |
| Distribution Centres | 45 |
| Responsible Drinking | 46 |
| Big On Records Management Compliance | 47 |
| Corporate Social Responsibility Policies | 48 |
| Diageo Employee Alcohol Policy | 49 |
| Board Charter and Corporate Governance Guidelines | 51 |
| Independent Auditors' Report | 54 |
| Company Statement of Financial Position | 56 |
| Group Statement of Financial Position | 57 |
| Company and Group Income Statement | 58 |
| Company and Group Statement of Comprehensive Income | 59 |
| Company Statement of Changes in Equity | 60 |
| Group Statement of Changes in Equity | 61 |
| Company Statement of Cash Flows | 62 |
| Group Statement of Cash Flows | 63 |
| Notes to the Financial Statements | 64 |
| Form of Proxy | 95 |

# COMPANY PROFILE

Red Stripe, a Diageo company, is the manufacturer of an outstanding range of premium alcohol brands, spanning beers, stouts and ready-to-drinks. We also market and distribute an unparalleled collection of internationally renowned premium spirit brands from our parent company Diageo, the world's foremost premium drinks company.

Our great range of brands means that people can celebrate with our products at every occasion no matter where they are in the world. This is why 'celebrating life every day, everywhere' is at the core of what we do.

We are distinctly Jamaican and all our brands reflect the warmth and colourful vibrancy of our diverse people. We employ over 600 talented people with offices and distribution centres in the four major town centres in Jamaica. The people who work for us really care for the legacy of each of our brands. We want them to be enjoyed by consumers for generations to come, which means we also take our role as a producer of alcohol very seriously. Red Stripe is at the forefront of industry efforts to promote responsible drinking. We are deeply committed to enriching our communities and in ensuring positive consumer experiences from all our products.

Our iconic flagship market leader, Red Stripe® lager beer was first brewed in Jamaica in 1928. It is now found in over 20 markets around the world and growing. This great Jamaican beer has earned the distinction of having some eleven Monde Selection Gold Medals to its credit.

Red Stripe is the trading name of Desnoes & Geddes Limited in which Udiam Holdings AB, a company within Diageo Plc, holds the majority shares. Diageo Plc is listed both on the London and New York Stock Exchanges. Red Stripe, located at 214 Spanish Town Road, Kingston is listed on the Jamaica Stock Exchange as Desnoes & Geddes Ltd.

# OUR PURPOSE

**Celebrating Life, Everyday, Everywhere**

# OUR VALUES

- Valuing each other
- Be the best
- Proud of what we do
- Passionate about consumers and customers
- Freedom to succeed

# OUR STRATEGY

- Amazing Relationships, Bringing out the Best
- Great Times, Great Experiences
- Enriched Communities

**"In face of these challenges the Company intensified its efforts in respect of innovation. You are assured...that you have the full commitment of all of us to do our best."**

RICHARD BYLES
CHAIRMAN

# CHAIRMAN'S STATEMENT


The last financial year was a particularly difficult one for Desnoes and Geddes Limited due primarily to the severe economic compression of the Jamaican economy, with Gross Domestic Product falling by 1.6% in the reporting period. This contraction was a result of the global recession generally and more specifically the impact of two large consumer-focused tax packages and the Jamaica Debt Exchange (estimated to have removed J$80B of purchasing power from the economy on an annualized basis).

This difficult economic environment was made even worse by the discriminatory SCT regime, which was introduced in March 2009 and served to make our primary products less price competitive when compared with other alcohol beverages. This new regime is counter to what pertains in most other markets where products are taxed on their percentage of alcohol by volume, regardless of type or description. However, the imposed system of taxation in our market favours beverages with higher levels of alcohol content and penalizes beers and stouts with rates as much as 1,000 per cent more than tonic wine.

In face of these challenges the Company intensified its efforts in respect of innovation. We proudly unveiled Red Stripe Light® in a "stubby" package in two major markets, Miami and Atlanta and were rewarded by an excellent sales response. This helped to drive a 4% increase in the net sales value of our export shipments. In addition, the new Dragon Stout® Spitfire™ hit the domestic market in May appealing to our younger adult demographic. To further expand our spirits portfolio, we added new flavours to our line of Smirnoff® products: Smirnoff Green Apple, Smirnoff Passion Fruit and Smirnoff Cranberry.

Internally, the company also took action to contain costs, modernize our route-to-market systems, improve production efficiencies, increase our expenditure on domestic and export advertising and importantly, re-entered the sponsorship of live music events.

While these efforts have certainly helped to moderate the negative impact of a difficult economic environment, they have not been sufficient. Our net profit for the reporting period was $789 million, 49% less than the year before. Turnover of $13,332 million was a decline of 1%, the result of weaker volumes.

Your Board of Directors and the entire Red Stripe Team are determined to halt the slide in our sales and rebuild the profitability of the company. This will not be an easy task given the economic reality of Jamaica. You are assured, however, that you have the full commitment of all of us to do our best.

## CORPORATE UPDATE

The company continued its Responsible Drinking campaign and through the Diageo Learning for Life Programme 73 students graduated and another 40 students are midway through a Project Bartender programme. Pechon Street has been refurbished and will become the permanent home of Diageo Learning for Life in Jamaica.

Red Stripe again, received the top Jamaica Chamber of Commerce award – the Best of the Chamber – Large Enterprise Award at the JCC 28th Annual Dinner & Awards Ceremony, making us the only 5 times winner of this prestigious category. Red Stripe also received awards at the JMA and JEA awards ceremonies.

We take this opportunity to thank all our customers for their support of our brands and pledge to serve you even better in the year to come. Our appreciation too to all our team members who continue to give their best in operating this first class brewery and distribution business.

During the year Andy Jones, the Supply Director of Red Stripe and a Board member was transferred to another Diageo location and therefore resigned his position as a Director of Red Stripe. We record our appreciation to him for his seminal contribution in building the productive efficiency of the plant into a world-class operation and fostering a strong team spirit in the supply organization and on the Leadership Team.

**"Our innovations pipeline will be a strategic area of focus as we continue to unleash fantastic brands that captivate the marketplace. To support this significant component of our growth strategy … connections with our consumers will be critical to the business' survival and success."**


# MANAGEMENT'S DISCUSSION AND ANALYSIS

ALAN BARNES
MANAGING DIRECTOR

## PERFORMANCE SUMMARY

This year was a challenging one for the Red Stripe business. Operating in a difficult economic environment, the continuation of tax inequities, increased competition and lower consumer disposable income have contributed to a further decrease in volumes. On a positive note, spirits sales recorded an impressive increase with Smirnoff and Baileys® being the main contributors. Depletions of export volumes to the USA have also increased.

Turnover was $13,332 million representing a one per cent decline over the previous year with growth in exports only partially offsetting the decline in the domestic market. The impact of reduced volumes and the special consumption tax inequities resulted in net sales value declining 5% on last year. The net sales value of export shipments increased 4% year-on-year as we continued to grow penetration in our overseas markets.

Full year trading profit was $1,048 million, 48% less than the corresponding period last year primarily driven by the reduction in gross profit and increased marketing cost.

The company paid dividends amounting to $702 million (2009: $983 million) or 25c (2009: 35c) per stock unit.

## COST OF SALES

Cost of sales increased to $7,401 million (2009: $7,074 million) as production and cost efficiencies generated were insufficient to offset the impact of lower volumes and increased raw material prices brought on by the devaluation of the Jamaican Dollar. The increase in cost of sales also reflected additional investment in the leasing of new trucks to strengthen our domestic route-to-market.

During the year the company undertook several cost saving initiatives including the standardization of our Red Stripe export bottle that simplified our processes and improved production efficiencies. The distribution centre rationalization project started last year was fully embedded allowing us to gain better utilization of our fleet of delivery trucks.

## MARKETING COST

The total marketing cost was $1,499 million (2009: $1,349 million). Of this amount, $876 million (2009: $806 million) was spent in the domestic segment. The increase over the same period last year reflected our strategy to maintain investment behind our core brands and innovation.

We have been successful this year in re-entering the music arena with excellent executions at Heineken® Green Synergy, Jamaica Jazz and Blues, and Rebel Salute. Our brands continue to be highly visible through advertising and marketing spend however, we are yet to see the upturn in domestic beer volumes. The innovation programme delivered into the marketplace: Red Stripe Bold®, Dragon Stout Spitfire, a rejuvenated Smirnoff Black Ice®, Zacapa Centenario® and two variants of Smirnoff flavours.

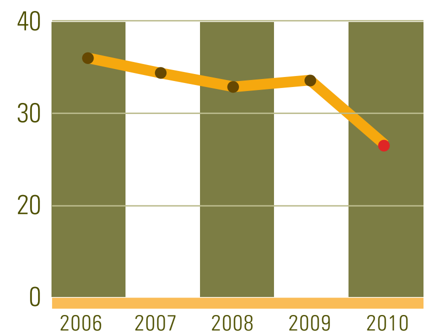
The export marketing cost was $80 million higher than last year as we launched one of our key brand extensions, Red Stripe Light, in the North America market.

## OVERHEADS

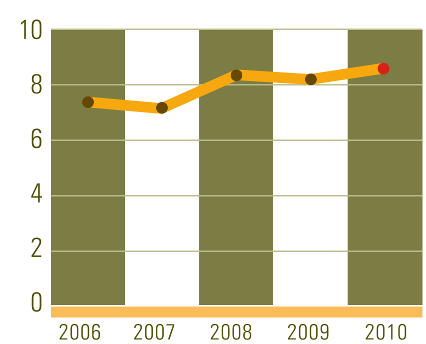
Despite the prevailing rate of inflation the increase in general, selling and administration expenses was held to 5% above last year reflecting the focus placed by the company on driving cost efficiency.

MARKETING COST
($MILLIONS)

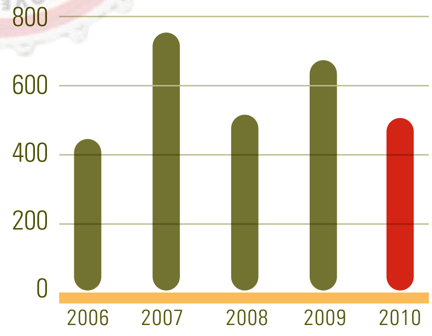

GROSS PROFIT MARGIN
(%)



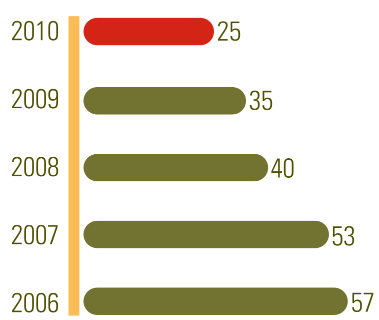

GENERAL, SELLING & ADMINISTRATIVE EXPENSES
(AS A PERCENTAGE OF TURNOVER)



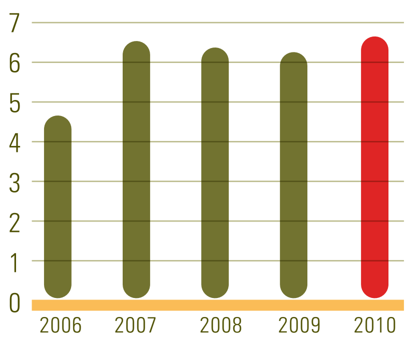
## CAPITAL INVESTMENTS
($MILLION)




## DIVIDEND PER STOCK UNIT
(CENTS)




## SHAREHOLDERS EQUITY
($BILLIONS)




## RISK FOOTPRINT

The company follows a comprehensive approach to risk management with the key risks facing the business reviewed at both an operational and executive level. On a quarterly basis the Audit Committee approves the risk matrix. Mitigation plans are established for all key risk areas, such as economic crisis and its impact on all aspects of business performance, natural disasters and other specific operational risks.

## ENRICHED COMMUNITIES

Through the outstanding efforts of our employees, via Red Stripe Employees Advocates of Care and Hope (REACH), Diageo Foundation and the Diageo Learning for Life Projects Artist and Bartender, we made a substantial difference in the communities we serve.

Among these projects were: our employees' support of relief efforts in the aftermath of Haiti's devastating earthquake, the powerful impact of work done by staff from Diageo Northern Latin American and the Caribbean region, the million dollar upgrade of the Elite Basic School in Seaview Gardens and the half a million dollar improvement to the Richard's Pen Basic School in St. Mary.

The Company continued its Responsible Drinking campaign and in the Diageo Learning for Life Programme 73 students graduated and another 40 students are midway through a Project Bartender programme. Pechon Street, the original home of Red Stripe has been refurbished to become the Diageo Learning for Life Institute of Jamaica.

## OUR PEOPLE

Our level of oneness, engagement and pride increased significantly over the past year, reflected in the growth in our internal employee values survey results. Red Stripe achieved a super-engagement score of 63%, which is highly ranked by international standards. The Employee Conference which brought together eight hundred staff members from the region, the philanthropy of our employees, and the implementation of a shared service Human Resources model giving all employees on-line access to their records, were among some of the year's achievements that contributed to an engaged workforce.

Red Stripe again, received the top Jamaica Chamber of Commerce award – the Best of the Chamber – Large

Enterprise Award, making us the only five-time winner in this prestigious category. Red Stripe also received awards at the JMA and JEA awards ceremonies.

## FUTURE STRATEGY

Our people agenda is extremely important to our future strategy ensuring capability development at all levels and key training is prioritized so that we create the best fit between our people and the requirements of roles.

As we look to this financial year, the economic outlook for Jamaica remains tough. The competition will become even more aggressive and credit will be even tighter. We are committed to continue our aggressive focus on cost savings and driving maximum returns on all expenditure.

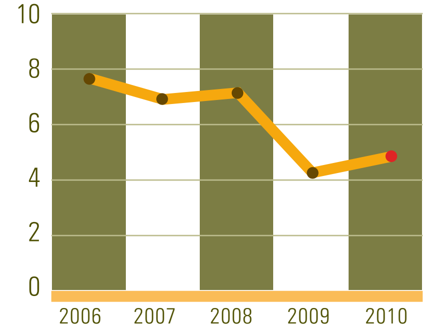
Our innovations pipeline will be a strategic area of focus as we continue to unleash fantastic brands that captivate the marketplace. To support this significant component of our growth strategy and to ensure our brands have maximum distribution and visibility - route invigoration, volume building and excellent marketing executions that make strong connections with our consumers will be critical to the business' survival and success.

FY11 will also see value growth in exports as we enter new markets en route to becoming a truly global brand.

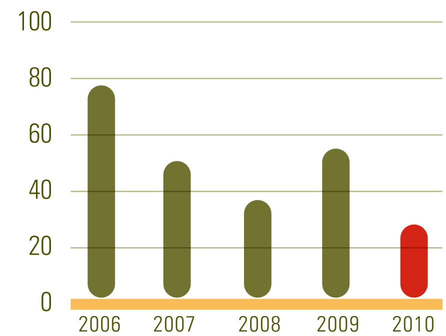
We will continue to drive our enriched communities agenda bringing scale to our Diageo Learning for Life Initiatives and expanding the reach of our employee volunteerism efforts across Jamaica. Through these programmes and collaborative engagement with other corporate entities and NGO's we will provide transformational opportunities in our communities, enabling them to become valued and respected contributors.

On behalf of the Board and the Directors of Desnoes & Geddes Ltd., I would personally like to take this opportunity to acknowledge the contribution of all employees over the last financial year, and thank our customers, suppliers and other partners for their continued support of the business and its brands.

STOCK PRICE
($DOLLARS)




EARNINGS PER STOCK UNIT
(CENTS)



# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT the Ninety-First Annual General Meeting of Desnoes & Geddes Limited will be held in the Hospitality Suite, Red Stripe, 214 Spanish Town Road, Kingston 11 on Friday, 29th October 2010 at 10:00 a.m. for the following purposes:**

## 1. AUDITED ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2010

To receive the Audited Financial Statements for the year ended June 30, 2010 together with the reports of the Directors and Auditors thereon. To consider and, (if thought fit) to pass the following resolution:

"THAT the Audited Financial Statements for the year ended June 30, 2010 together with the reports of the Directors and the Auditors thereon, be and are hereby adopted."

## 2. DECLARATION OF DIVIDEND

To declare the second interim dividend paid on June 28, 2010 as final. To consider and, (if thought fit) pass the following resolution:

"THAT as recommended by the Directors, the second interim ordinary dividend of ten cents ($0.10) per stock unit paid on June 28, 2010 be and is hereby declared as final, making the total ordinary dividend paid in the year twenty five cents ($0.25) inclusive of the first ordinary dividend of fifteen cents ($0.15) per stock unit paid on December 29, 2009 and that no further dividend be paid in respect of the year under review."

## 3. REMUNERATION OF DIRECTORS

To fix the remuneration of the Non-Executive Directors. To consider and, (if thought fit) pass the following resolution:

"THAT Directors' fees in the amount of $4,200,000 payable for the year to all Non-Executive Directors of the company, be and are hereby approved."

## 4. ELECTION OF DIRECTORS

In accordance with Article 108 of the Company's Articles of Incorporation, the directors retiring by rotation are: Messrs. Allan D. Hood, Peter K. Melhado and Dr. Damien W. King. Mr. Peter Melhado and Dr. Damien King, being eligible, offer themselves for re-election. Mr. Allan Hood did not offer himself for re-election.

To consider and (if thought fit) pass the following resolutions:

4(a) "THAT the retiring director Mr. Peter K. Melhado be and is hereby re-elected a Director of the company."
4(b) "THAT the retiring director Dr. Damien W. King be and is hereby re-elected a Director of the company."

In accordance with Article 109 of the Company's Articles of Incorporation, Messrs. Gary Hendrickson, Oliver McIntosh, Jed Dryer and Alberto Gavazzi who were appointed to the Board on 16 September 2010 must retire at this Annual General Meeting and being eligible offer themselves for election.

To consider and if thought fit pass the following Resolutions

(4c) "THAT the retiring director Mr. Gary Hendrickson be and is herby elected a Director of the company."

(4d) "THAT the retiring director Mr. Oliver McIntosh be and is hereby elected a Director of the company."

(4e) "THAT the retiring director Mr. Jed Dryer be and is hereby elected a Director of the company."

(4f) "THAT the retiring director Mr. Alberto Gavazzi be and is hereby elected a Director of the company."

## 5. REMUNERATION OF AUDITORS

To fix the remuneration of the Auditors and to consider and (if thought fit) pass the following resolution:

"THAT KPMG, having agreed to continue in office as Auditors, the Directors be and are hereby authorised to agree their remuneration in respect of the period ending with the conclusion of the next Annual General Meeting be and is hereby approved."

## 6. TO TRANSACT ANY OTHER BUSINESS THAT MAY BE PROPERLY TRANSACTED AT AN ANNUAL GENERAL MEETING.

By Order of the Board

Gene M. Douglas
Corporate Secretary
Dated this 27th day of August 2010

Any member entitled to attend and vote is entitled to appoint a proxy to attend and on a poll, vote instead of the member. A proxy need not be a member of the Company. An appropriate form of proxy is enclosed.

The proxy form must be signed, stamped and deposited at the registered office of the Company situated at 214 Spanish Town Road, Kingston 11 addressed to "The Company Secretary" not less that 48 hours before the time of holding the meeting. The stamp duty is $100.00 and may be paid by affixing a postage stamp to the proxy form.

# CORPORATE DATA

## BOARD OF DIRECTORS

Richard Byles, CHAIRMAN
Alan Barnes, MANAGING DIRECTOR
Richard Coe
Noel daCosta
Allan Hood
Damien King
Lisa Soares Lewis
Hamish McDonald
Peter K. Melhado
Patrick Van Schie

## COMPANY SECRETARY

Gene M. Douglas, F.C.I.S; M.B.A.

## AUDITORS

KPMG
6 Duke Street,
Kingston

## BANKERS

Bank of Nova Scotia Jamaica Limited
Cnr. Duke & Port Royal Streets,
Kingston

Citibank N.A.
63-67 Knutsford Boulevard,
Kingston 5

National Commercial Bank Limited
37 Duke Street,
Kingston

## ATORNEYS-AT-LAW

Patterson Mair Hamilton
7th Floor, Citigroup Building,
63-67 Knutsford Boulevard,
Kingston 5

Myers Fletcher & Gordon
21 East Street,
Kingston

## REGISTERED OFFICES

214 Spanish Town Road,
Kingston 11

## REGISTRAR AND TRANSFER AGENTS

NCB Jamaica (Nominees) Limited
32 Trafalgar Road,
Kingston 5

# TEN-YEAR STATISTICAL SUMMARY

| Financial Year | 2010 $'000 | 2009 $'000 | 2008 $'000 | 2007 $'000 | 2006 $'000 | 2005 $'000 | 2004 $'000 | 2003 $'000 | 2002 $'000 | 2001 $'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **OPERATING DATA** | | | | | | | | | | |
| Turnover | 13,332,436 | 13,447,889 | 12,488,766 | 11,313,276 | 10,114,372 | 9,135,115 | 7,866,540 | 6,845,998 | 5,650,264 | 5,129,571 |
| Profit before taxation | 1,182,374 | 2,211,442 | 1,670,350 | 2,093,226 ** | 2,324,401 | 2,503,442 | 1,860,864 | 1,459,601 | 1,100,847 | 1,319,319 |
| Provision for taxation | (392,976) | (660,118) | (627,901) | (684,686)** | (112,554) | (150,388) | (307,906) | (131,489) | 287,797 | (368,743) |
| **PROFIT AFTER TAXATION** | 789,398 | 1,551,323 | 1,042,449 | 1,408,540 ** | 2,211,847 | 2,353,054 | 1,552,958 | 1,328,112 | 1,388,644 | 950,576 |
| Dividend | 702,293 | 983,208 | 1,123,668 | 1,488,860 | 1,601,227 | 2,163,061 | 1,545,044 | 1,545,044 | 1,012,780 | 887,106 |
| Net dividend cover | 1.12 | 1.58 | 0.93 | 0.95 ** | 1.38 | 1.09 | 1.01 | 0.86 | 1.37 *** | 1.07 |
| **BALANCE SHEET DATA** | | | | | | | | | | |
| Net current (liabilities)/assets | (415,922) | (402,937) * | (753,650) * | 248,829 | 940,008 | 745,412 | 786,712 | 1,197,571 | 1,606,505 | 1,230,446 |
| Property, plant and equipment | 6,644,362 | 6,661,479 * | 6,531,660 * | 5,682,522 | 3,550,418 | 3,379,297 | 3,380,300 | 3,064,080 | 2,778,579 | 2,257,100 |
| Long term liabilities | - | - | - | - | - | - | - | 2,277 | 6,830 | 11,383 |
| Stockholders' equity | 6,677,079 | 6,246,636 | 6,332,871 | 6,537,303 ** | 4,784,763 | 4,147,944 | 4,334,801 | 4,459,587 | 4,690,394 | 3,200,698 |
| No. of stock units in issue | 2,809,170 | 2,809,170 | 2,809,170 | 2,809,170 | 2,809,170 | 2,809,170 | 2,809,170 | 2,809,170 | 2,809,170 | 1,971,348 |
| **PER ORDINARY STOCK UNIT** | | | | | | | | | | |
| Profit for the year | 28.10¢ | 55.22¢ | 37.11¢ | 50.14¢ ** | 78.74¢ | 83.76¢ | 55.28¢ | 47.28¢ | 49.43¢ *** | 48.22¢ |
| Stockholders' equity | $2.38 | $2.22 | $2.25 | $2.33 ** | $1.70 | $1.48 | $1.54 | $1.59 | $1.67 *** | $1.62 |
| Dividends | | | | | | | | | | |
| Ordinary - Interims | 25¢ | 35¢ | 40¢ | 53¢ | 57¢ | 77¢ | 55¢ | 20¢ | 15¢ | 15¢ |
| Finals | - | - | - | - | - | - | - | - | 35¢ | 30¢ |
| **OTHER** | | | | | | | | | | |
| Return on Equity | 11.82% | 24.83% | 16.46% | 21.52% ** | 46.23% | 56.73% | 35.83% | 29.78% | 29.61% | 29.70% |
| Closing Stock Price | $4.70 | $4.00 | $7.15 | $7.05 | $7.79 | $9.50 | $6.90 | $5.40 | $7.06 | $6.00 |
| Number of employees | 694 | 759 | 767 | 762 | 734 | 750 | 802 | 732 | 552 | 497 |

* Restated due to change in accounting treatment of returnable packaging // ** Restated due to prior year adjustments // *** Restated on account of dividend paid and IFRS reported profit.

# BOARD OF DIRECTORS


**PETER MELHADO** | **ALLAN HOOD** | **RICHARD COE** | **ALAN BARNES** Managing Director | **RICHARD BYLES** Chairman


HAMISH MCDONALD LISA SOARES LEWIS NOEL DACOSTA DAMIEN KING PATRICK VAN SCHIE

# BOARD OF DIRECTORS

**RICHARD BYLES || Chairman**

Richard Byles is the President and CEO of Sagicor Life Jamaica Limited. He holds a Bachelors degree in Economics from the University of the West Indies and a Masters in National Development from the University of Bradford, England. He is the Board Chairman of Pan Caribbean Financial Services Limited. He is also a Director of Pan Jamaican Investment Trust Limited.

**ALAN BARNES || Managing Director**

Alan Barnes joined Red Stripe in July 2009. He has nineteen years experience in the alcohol beverage industry and has worked across sales, innovation, marketing and general management in various businesses, living and working in thirty-one countries across Europe and Africa. Alan was previously on the boards of Sierra Leone Breweries Ltd., Phoenix Beverage Ltd. (Mauritius), C.M.M.U.D.V (Reunion) and Seychelles Breweries Ltd. He has also represented the private sector on government parastatal boards covering the environment and waste management in Seychelles. He has a Bachelor of Arts with Honours degree in Economics from the University of Nottingham, England.

**RICHARD COE**

Richard Coe is a management consultant specializing in change management, strategic planning and marketing. He has over 30 years experience in senior management in the Caribbean, Central America and SE Asia including Marketing Director (1982-1990) and then Managing Director (1994-2000) of Courts Jamaica. He has a post-graduate Diploma in Management (Distinction) from Plymouth University (1973) and a Masters degree in Coaching and Consulting in Change awarded jointly by Oxford University and HEC Paris (2006). He was awarded the OBE for service to commerce and the community in Jamaica in 1998.

**NOEL DACOSTA**

Noel daCosta is a management consultant, who was previously employed to Desnoes & Geddes / Diageo in many roles including: Central American and Caribbean Corporate Relations Director for Diageo; Chief Engineer, Brewmaster, Technical Director, and Corporate Relations Director for D&G. A Chartered Engineer, he is a Fellow of the Institution of Chemical Engineers (UK), and a past President and Fellow of the Jamaica Institution of Engineers. He has postgraduate degrees in Engineering, Business Administration and Insurance. He is a former President of the Jamaica Chamber of Commerce, and served on several boards in the public and private sectors. He currently serves on the board of the Victoria Mutual Building Society, and is the Chairman of United Way of Jamaica.

**ALLAN HOOD**

Allan Hood joined Red Stripe in January 2008. He was employed to Guinness Plc (UK), in 1992 as a Graduate Entrant and has since worked extensively throughout the Group in senior finance roles. Most recently Allan was the FP&R Director for Diageo Plc responsible for consolidating the Group's financial reporting and strategic financial planning. He also managed the transition of the London based FP&R function to Budapest, Hungary. Prior to this he was the Finance Director for Diageo Middle East and India based in Dubai. He is a qualified Accountant with the Institute of Chartered Accountants in Scotland and has a Bachelor of Commerce degree from Edinburgh University.

### DAMIEN KING

Damien is a Senior Lecturer and Head of the Department of Economics at the University of the West Indies, Mona. His teaching and research have been in the areas of macroeconomics, growth, trade, poverty, and development. He is also a Senior Research Fellow at the Caribbean Policy Research Institute and member of the Board of Directors of BizWear Ltd. Damien previously served on the boards of Dyoll Group, Dyoll Insurance Company, the National Export-Import Bank of Jamaica, the Jamaica Mutual Life Assurance Society, and the University Hospital of the West Indies.

### LISA SOARES LEWIS

Lisa is the Human Resources Director for Diageo Northern Latin America and the Caribbean (NorthLAC). Her management experience spans 18 years and includes management consulting, human resource management, corporate and commercial banking. Her last role was Vice President HR at Cable and Wireless Jamaica Limited (now LIME) where she also led their Foundation's Employee Volunteer Programme. She has lectured in International Human Resource Management at the Mona School of Business and held several offices for the Jamaica Employers' Federation. She is a director of Pan Caribbean Financial Services Ltd. and Fiscal Services Ltd., VP of the Private Sector Organization of Jamaica (PSOJ) as well as a Pension Trustee on two plans. Lisa has a B.Sc. in Industrial Engineering (First Class Hons) and a MBA (Distinction) in Finance and Marketing (University of the West Indies). She also holds the SPHR (Senior Professional in HR) designation.

### HAMISH MCDONALD

Hamish McDonald is Finance Director for Latin America and Caribbean. He is a member of The Institute of Chartered Accountants of Scotland and has had many roles in finance and commercial management in the beverage alcohol industry over the last 30 years. Hamish has been working in Latin America and Caribbean for the past ten years, having previously worked in Asia and Europe.

### PETER MELHADO

Peter is President and CEO of the ICD Group. He was responsible for the growth and development of the Manufacturers Group, which was a leading financial and asset management company. He is Chairman of Pan Caribbean Bank, West Indies Home Contractors and Mavis Bank Coffee Factory. His current directorships include British Caribbean Insurance Company and CGM Gallagher Group. He is a former Vice President of the Private Sector Organization of Jamaica. Peter holds a degree in Mechanical Engineering (McGill University) and a Masters in Business Administration (Columbia School of Business).

### PATRICK VAN SCHIE

Patrick is the General Manager Exports, Caribbean and Central America for Heineken Caribbean Inc. He has been employed to Heineken for over 20 years having worked progressively in senior roles in Marketing and Sales. Patrick, who resides in New York, holds a Masters Degree in Business Law.

# DISCLOSURE OF SHAREHOLDINGS

## LIST OF DIRECTORS

Richard Byles
Alan Barnes
Richard Coe
Noel daCosta
Allan Hood
Damien King
Lisa Soares Lewis
Hamish McDonald
Peter K. Melhado
Patrick Van Schie

## SHAREHOLDINGS OF DIRECTORS

| | |
|---|---|
| Richard Byles | 1,500,000 |
| Alan Barnes | 125,195 |
| Richard Coe | 20,000 |
| Noel daCosta | 440,000 |
| Allan Hood | 1,539 |
| Damien King | 500,000 |
| Hamish McDonald | NIL |
| Peter Karl Melhado | NIL |
| Lisa Soares Lewis | NIL |
| Patrick Van Schie | NIL |

## TEN (10) LARGEST SHAREHOLDERS

| | |
|---|---|
| Udiam Holdings A.B. | 1,625,549,827 |
| Heineken Finance N.V. | 303,454,633 |
| Heineken International Beheer B.V. | 130,578,508 |
| NCB Jamaica Propriety Account | 100,773,750 |
| Bardi Lmited (in liquidation) | 84,255,986 |
| LOJ Trading Account - Pooled Equity Fund No. 1 | 45,421,282 |
| National Insurance Fund | 31,709,129 |
| Jette Limited | 26,254,292 |
| Agamemnon Limited | 25,000,000 |
| VIcsol Services Limited | 21,657,946 |

## SHAREHOLDINGS OF SENIOR MANAGERS

| | |
|---|---|
| Alan Barnes | 125,195 |
| Cedric Blair | 100,000 |
| Jomo Cato | NIL |
| Marguerite Cremin | NIL |
| Melverine Hemmings | NIL |
| Allan Hood | 1,539 |
| Lisa Soares Lewis | NIL |
| Brian Pengelley | 1,784 |

## MEMBERS OF THE AUDIT COMMITTEE

Damien King, Chairman
Peter Melhado
Richard Coe

# DIRECTORS' REPORT

**The Directors are pleased to submit their Report and Audited Accounts for the year ended June 30, 2010:**

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**The profit of the Company before tax was $1,182 million**

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**Net Profit of the Company after tax was $789 million**

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### DIVIDENDS

The Directors recommended that the second interim ordinary dividend of $0.10 per stock unit (gross) paid on June 28, 2010 be declared as final making the total ordinary dividend paid in the year $0.25 per stock unit and that no further dividend be paid in respect of the year under review.

### THE BOARD

Pursuant to Article 108 of the Articles of Incorporation of the Company, one-third of the Directors or the number nearest to one-third, where their number is not a multiple of three, shall retire from office each year. Messrs. Allan D. Hood, Peter K. Melhado and Dr. Damien W. King will retire, and being eligible, Mr. Peter Melhado and Dr. Damien King offer themselves for re-election. Mr. Allan Hood did not offer himself for re-election.

On 28 February 2010, Mr. Andrew Rhys Jones resigned from the Board of Directors.

The Directors of the Board as at June 30, 2010 comprised:

Mr. Richard O. Byles, Chairman
Mr. Peter K. Melhado
Dr. Damien W. King
Mr. Hamish I. McDonald
Mr. Allan D. Hood
Mr. Alan Barnes, Managing Director
Mr. Noel daCosta
Mr. Patrick Van Schie
Mrs. Lisa A. Soares Lewis
Mr. Richard W. T. Coe

Pursuant to Article 109 of the Articles of Incorporation of the Company, Messrs. Gary Hendrickson, Oliver McIntosh, Jed Dryer and Alberto Gavazzi who were appointed to the Board on 16 September 2010 must retire at this Annual General Meeting and being eligible offer themselves for election. At the same meeting Mr. Richard Coe and Mr. Allan Hood resigned as directors from the company.

### AUDITORS

Messrs. KPMG, the present Auditors have indicated their willingness to continue in office and offer themselves for re-election.

The Directors wish to express their appreciation to the management and staff for the work they have done during the year.

By order of the Board

Gene M. Douglas
Corporate Secretary

# EXECUTIVE LEADERSHIP TEAM


**BRIAN PENGELLEY**
Sales Director

**JOMO CATO**
Head of Marketing, Jamaica and Beers
Northern Latin America
& The Caribbean

**LISA SOARES LEWIS**
Human Resources Director
Northern Latin America
& The Caribbean

**ELLIOT BASNER**
Senior Counsel
Intellectual Property
and Jamaica

**ALLAN HOOD**
Finance Director


**MARGUERITE CREMIN**
Head of Corporate Relations
Northern Latin America
& The Caribbean

**CEDRIC BLAIR**
Supply Director

**MELVERINE HEMMINGS**
Change Manager

**ALAN BARNES**
Managing Director

# EXECUTIVE LEADERSHIP TEAM

**ELLIOT BASNER || Senior Counsel, Intellectual Property and Jamaica**
Elliot, who has worked with the company for eight years, is currently Primary Counsel to Red Stripe, the Latin American & Caribbean Marketing and Innovation Team, and the Global Rums Marketing Team. His prior roles included Primary Counsel to Wine Brand Teams, National Accounts Sales Team, and Digital Governance Team. Elliot received a JD from The Benjamin N. Cardozo School of Law and a Bachelor of Arts from the University of Michigan, Ann Arbor.

**CEDRIC BLAIR || Supply Director**
Cedric Blair joined Red Stripe in April 1995. He has fourteen years in the alcohol beverage industry having extensive experience in Engineering and Operations. Cedric recently returned from North America where he spent five years working in the spirits industry, eighteen months in Diageo Relay Maryland as a Change Manager (Process Improvement) and three years in Menlo Park, California as Director of Operations. He has a Bachelor of Science with Honors in Chemical Engineering from the University of the West Indies, St Augustine.

**JOMO CATO || Head of Marketing, Jamaica and Beers Northern Latin America and the Caribbean (NORTHLAC)**
Jomo is a seasoned marketer with multi-industry experience including telecoms and beverages. His track record includes 10 years experience with global brands including Coca Cola, Appleton Rums, Samsung, Heineken, Guinness, Hennessy, and Digicel. A graduate of UWI Cave Hill, Barbados, he has led the development and roll out of pioneering marketing campaigns across 20 markets in Latin America and the Caribbean. His career also includes his role as Brand Strategist at Dunlop Corbin Communications Caribbean and managing his own business, a marketing consultancy. Jomo holds a BSc degree in Economics and Management (Honours).

**MARGUERITE CREMIN || Head of Corporate Relations/Northern Latin America and the Caribbean (NORTHLAC)**
Marguerite joined Red Stripe in October 2009. In Ireland, she worked for mobile phone giant Vodafone with responsibility for Marketing and Sponsorship. She then moved to Jamaica to take up the position of Group Brand Director for Digicel, helping to establish the mobile company as one of the most visible brands in the region in less than a decade. She spent over three years with JMMB managing their Marketing, Sponsorship and Product Development. Marguerite holds a Bachelor of Business Studies from Trinity College, Dublin.

**MELVERINE HEMMINGS || Change Manager**
Melverine joined Red Stripe in March 2001 and has nine years experience in Human Resource Management. She is currently the company's Change Manager, and has worked in HR related roles including, Organisation Development Management and Capability Development Management. Prior to this she worked as the Resourcing Manager for the International Region in Diageo, based in Miami, where she was responsible for embedding the Diageo Way of Resourcing across Africa and Latin America and the Caribbean. She holds a Masters degree in Human Resource Development (honours), a Bachelors degree in English and Social Sciences (Honours) and a Diploma in Teaching.

**BRIAN PENGELLEY || Sales Director**
Brian was appointed to the role of Sales Director in July 2010. He joined Red Stripe in 1996 and has managed the company's Distribution, Sales and Supply Chain functions. His current role as Sales Director gives him responsibility for Red Stripe's domestic sales as well as the island-wide distribution system. He also serves as the Deputy President of the Jamaica Manufacturers' Association having represented Red Stripe on this association for the past six years. Brian is a Jamaican citizen who lived and worked in North America in the industrial chemical industry for over twenty-five years before returning to Jamaica in 1996. His early training was in veterinary medicine in which he holds a Diploma.

# RED STRIPE'S WINNING WAYS – LOCAL AND INTERNATIONAL AWARDS

Our company continued its winning streak, copping major national and international awards, consistently maintaining standards of excellence.

We swept the Jamaica Manufacturer's Association 41st Annual Awards with five prestigious awards, taking the most coveted honor, the *Jamaica Governor General's Award for Excellence – Manufacturer of the Year 2009*. The award, promoting best practice in manufacturing, was presented for the significant and sustained progress we made towards being world class. The other awards were:

- Community Development Award (large manufacturer) for our 'Think Responsibly…Drink Responsibly' campaign and for the work being done to empower individuals and groups with the requisite skills to effect change within the community
- HIV/Aids Advocacy
- The Robert Lightbourne Award for Productivity
- Best Use of Energy and Resource Efficiency

We were also proud recipients of two National Quality Awards from the Bureau of Standards of Jamaica which promote quality awareness and recognize quality and business achievements of Jamaican organizations.

Red Stripe walked away with the Jamaica Exporters Association's Model Exporter of the Year Award. This was presented at the Annual Awards banquet where we copped: the Shipping Association of *Jamaica's Highest Tonnage at Port Bustamante Award* and were runner up to the *Champion Manufacturer Category Three* award. Among the criteria for selection of this award include: Profitable enterprise due to efficiencies/productivity, International competitiveness and commitment to research and development.

Red Stripe also won the *Best of the Chamber – Large Enterprise Award* in the Jamaica Chamber of Commerce 28th Annual Awards Ceremony. We are the only company which has been awarded the coveted *Best of the Chamber – Large Enterprise Award* five times. Milton J. Samuda, JCC's President pointed out that, "Red Stripe is an outstanding member company that has met the highest levels of sector performance and best practices in the area of corporate leadership, product and service quality, human resource development, marketing innovation, corporate citizenship and sustained growth." We also won the Environmental Protection Awareness Award, presented to companies exhibiting sustained advances in the development of processes and/or products that offer benefits to the environment and the Praetorian Award for longstanding and unbroken membership of the Chamber for more than 40 years.

In recognition of the health and safety practices implemented at Red Stripe, we received the Jamaica Employers' Federation special award for Occupational Health and Safety at its Employer of Choice Awards.

Jamaica was recognised as one of the top 5 "Best in Finance Class – Super Engagement in F09" within Diageo Global Finance. The International Finance Quality Award is an annual quality assurance certificate awarded to teams which meet the eight defined criteria in Controls and Compliance.

**LEFT** Kermit Grant, (left) HR Manager/Red Stripe accepts the JEF special recognition award for Occupational Health and Safety from Wayne Chen, JEF President at the Employer of Choice Awards.
**CENTRE** Alan Barnes, Managing Director of Red Stripe, proudly hoists the most coveted Jamaica Manufacturer's Association's (JMA)Governor General Award for Manufacturer of the Year 2009. Looking on are President of the JMA, Omar Azan (left) and Butch Hendrickson, Chairman of the EXIM Bank.
**RIGHT** Members of the winning Finance Team.




OLD
PREMIUM
LAGER BEER
DRAGON STOUT
SPITFIRE
OLD
PREMIUM
LAGER BEER

# BOLD INNOVATIONS


Innovation is vital to Diageo's growth strategy and in keeping with this Red Stripe boasts an excellent track record of unleashing fantastic brands that captivate the marketplace. Red Stripe Bold and Dragon Stout Spitfire were the leaders in the pack of new products which blazed an exciting entrée into the market.

## BOLD BEER WITH ATTITUDE

Red Stripe Bold, named "Beer with Attitude" was launched in August 2009. Delivered in an amber, long neck bottle, Red Stripe Bold is noticeably different from its original counterpart, whilst still instantly recognizable as part of this distinctly Jamaican family. It is 6% Alcohol By Volume (ABV) and is brewed from the same traditional quality ingredients with added hops and double the fermenting time to deliver a new distinctive "bold" taste.

## RED STRIPE LIGHT

In November 2009 Red Stripe Light was launched in the United States, the largest "light beer" market globally. Packaged in the same traditional stubby bottle with slightly different labeling from its original, Red Stripe Light is gaining phenomenal success in this market. "These innovations, Red Stripe Bold and Red Stripe Light, show that we are continuing to satisfy the changing tastes of Jamaican and international consumers," said Dave DaCosta, Red Stripe's Innovation Commercialization Manager.

## DRAGON STOUT SPITFIRE

Dragon Stout Spitfire was launched in May 2010 as a more mixable variant of its predecessor, Dragon Stout. It embodies the versatility of younger adult consumers, who wish to exercise independence in their choice of non-traditional mixes. An easy-drinking, silky-smooth, slightly sweeter stout at 10% ABV, this new innovation is packaged in a 250ml returnable amber glass bottle.

## ZACAPA® RUM

The launch of the award winning Guatemalan Zacapa Rum portfolio (Centenario 23 and Centenario XO) in August 2009 was an audacious move, geared towards completing the local Diageo Reserve Portfolio. Aged between 6 and 25 years, Zacapa Rum is a blend of rums distilled from only the sweetest first crush sugar cane honey, rather than molasses which is how most other rums are produced. Now gaining traction in Jamaica, Zacapa Rum is recognized internationally as one of the world's best rums.

## SMIRNOFF BLACK ICE – NEW CRISP BITE

Smirnoff Black Ice came to market in 2003 and realized immense global success. Recently however, consumers yearned for more excitement around the brand. In response, Smirnoff Black Ice was re-launched in November 2009 with innovative brand imagery and a new liquid formulation with a higher alcohol content of 7% on a communication platform themed 'new crisp bite'.

## SMIRNOFF NEW FLAVOURS

Smirnoff new flavours have facilitated increased growth potential for the Smirnoff trademark. On the heels of the success of Smirnoff Green Apple, two additional variants, Smirnoff Passion Fruit and Smirnoff Cranberry, were launched in May 2010 in the standard 750ml as well as 375ml sizes. Smirnoff Green Apple 200ml was also introduced to complement the existing 750ml size.

## NEW LOOK BAILEYS

Baileys Original Irish Cream was introduced in smaller sizes of 350ml and 200ml. Offering alternative sizes allowed access to new occasions and extended the distribution of the brand to previously unavailable channels. Baileys Coffee was also introduced to the Duty Free Channel to give consumers greater variety and choice.


THE WORLD'S COOLEST COMPANY

# SALES – SETTING THE PLATFORM FOR GROWTH

We have made tremendous strides on our journey to put our customers and their needs at the heart of everything we do. As such we have been strategic in our focus; increasing our visibility in community bars across Jamaica, investing in cutting edge technology to optimize the operations of our distribution network and acquiring new delivery trucks - finalizing our fleet modernization programme. In addition, we engaged our customers in regional meetings across Jamaica in order to incorporate their views and ideas into a joint strategy delivering additional value for business partners. All this in an effort to enhance our customer service through "on time, in full delivery."

## ROUTE TO MARKET OPTIMIZATION

Over the year we took steps to optimize our operations and one such action was the improvement of our route to market distribution system. After very careful analysis and consideration, the distribution network was rationalized from eight to four Distribution Centres - Kingston, Mandeville, St. Ann and Montego Bay. The operations of these four were expanded to function on an extended shift system moving to 24 hours five days a week, effective August 17, 2009. As part of this optimization we revamped our route sales team placing more emphasis on sales capabilities while also investing in a spanking new fleet of delivery trucks.

The new fleet of delivery trucks valuing over J$650m has significantly improved the company's service levels, driving greater efficiencies and providing better route coverage for our valued customers. Bringing the total number of new units to 65, the new trucks are attractively branded, provide excellent fuel economy and protect the quality of the products with panel enclosures. The vehicles are also compliant with best practice in the beverage industry.

## SALES TRANSFORMATION AND REDESIGN

After a year and a half of hard work our new automated sales information system was put into operation in February, 2010 to deliver to the company a more improved process and control environment, reduced sales losses, stream-lined reporting and forecasting capabilities, real time inventory visibility, streamlined ordering and increased business efficiency.

"Our sales force is now able to take orders via hand-held computers utilizing wireless transmission which facilitates direct inputting of the information into our database. This improved capability has strengthened our information gathering processes and given us ready-to-use data across all alcohol categories," says Brian Pengelley, Sales Director. "It has resulted in faster order processing and real time inventory visibility by our sales executives. We get to see how our brands are performing in each category and use this information to guide our strategy."


The project will see further enhancements and implementation of new software releases from our supplier on a bi-annual basis to ensure the business benefits from future improvements and additional functionality in the application. We will also incorporate new business requirements into these upgrades so that the future needs of the business can be addressed on an on-going basis.

## COMMUNITY BARS

After starting the journey in FY09 visiting 1500 community bars, we were able to extend the coverage up to 3500 community bars in this financial year. The focus was on putting premium visibility in all bars as well as training and educating bar staff on both brewed and spirits brands. Additionally, we implemented fantastic consumer promotions within these community bars, e.g. free mixers with a purchase of a 200ml bottle of Smirnoff Vodka or Trelawny Gold Label® Rum.

The beer brands benefited from route specific round robin and cluster parties, which have always been extremely popular with route bar patrons.

The community bar focused visibility strategy was further supported by nation-wide visibility days. The entire Red

# SALES

Stripe team went three days in trade, hitting over 1,000 bars, refreshing and upgrading brand visibility and interacting with bar staff and consumers. This initiative was highly appreciated by our route customers as it helped to increase sales for their business in hard times.

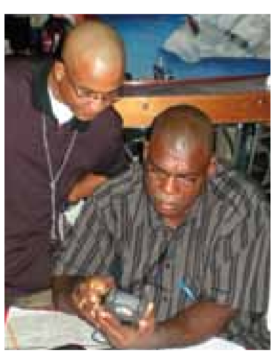
## PROMOTIONS

Promotional activations are a key growth driver for our portfolio, and as such consumers must be rewarded with compelling and substantial activations that reinforce the premium character of our brands. As the motivation of consumers differs based on the occasion they connect with our brands, we applied a tiered approach to our consumer engagement strategy:

1. The on-trade focus was on delivering on-the-spot great times and great experiences. These included exciting Red Stripe Bold activations in outlets such as Margaritaville and Quad as well as Red Stripe American football play-off parties in Cuddy'z, Acropolis and TGI Fridays.
2. The focus in supermarkets was on exciting product presentations and value-added offers in order to encourage at-home consumption. Great offers such as: a Red Stripe 12-pack deal "pay for 10, get 12" during the American football; Smirnoff Signature drink specials – "Buy one Bottle, get 2L Ting free"; and the D&G Malta® value deal "Buy 6, get 7" – consistently attracted consumer purchases. To capitalize on seasonal opportunities we delivered fantastic in-store promotions such as "Million Dollar Mawnin" during Christmas and "Starballaz" during the World Cup Football, both featuring larger than life displays delivering shopper excitement and increased purchases.

The achievements over the last financial year and the strategies that have been put in place will be critical to the sales organization maintaining its strategic positioning as an engine of growth in FY11.

**LEFT** UNDERSTANDING THE HANDHELD: Leon Chin (KIDD Spirits on Route Driver) and Vincent Walker (KiDD Route Driver seated compare notes on the handheld.
**RIGHT** MILLION DOLLAR MAWNIN' WINNER: Forty-one year old security officer, Ludlow Topping, poses with his winnings.




THE WORLD'S COOLEST COMPANY

# EXPORTS – BUILDING A BIGGER POSSIBILITY TOMORROW

The last financial year was an extremely challenging one for our existing export markets as a result of the impact of the global recession.

Just as we have seen in our local market, the economic downturn has resulted in increasingly cut-throat competitor activity and aggressive pricing that cut margins tighter.

Red Stripe has responded by thinking more commercially about exports, through price differentiation and selling more of our lines on existing customers. We have also focused on building relations in North America, as our largest market, and investigating opportunities in other larger beer markets, such as Brazil.

Sales revenues grew from the previous year, however sales volume fell due mainly to shipments in NA and the Caribbean especially, even though the former showed a big recovery in Q4 in shipments to the country.

### USA

We could not meet all the year end orders for Red Stripe due to the impact of the civil unrest on production schedules, coupled with bottle supply challenges resulting from un-forecasted orders.

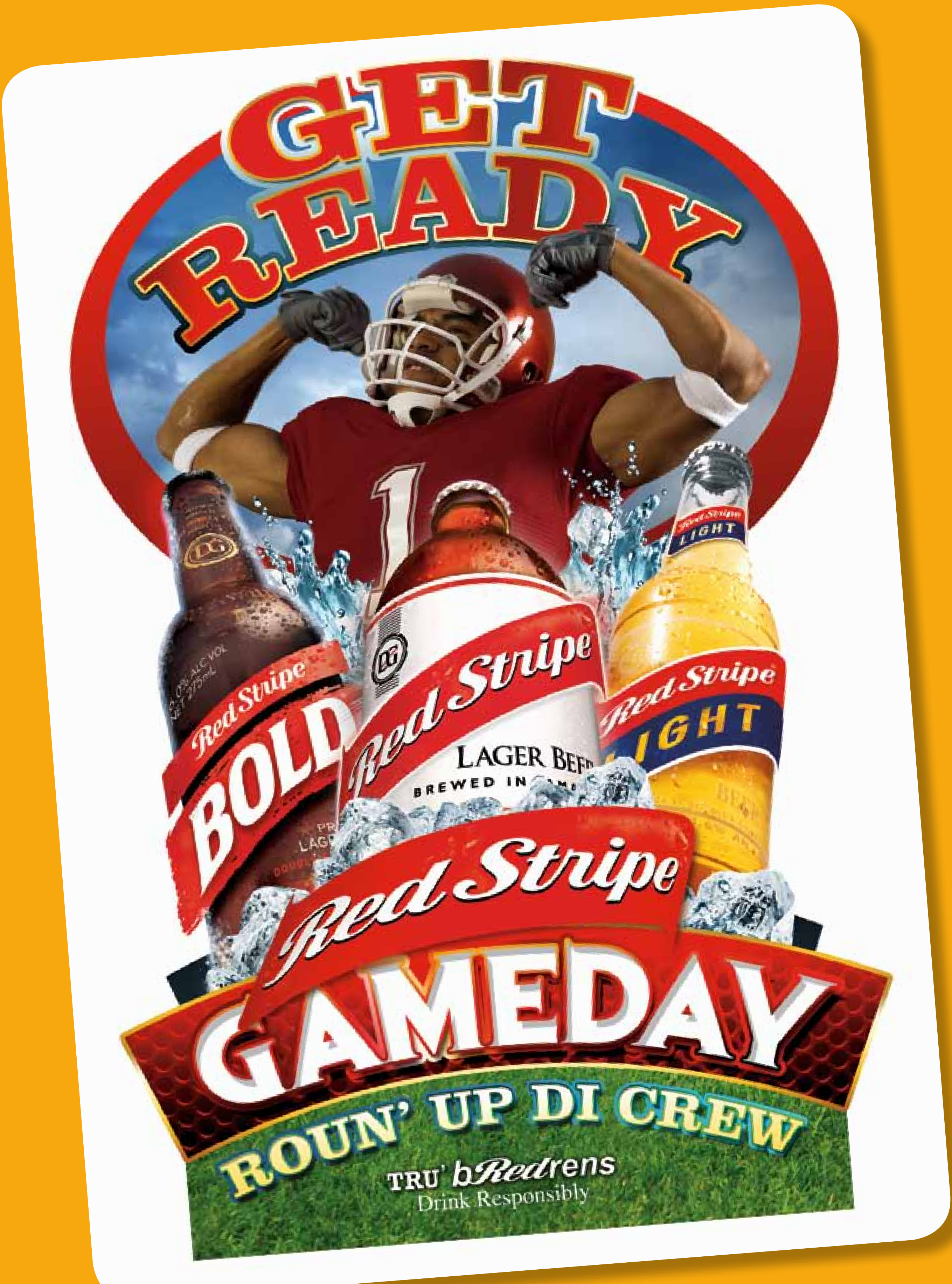
At the end of 2009, we launched a new-to-world Red Stripe Light variant in Miami and Atlanta, especially for export to the USA. This stubby bottled, 4.1%ABV liquid, which is a light version of Red Stripe, was launched globally in March of this year alongside an advertising campaign throughout the US.

This variant is now being sold into all other markets where we sell Red Stripe, as a logical brand extension.

As well as this unique Red Stripe Light, we have also sold Dragon Stout, Malta and most recently Red Stripe Bold into our existing Red Stripe markets, thus expanding the footprint of all our brands through a more portfolio style approach.

The main thrust of our exports programme however will bear more fruit this year, as we see volumes grow in Brazil and several other new export markets. This will be further re-enforced by our portfolio approach being implemented in our existing markets.

**LEFT** Consumers enjoying Summer Beach Blitz Program, Civic Holiday Sampling Event in Port Dover, Ontario
**CENTRE** PROUD MOMENT: Winston Cousins/Brewing Manager, Devon Francis/Master Brewer, Stacey Yeesing/Export Account Representative, Wayne Lawrence, Production Team Member and in back Cedric Blair/Supply Director, witnessing the packaging of the first 10,000 cases of Red Stripe Light being exported to the USA.
**RIGHT** Red Stripe billboard in Canada




THE WORLD'S COOLEST COMPANY

# WINNING IN THE JAMAICAN MARKET WITH GREAT TIMES AND EXPERIENCES

Our marketing and branding forays for the financial year were fused into the colourful and rich social fabric of the Jamaican life style as we stamped our mark onto music and sports activities, giving our consumers compelling reasons to choose our brands. "We invested significantly in our brands this year to ensure that we maintained a strong connection with our consumers, along with this was a lot of focus on market research and measurement and evaluation of all activities to strengthen our decision making," says Head of Marketing Jamaica and Beers, Northern Latin America and the Caribbean (NorthLAC), Jomo Cato.

## BRAND ACTIVITIES

### RED STRIPE BOLD

**Dream Launch**

Red Stripe Bold was launched in Negril in August 2009 during the Red Stripe Dream weekend, Jamaica's biggest Independence holiday party. Launched amidst fanfare and excitement, the new product instantly connected with patrons, particularly those seeking a beer more in sync with their unique lifestyle and taste.

**Socamaloo**

Capitalizing on Jamaica's soca fever in March, Red Stripe Bold partnered with The Outlaws to host Socamaloo, a grand soca party in the middle of the New Kingston business district. The four-week event at the Keycard Beach Village brought to the city, the beach, cocktails, tropical trees and good music. For socaphiles, dancers and music lovers, this was an exhilarating experience where each week boasted a different theme and dress code.

**Ambassador Club**

The Ambassador Programme emerged from results of market research revealing a need to maintain consistent visibility within the 18 – 24 demographic target group, many of whom attend the University of the West Indies and the University of Technology.

The programme consists of a club, which organizes charity events benefiting both campuses, while developing entertainment/sporting activities to foster student awareness and appreciation of the brand. Ambassadors receive training in networking skills, marketing and communication techniques and are presented with a $100,000 scholarship. Nineteen students heavily involved in extracurricular campus activities were inducted into the Club.

### RED STRIPE

**Twenty/20 Cricket**

In September, the Red Stripe Twenty/20 domestic cricket tournament bowled off with the excitement of its non-stop action and quick results. It ran over four weekends and involved teams in the SuperCricket League/Senior Cup; South Star, the National SDC champions and the Jamaica Invitational Masters, featuring past national representatives. Road shows were a tournament feature as well as Saturday after-parties.

**Dream Weekend**

From August 6 to 9, the Dream Team captured Negril for The Red Stripe Dream Weekend featuring the unforgettable series of parties at Negril hotspots Margaritaville and Jungle engaged party lovers and brought together the hottest parties under one umbrella. A Dream Weekend Promotion preceded in supermarkets where consumers vied for weekend getaway tickets.

**American Football 'Game Day' Promotion**

Red Stripe continued to maximize on sport platforms with promotion around the 'Game Day' championship. For this promotion consumers had access to Red Stripe six-pack deals at supermarkets. Key bars, packed with fans during the play-offs, enjoyed special 'Game Day' offers. Another feature was the heightened level of visual delivery in supermarkets and bars, including end zone themed displays complete with goal posts and grid lines. Red Stripe also bought an ad on CBS, broadcast during the game to over 25 countries across the Caribbean and Central America.

**Star Ballaz**

Red Stripe launched a major portfolio campaign during the 2010 World Cup football. Significant sponsorship of CVM Group's television coverage, promotional viewing parties,

# MARKETING

**LEFT** Al Barnes (right) raising a toast at the Guinness St. Patrick's Day celebration.
**SECOND FROM LEFT** Zeejay Liquid along with two of the Red Stripe Bold Ambassadors.
**THIRD FROM LEFT** Participants in the Dragon Domino competition reach for their beloved Dragon Stout to "smooth out a rough day."
**RIGHT** Frederique Asberg, (centre) Heineken Country Manager with her Heineken Team inside the inflatable Heineken igloo at Jamaica Jazz & Blues

special giveaways and discounts, provided a fantastic platform to promote our portfolio of beers and stouts.

Apart from the extensive media outlay, Red Stripe invested heavily in enhancing the consumer experience at bars and supermarkets. There were viewing parties at Cuddy'z, TGI Friday's, Acropolis and Margaritaville and for at-home viewers there were great offers on six packs as well as supermarket giveaways of TVs, igloos and bar-b-que grills.

## GUINNESS®

### Sounds of Greatness

This year marked the end of the 250-year celebration of Guinness and in commemoration Guinness presented the Guinness Sounds of Greatness as a reality TV series crowning the greatest dance hall sound system.

With 13 half-hour episodes and nine live events averaging 5000 patrons, the brand connected with its target market delivering high energy musical battles from sixteen top sound systems.

The final musical clash between Sound Trooper and Bass Odyssey played out in front of a capacity audience at Mas Camp Village in New Kingston. It was an epic duel of musical showmanship and creativity, ultimately and deservedly crowning Bass Odyssey as Jamaica's Greatest Sound System.

### St. Patrick's Day Celebration

Guinness St. Patrick's Day Celebration at the Rib Kage was a party like no other as over 200 patrons came out to share a pint with the team. It didn't take much encouragement for the endearing Irish imports to enjoy St Patrick's Day in the only truly Irish way – with a Guinness draught in hand and Guinness infused drinks as well as food.

### Wet Sundaze

Over a thousand patrons attended the one-year celebration of Wet Sundaze where Guinness brought excitement and hype to the popular weekly event. With high-energy performances from I-Octane and his band Ruff Cat, patrons partied non-stop. Live music will become a monthly staple at Wet Sundaze underscoring the greatness that only Guinness can bring to any party.

## HEINEKEN

### Green Synergy

Heineken demonstrated its commitment to music with its Green Synergy Championship – one of the most anticipated deejay competitions. Sixteen budding DJ's were chosen to dazzle the listening and viewing audience with their skills and showmanship on the turntable. Said Frederique Asberg, Country Manager for Heineken, "We are excited about our new television partnership with Television Jamaica, which allowed viewers to follow the progress of the contestants through a reality program. This gave us more visibility and created additional excitement." To add to the experience, Heineken and Doritos® partnered in a packaged deal promotion, helping to create that at-home party experience for televisions viewers.

## SMIRNOFF AND HEINEKEN

### Jamaica Jazz and Blues Festival

Star-studded performers aside, the Greenfields Stadium in Trelawny was "jazzed up" with Diageo's spectacular

# MARKETING

showcase of its spirit line: Smirnoff Vodka, Johnnie Walker Black Label® and Zacapa Rum at the Jamaica Jazz and Blues Festival. The two-tiered hospitality suite swathed completely in red and silver with intelligent lighting and strategically placed at the entrance was clear indication of Diageo's sponsorship support of the event.

The worlds' premium beer and the official beer of the Festival, Heineken also shared the spotlight with an inflatable igloo bar. The very first of its kind in Jamaica, the bar was an eye catching structure and at 25' by 25' was quite imposing.

**Bacchanal Carnival**

Heineken partnered with Bacchanal Carnival as the official beer of the event while Smirnoff Vodka signed on as the exclusive vodka and title sponsor of Beach J'ouvert. As the premier brands of choice for high-energy occasions, they lent their premium party repertoire to Bacchanal. The Diageo brands had a two-tiered booth at the Mas Camp and had sections for the Bacchanal road march adding their signature energy and excitement.

## D&G MALTA®

**Rebel Salute**

Rebel Salute has become a staple on the calendar of events for fans of reggae music across the world. For the second consecutive year, D&G Malta was an associate sponsor with a significant increase in support. In addition to branded bars, special prices were offered to patrons.

## ZACAPA RUM

On August 29 guests converged on The Ruins for the launch of Zacapa Rum. They were welcomed with fruit juices and an entrancing mist permeated the rooms, recreating the experience of the Guatemalan highlands, 2,300 metres above sea level where the Zacapa Rum is aged to perfection.

Rebecca Quinonez, the regional brand ambassador for Zacapa Rum, guided the tasting while providing information about the brand. She explained how its two premium rums are made; Zacapa 23, is aged between 6 to 23 years, and Zacapa XO is aged up to 26 years.

## BAILEYS

**Global Visibility Day**

November 19 was Baileys Global Visibility Day and it was on the tips of many tongues, driving the awareness and visibility of Baileys. The day involved sampling in all our key supermarkets, extra visibility displays and bows placed on bottles for that extra Christmas 'stand out'.

**Baileys Bows Designer Gown**

Fashion took centre stage at the Shaggy Foundation Dare to Care 2 Concert when Baileys auctioned a single edition designer dress by local designer Louise Graham, with proceeds going to the Bustamante Children's Hospital. The dress was inspired by the elegant red bow, which graced Baileys bottles during the Christmas season.

The "Jamaica Baileys Bow Dress", commercially priced at J$60,000 was well received at the auction. The excitement created around the Jamaica Baileys Bow Dress resulted in an unbelievable final bid of J$220,000 from among the over three hundred bidders.

# SUSTAINABLE COMMUNITY ENRICHMENT TO UNLEASH "PEOPLE POTENTIAL"

Red Stripe is proud of its continued and strong commitment to investing in sustainable community projects through our Enriched Communities agenda, a strategic area of focus for our business.

As well as the direct benefits, community investment is a powerful tool in engaging our employees, building our reputation and enhancing relationships with government and other stakeholders.

Over the financial year the company devoted millions of dollars in cash and kind, through the sterling efforts of its employees, via Red Stripe Employees Advocates of Care and Hope (REACH), Diageo Foundation and the ground-breaking Diageo Learning for Life Projects Artist and Bartender.

### DESNOES & GEDDES FOUNDATION ASSIST JAMAICAN COMMUNITIES WITH MEDICAL AID

In response to the civil unrest in West Kingston and ahead of the hurricane season, Red Stripe and Diageo, in partnership with the Diageo Foundation and the D&G Foundation, purchased four World Health Organization certified standard medical kits to assist the communities in recovery efforts. Each kit contains 26 boxes so we donated a total of 104 boxes, able to assist 40,000 people for 90 days.

The medical kits, which arrived in Kingston on May 31, were consigned to the Jamaica Red Cross for use at medical facilities across the country in accordance with our disaster protocols. The kits include drugs to treat traumatic injury as well as pharmaceuticals for hypertension, diabetes and typical childhood illnesses.

### STAFF $6 MILLION OUTREACH TO HAITI

Moved by the plight of residents in our neighbouring island of Haiti following the catastrophic earthquake in January 2010, our employees opted to forgo their team fun day and instead donated funds of over $6 million to recovery efforts. This was the result of an overwhelming employee vote. "Watching the people suffer is absolutely heart breaking. It was an easy decision for my team to give up our employee fun day," stated the Supply team's Mickellia Lawrence-Dunkley. Diageo delivered over 45,000 pounds of food and emergency supplies to the earthquake victims on January 15. The mission was part of Diageo's Spirit of the Americas Humanitarian Aid program, an ongoing effort to deliver critical assistance to disaster zones and communities where Diageo's employees and their families work and live.

### SEAVIEW'S ROYAL TREATMENT

Over five hundred employees from Diageo Northern Latin American & Caribbean, the region under which Red Stripe falls within Diageo International gave a $5 million face-lift to the inner-city community of Seaview Gardens on April 23. Team members from Jamaica, Miami, Dominican Republic, Costa Rica and Puerto Rico, engaged in a day of planting, repainting, and spending time with the children of the community - reading, face-painting and scrap-booking. They completely overhauled the community park, painted the walls of the police station, community centre and Seaview Gardens Primary School. Said Al Barnes, Managing Director, "Diageo recognizes its place in the community and one of our key initiatives globally is our Enriched Communities programme. There are so many areas where the development potential is being stagnated, and we can make a difference."

### PROUD FIRST GRADUATES OF PROJECT ARTIST

It was the celebration of a journey started on February 18, 2009, when musical hopefuls from inner city communities took their preliminary steps towards greatness as the first students in the Diageo Learning for Life Project Artist. The thirty-eight students entered the programme as enthusiastic, aspiring devotees of music and on February 10, 2010 graduated as trained practitioners in artiste management, stage management, performance and business management.

Project Artist targets at risk 18-24 year olds who are musically inclined and is specifically designed to help recruits unleash their artistic potential channeling it into income generating opportunities. Supported by HEART Trust NTA and the Edna Manley College of the Visual and Performing Arts, the programme is endorsed by the Ministry of Youth, Sports and Culture, and is funded by the Diageo and the Desnoes & Geddes Foundations.

In a lavish ceremony complete with featured performances of the music students from their soon to be released compilation CD, "All About the Music", graduates proudly accepted their National Vocational Qualification of Jamaica (NVQJ) Level 2 certificates.

# ENRICHED COMMUNITIES

International Recording Artiste Shaggy, the event's guest speaker, commended the graduates for embarking on this successful journey. "You have demonstrated that hard work does pay off. If you continue on this path with firm conviction, you will all do well in the industry," he said.

All the students were placed on a three-month internship to obtain 'on the job' training, and three – Renaldo Miller, Kenroy "Slims" Henriques and Omar "Assailant" Thompson – are already recording original works at Solid Agency.

"The Platinum Experience" was another successful component of the programme in which recording artistes, managers and booking agents shared with the students their experiences in the entertainment industry. Entertainers who added their brand of success to the programme included Grammy Award winner, Ken Boothe, Bob Andy, Nadine Sutherland, Roy Rayon, Robert Livingstone and Tito Jackson, brother of late pop icon, Michael Jackson.

### COLLABORATIVE PARTNERSHIPS TOWARDS URBAN REGENERATION

As part of our commitment to leading and contributing to the ongoing social and economic enrichment of communities, we formalized a partnership with the Kingston Restoration Company and the Jamaica Defense Force. This, through the signing of a Memorandum of Understanding on November 25, 2009, to develop the Old Pechon Street Brewery, downtown Kingston into the Diageo Learning for Life Institute of Jamaica. It aims to promote the development and employment opportunities for young persons enrolled in the Diageo Learning For Life Projects Bartender and Artist and the JDF's "Possibilities Programme." The Possibilities Programme, established by the Office of the Prime Minister targets 'unattached' youth in Kingston. Graduates from this programme who indicate an interest in any of the Learning for Life programmes will be admitted based on space availability and requisite qualifications.

### PROJECT BARTENDER II LAUNCHED IN JAMAICA

Forty students were enrolled as the second cohort in the Diageo Learning for Life Project Bartender. The programme will last for five months with recruits undergoing over 300 hours of training in a simulated classroom environment at the company's onsite sports bar, The Vibes.

A joint effort between Red Stripe and the national training agency, HEART Trust NTA, Project Bartender aims at materially improving the lives of participants, recruited from inner city communities.

According to Shantell Dawkins, "I feel so proud to have been recruited. The classes have been very informative and I am learning so much. We get a weekly stipend plus break and lunch every day. I was given uniforms and a bartender kit complete with jiggers, apron, and a bartender manual, which has become like my bible," she added.

The bartender manual, launched at the orientation/press luncheon on May 10, 2010, was developed by Diageo and marks the first of its type in Jamaica. It ensures that students are equipped with supporting material during the course.

### REACH ACTIVITIES

**The Refurbishment of Richard's Pen Basic School, St. Mary**

This initiative valued at about J$540,000 brings St. Richards Pen Basic School in line with the requirements of the Early Childhood Education Board. The school, which is located near the edge of a precipice, was mandated by the Early Childhood Unit of the Ministry of Education to carry out structural upgrading and repairs to meet the required standards to remain open. The REACH Team raised funds through cake sales, a Jingle and Fold Campaign and a series of fundraising "Give and Let Live Parties." Upgrading work included: the construction of a perimeter fence and gate, electrical repairs and rewiring, installation of ceiling fans and desktop computers, tiling, rendering and painting.

**The Refurbishment of the Elite Basic School, Black Sea Drive, Seaview Gardens**

The million-dollar project began on July 30 with a crew of employees from Packaging and Red Stripe maintenance contractor firms. The preliminary work included masonry work, clearing up the external environs, classrooms and the playground with seven truckloads of debris removed, a complete wash down of the insides of the building, mowing the lawns and removing stones and debris. This paved the way for the re-painting of the building, a complete overhaul of the plumbing system and the re-tiling of bathrooms. The team installed two new grill doors, a large gate, plus playground equipment (a slide, swing, seesaw and new

# ENRICHED COMMUNITIES

large tyres painted in bright colours). The school also benefited from a brand new fridge and stove, six wall fans and three computers courtesy of Corpak.

**Drop Everything And Read (DEAR)**

DEAR allows REACH volunteers to read for 15 minutes from literature for children from 6-15 years old who are enrolled in the Cockburn Garden Primary and Junior High School at Three Miles, just 5 minutes away from the Red Stripe Brewery. Done Mondays, Wednesdays and Fridays, REACH volunteers read over the PA system with support volunteers in the classrooms. So far the Team has spent a total of 30 voluntary hours impacting 500 children. According to Project Lead, Damian Graham, Shift Brewer "We will continue to drive this initiative and will be working hard at developing an efficient and improved cataloguing system for the school's library."

**TOP** MOU SIGNING: (L-R) Major General Saunders, Chief of Defence Staff/Jamaica Defence Force, Noel daCosta,Director/Desnoes & Geddes Foundation, Morin Seymour, Executive Director /Kingston Restoration Company and Senator Warren Newby smile at the MOU signing.

**SECOND FROM TOP** Yvonne Clarke, (left), Director General of the Red Cross accepts a donation of Medical Kits from Marguerite Cremin, Head of Corporate Relations, while Ronald Jackson, Director General of the Office of Disaster Preparedness and Emergency Management (ODPEM) looks on.

**THIRD FROM TOP** NorthLAC employees put hands and hearts together painting the walls of the Seaview Gardens Primary School

**FOURTH FROM TOP** Tito Jackson shares lens time with Diageo Learning for Life Project Artist students after speaking with them about his own Platinum Experience

**BOTTOM** Diageo Learning for Life Project Artist student, Renaldo Miller performs his original composition"Sweet Reggae Music" at his graduation.


International Motivational Speaker,
Alvin Day in full flight at the
Employee Conference

# OUR PEOPLE – BREAKTHROUGH EVERYDAY, EVERYWHERE BY EVERYONE

Red Stripe stands out in its ability to attract, grow and retain its talent and engage employees. The history-making employee conference bringing together eight hundred employees from the region, our Employee Volunteerism, activities of the Wellness Club and the transformation of the Human Resource function to a shared service model giving all employees on-line access to data, were among some of the year's high-points.

The NorthLAC cluster, of which Red Stripe is the biggest employee base, achieved a super-engagement score of 63% which is highly ranked by international standards. Engagement is the extent to which employees love to work at Diageo/Red Stripe, feel they can realize their potential and as a result are highly committed to deliver great results.

### EMPLOYEE CONFERENCE

On April 22, employees from Jamaica, Costa Rica, Puerto Rico, the Dominican Republic, and the Miami Hub Office gathered together to participate in the first ever NorthLAC Employee Conference in Kingston. The idea of a conference was borne out of a decision to create "One-ness" across NorthLAC and connect all employees to the Business' Breakthrough Strategy.

Hamish McDonald, General Manager, Diageo NorthLAC noted: "The event was a huge success. Hundreds of people inside a sports arena, all engaged in creating One Team, sharing powerfully and taking some amazing stands for themselves and for the business. It was an amazing week."

The Diageo-sponsored conference comprised: Conference Day, a Big Celebration Event and the Community Day Activity. Leaders and teams shared captivating market presentations of each of our strategic pillars: "Amazing Relationships, Bringing out the Best", "Great Times, Great Experiences" and "Enriched Communities". This provided employees with great insight into the extensiveness of the NorthLAC business and facilitated their engagement with our Breakthrough Strategy. Interspersed with plenary sessions, music and dance, the conference culminated in an inspirational speech by renowned motivational speaker Alvin Day.

At the Celebration Event, participants enjoyed Caribbean night, and an awards ceremony where employees were recognized for their outstanding performances, volunteerism, sports contributions and achievements.

The following workday was a day of "giving back" for over 500 employee volunteers, as they revamped the neighbouring community of Seaview Gardens. On the agenda was a complete overhaul of the community park, interior and exterior paint jobs for the police station, community centre and Seaview Gardens School, refurbishing several bars with point- of- sale items. The St. Patrick's Foundation and LIME, also had team members on hand. Berger Paints and Sherwin Williams were also major partners with the team driven initiative.

### RED STRIPE ENGAGES EMPLOYEES AROUND FY10 PRIORITIES

October 12–14, 2009 was all about the BIG Red Stripe FY10 Expo. Employees shared in key priority areas for FY10 and how each employee could bring them to life. Each interactive booth depicted these specific areas:

- Winning in every battleground
- Reigniting the passion of our people
- Deliver world-class Cost Of Goods and quality, safely
- Everyone has a D&G brand they love
- Big a yaad, big abroad! (export drive)

To culminate the day's activities, over three hundred employees attended the social on the football field.

### THE WELLNESS CLUB

The Wellness Club is a unique lifestyle intervention program aimed at assessing the health and fitness of employees and designing individual programs to help them make better lifestyle choices. In addition to offering dietary counseling, anthropometrical measurements and other medical checks, a special lunch is provided for employees. This year's Wellness Programme included Biggest Loser competitions, Aerofest classes, Spa treatments and a retreat in Treasure Beach.

### ACCESSING HR

Since April, when the First Point Shared service centre went live in Jamaica, Puerto Rico, Colombia and Venezuela employees now have self service access to their HR data and easy ways to answer their HR queries.

# OUR PEOPLE


**LEFT** EMPLOYEE GIVING: Delroy Brown, Red Stripe employee prepares to give blood, assisted by Huntley Walker a Nurse with the Blood Bank
**MIDDLE** Employee engagement at NorthLAC Community Day
**RIGHT** A PROUD MOMENT FOR THE HR TEAM along with Managing Director Al Barnes, at the launch of Diageo One First Point; the new HR Intranet Portal

HR Director, Lisa Lewis explains, "First Point is a new way of accessing HR with the ease and convenience employees want and the standardization and consistency that reflects how we value employees. The Diageo One Portal gives all employees on line access to their data, routine HR queries and policies. We established computer kiosks and empowered all employees with PC and internet skills. This resulted in the opening up of communication lines through email amongst many employees as well as giving them access to company communications and web sites such as Diageo One portal, the First Point Call Centre, newsletters and Drink IQ."

## GIFT OF LIFE BLOOD DRIVE

For the eighth consecutive year we hosted our annual Blood Drive under the theme "The Gift Of Life." Through a partnership with the Blood Bank, a mobile unit is made available for employees to donate blood. Overall sixty-three persons turned up and forty-eight persons were able to give blood successfully. Franz Pinnock, Edmond Campbell and Shannon Henry received gift baskets compliments of Lasco Distributors. The units were deposited into Red Stripe's account, which is made available to staff members and their families.

## RE-STRUCTURING

The business undertook several initiatives to right size its operations making it fitter and leaner. Three such initiatives involved terminations by reason of redundancy. The Company met all of its obligations and took added steps, with the help of external providers, to ensure that employees were prepared for the change through counseling, resume writing classes, financial advisory services, stipends for vocational training and entrepreneurial venture development.

## BUILDING LEADERSHIP AND FUNCTIONAL CAPABILITIES

Line managers were exposed to Breakthrough Performance Coaching facilitated by Senior leaders. They shared their own leadership experiences and several teams also commenced the roll out of their functional career frameworks. Both capability-building initiatives will continue into F11 towards our ambitions to have fully competent teams in all parts of the business.

As a result of the success in building talent at Red Stripe, several employees have taken advantage of transfers to other Diageo markets overseas in USA, Africa, UK and the USVI. This has allowed our employees to obtain international experience while still being in contact with Red Stripe.


Red Stripe
LAGER BEER
BREWED IN JAMAICA
MIDWAY
SPORTS
BAR

# SUPPLY BREAKTHROUGH – BUILDING MANUFACTURING EXCELLENCE

Building manufacturing excellence by embracing a new way of thinking and seeking to ensure consistency, foster flexibility, increase competitiveness and reduce waste in key areas was the primary focus of the business for FY10. The year's achievements included strategic planning for a major plant upgrade in FY11 and significant cost reductions through the optimization of our distribution centres as well as the centralization of bottle sorting operations.

## PLANT IMPROVEMENT

A new malt mill, used to grind the malt to extract all the sugars required for the beer fermentation process was designed and built to deliver 95% extract recovery. Set for installation August 2010, this capital expenditure of JA$90 million is a significant improvement on the existing mill, which will result in savings of about $40 million per year.

## QUALITY

The quality of our products continues to improve and be recognized internationally. On the Heineken League of Excellence, Jamaica jumped 16 places, from number 26 to number 10 among over 40 Heineken Brewing Sites worldwide. Red Stripe Light continues to receive rave reviews from consumers in the United States and has been receiving positive coverage in reputable Brewing magazines.

## COST SAVINGS INITIATIVES

In our efforts to deliver sustainable benefits to Red Stripe and minimize the impact of global economic challenges and volume decline, we examined and capitalized on all opportunities to reduce costs within the supply organization.

### BOTTLE STANDARDIZATION

The bottle-standardization – the use of a single 330 ml bottle across all our Red Stripe Exports - not only simplified our processes and improved line efficiencies but is also expected to realize annual savings of $85 million based on current volumes.

### BOTTLING LINES AMALGAMATION

The amalgamation of bottling lines and the installation of more modern equipment have resulted in improved efficiencies and enhanced product quality.

### DISTRIBUTION CENTRES' (DC) OPTIMIZATION

We continued to enhance our Route to Market efficiency through the consolidation of our DC operations, which was finalized on August 15, 2009 when Distribution Centres in Santa Cruz, May Pen, Annotto Bay and Morant Bay were closed. There are now four distribution centres in Kingston, Manchester, St. James and St. Ann. This has allowed us to reduce manpower requirements, cut energy costs and create better utilization of our fleet of delivery trucks. To ensure efficient customer service delivery, the consolidated DC's now have expanded shift operations moving to 24 hours five days a week.

### CENTRALISED BOTTLE SORTING

The decision to consolidate our bottle sorting facilities in Kingston in February 2010 has had a positive impact on operations. Now utilizing a standardized approach, this change has facilitated a reduction in customer complaints, a marked improvement in inventory control and management and savings of $10.6 million.

### ENERGY REDUCTION

In our efforts to reduce our energy consumption, three cold rooms were closed which also facilitated a reduction in cleaning chemicals and water consumption. A lighting retrofit project was also initiated in which all lighting fixtures within the plant and offices were changed to an energy efficient type. Overall, this will realize savings of approximately J$44 million per annum.

### CO2 SELF-SUFFICIENCY

Work was completed on our CO2 collection system within cellars to improve its performance. As a result of this work, there was a reduced reliance on diesel fuel used to generate CO2 for the brewing process. The estimated savings on this project was J$7.9 million in Q4.

# SUPPLY

### SUPPLY ORGANIZATIONAL REVIEW

Having implemented several cost reduction strategies in all areas, the company was forced to further review its supply operating structure to maintain competitiveness. This restructuring exercise was a last resort and part of our ongoing commitment to manage a business that can survive tough times. As a result of this we focused our efforts on:

- Reducing the number of levels within the Supply organization which will facilitate greater levels of accountability and faster decision making
- Creating the best fit between our people based on capability, skills and motivation and the requirements of roles
- Continuing to focus on and drive our cost reduction initiatives

All of these areas are critical to the Supply organization maintaining its strategic positioning as an engine of growth. Savings from this initiative is 1.2 million pounds sterling per annum or $J170 million per year.

### HEALTH AND SAFETY

The health and safety of employees at Red Stripe continue to be a critical area of focus. A number of initiatives were implemented resulting in a significant reduction in accidents across the business. Key among these was the implementation of the Safety Improvement Report Card (SIRC) system as a part of the Zero Harm hazard recognition and elimination programme. The SIRC programme provided employees with the opportunity to spot and report hazards before they result in injuries.

The Quarterly Safety Champion programme was also created to generate further engagement around the importance of practicing safety on a daily basis and this contributed greatly to improving SIRC and helped to get teams involved.

### WATER CONSUMPTION

We continued to reduce our water usage through metering and reporting, water conservation, management reviews and holding users accountable. A Red Stripe Water Day was held on March 23, 2010 to promote more awareness of the importance of water to the business and the role each employee can play in achieving the water usage goal of 10hL/hL by the end of F10. As a result of this effort, we managed to close the year at 13 hL/hL down from 15 hL/hL in FY09. These initiatives are now embedded which will allow us to realize our FY11 targets.

# DISTRIBUTION CENTRES

### MONTEGO BAY
Gary Allwood
Reading, Montego Bay
952-5245/979-1152/3
gary.allwood@diageo.com
fax: 971-1055

### MANCHESTER
Richard Nixon
Grey Ground, Mandeville
963-3288/963-3477
richard.nixon@diageo.com
fax: 963-3512

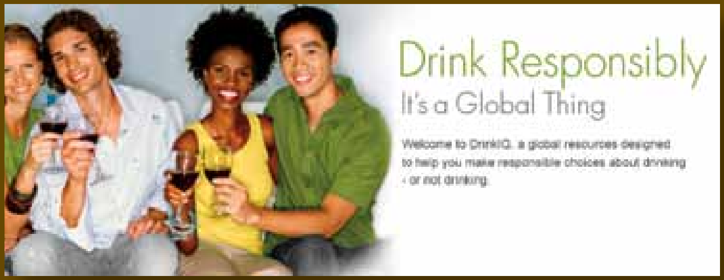
### ST. ANN
Christopher Thomas
Discovery Bay, St. Ann
973-3050/2001/2340
christopher.thomas@diageo.com
fax: 973-3223

### KINGSTON
Basil Bailey
Kingston Direct Delivery (KIDD)
214 Spanish Town Road, Kingston 11
675-2128 / 675-2252
basil.bailey@diageo.com
fax: 675-2250

Johnnie Walker was the exclusive sponsor of the Zen Tropicale- beach event, Laughing Waters in Ocho Rios.

# RESPONSIBLE DRINKING

***"We are committed to ensuring our consumers and employees understand the nature and effects of alcohol."***




Celebrating life everyday, everywhere is at the heart of what we do at Red Stripe. We believe that our brands can play a positive role in society when enjoyed responsibly and Red Stripe is at the forefront of industry efforts to promote responsible drinking.

In the past year we continued our efforts in three areas:

1. **Setting world-class standards for responsible marketing and product innovation**
   Everything we do at Red Stripe is customer and consumer-focused. We are committed to ensuring that our customers and consumers have the best possible information from which to make informed choices about our products. In keeping with the Diageo Alcohol Beverage Information Policy (DABIP) all packaged products are properly labeled with the following:

   1. The Responsible Drinking Reminder – **THINK RESPONSIBLY, DRINK RESPONSIBLY**
   2. Alcohol By Volume
   3. Allergen Statement
   4. The DRINKiQ.com Global website

2. **Raising consumer awareness of responsible drinking behaviour**
   The Think Responsibly and Drink Responsibly message continued throughout FY10 in all advertising and promotional activities. Responsible drinking reminders are tagged at the end of all print and electronic commercials and video looped on big screens strategically placed throughout event locations.

   In order to reach a wide cross section of society, Red Stripe teamed up with the Jamaica Observer for 'Know What's In It', a weekly column developed to provide information about drinking responsibly. Used as a platform to promote a don't drink and drive message, the weekly column was well-received by readers as a friendly approach to a serious issue.

3. **Combating alcohol misuse, working with others to reduce alcohol related harm**
   Through a partnership with Intelligent Multimedia, a company which delivers visually stimulating content to a targeted audience through a network of indoor installed 42" LCD screens, the Responsible Drinking WESTRN Method (WATER, EAT, SPACERS, avoiding TOP UPS, NO to drinking and driving) was broadcast free of cost at 48 locations islandwide throughout the Easter and Carnival weekends. These screens can be found at select retail, restaurant, health, government and entertainment outlets. Said Gareth Walker, Manager, Operations & Logistics, "We recognised from inception that the strength of the network would not be driven simply by the ads targeting the consumers but by the use of interesting, entertaining, educational and informative content that is both visually stimulating and relevant. We are very cognizant of the increased number of road accidents that occur during these periods. Against this background we felt it was sensible and our corporate social responsibility to communicate and reinforce the Diageo Drink Responsible message to the public at critical periods throughout the year. During traditional holiday periods we stream the DDR messages across the network impacting upwards of 75,000 - 100,000 persons daily."

A collaboration has also been forged with the Road Safety Unit and the National Council on Drug Abuse for relevant contributions, inclusive of programmes, educational materials, flyers and brochures to be uploaded to DRINKIQ.com in FY11.

# BIG ON RECORDS MANAGEMENT COMPLIANCE

## Maintaining Institutional Knowledge and Integrity

At the beginning of FY10 Red Stripe proudly opened the first-ever Records and Information Centre for Diageo in the Region.

This milestone achievement is yet another demonstration that compliance to every aspect of our business code of conduct is necessary and rock solid controls is priority.

Worldwide, laws are enacted to ensure that companies practice good governance through records and information management. As such, Red Stripe must ensure that it can at all times satisfy these local and international legal and regulatory requirements. We must therefore protect our shareholders' interests through proper and accurate record-keeping controls.

Records & Information is the systematic management of records throughout its lifecycle, which includes organizing, storing, updating, retention, and disposition of records.

### Benefits

- Well managed records are valuable resources for information and evidence and are therefore valuable company assets
- We preserve our historical legacy and intellectual property
- We are able to provide evidence to defend ourselves in the likelihood of regulatory proceedings and litigation
- We remove the risk of financial / reputational damage from failure to produce records
- We avoid misinterpretation of out-of-date records
- We remove unnecessary costs due to inefficient searching and storage
- We manage an efficient and effective storage facility
- We facilitate effective use of institutional knowledge
- Ensure compliance with legal and tax requirements affecting records retention
- We can show regular, consistent and responsible approach to records disposal

To ensure the success of compliance in this area, our Management team fully owned and supported this initiative with our Managing Director assuming the role of Sponsor. Additionally,

- A newly-formed records department was added to our organization structure
- A full records team was recruited with reporting relation to the MD
- A Records Policy and a Data Privacy Policy were implemented
- Records retention schedules for all business units were drawn up
- Records Storage Centre and Library created
- Records Champions were assigned across the business with clear roles and responsibilities and accountability
- Contract Management via E-Link and Legal Holds were implemented
- Various tools, forms and training to develop, formalize and embed procedures were introduced
- Audio Visual, clippings and photograph management also implemented

We are extremely pleased with the formal intervention of records and information management programme. To date, literally tons of documents have been culled and processed, and uploaded to our database. Information access is easy and reliable with great reviews from both our internal and external customers.

According to Allan Hood, Finance Director and key driver of the compliance agenda, "I would just like to recognize the achievements of the Records Inventory Management team, for what they have achieved. To open the first ever Records Centre within LA&C region is truly amazing and is a great example of being the best. For me this plays an integral role in our delivery and sustainability of 'rock solid controls'. A huge personal thanks."

# CORPORATE SOCIAL RESPONSIBILITY POLICIES

## RISK MANAGEMENT

Our aim is to manage risk and control our activities cost-effectively. We do so in a manner that enables us to take up profitable business opportunities, avoid or reduce risks that can cause loss, reputation damage or business failure, support operational effectiveness and enhance resilience to external events. We have established a Risk Management Committee, which meets on a quarterly basis to carry out this objective.

## POLICY DEVELOPMENT AND COMPLIANCE

As part of Diageo, we benefit from a comprehensive collection of world-class codes and policies, which often go further than Jamaican legislation. Policy development involves referring to external codes and best practice and consulting widely both outside and within the business. Broad dialogue with external groups ensures that our policies address the legitimate concerns of stakeholders and where possible, incorporate their expectations as to how we should act on particular issues.

We are subject to the **Diageo Code of Business Conduct** that sets out standards on issues such as conflicts of interest, competition law, insider trading, corrupt payments, money laundering and other illegal practices. In addition, the code acts as an overarching compliance instrument by including a requirement to comply with the company's other main policies. Each year, all Red Stripe senior managers are required to confirm compliance with the code and other Diageo policies.

## DIAGEO MARKETING CODE

The Code provides marketing and advertising practitioners with guidance on the naming, packaging and promotion of our brands, setting standards, which are in addition to Jamaican laws and regulations. We stage workshops with both external and internal stakeholders that include our sponsors, advertising agencies, and media among others.

## SUPPLIER STANDARDS

The high levels we aspire to in our own behaviour are reflected in the expectations we have of our suppliers. The standards outline Diageo's position on corporate citizenship issues that are currently being phased into our relationship with suppliers.

## EMPLOYEE ALCOHOL POLICY

The policy ensures that employees fully understand the nature and effects of alcohol and sets out the expectations Red Stripe has for their behaviour.

## OCCUPATIONAL HEALTH AND SAFETY POLICY

The policy sets standards for risk assessment, occupational health, hazardous substances, first aid, noise, ergonomics, protective equipment, emergency evacuation, work permits, visitors and contractors, and accident reporting.

## QUALITY POLICY

The policy sets a framework for quality management systems and commits every business to continuous improvement in performance.

## HIV/AIDS POLICY

This is an enabling policy, which sets out the minimum standards which will be adopted by the company. The objective is to ensure the employees' fundamental rights are not infringed in any way and to ensure that Red Stripe is equipped with the methodology to implement high quality HIV/AIDS workplace objectives.

## EXTERNAL CODES AND CHARTERS

Diageo is a signatory to certain external codes that define corporate citizenship principles and standards of conduct. These include the Business Charter for Sustainable Development, the UN Global Compact, the World Economic Forum Leadership Challenge and the Dublin Principles. Further information on these codes is available in the Diageo global corporate citizenship report.

## MEASURING PERFORMANCE

We have measures of our progress covering corporate citizenship and other areas of concern to our stakeholders. The data required for each of these measures are collected at least annually. This allows the integration of corporate citizenship measures into business strategy and forms the basis for monitoring performance improvement.

## ENVIRONMENTAL POLICY

Red Stripe, being a producer of alcohol and non-alcohol beverages and ready to drink products, is an environmentally responsible company that operates in a way that protects and enhances our people, brands and the communities in which we work and live. We are committed to supporting environmental sustainability and biodiversity. We comply with all applicable legal and other requirements such as the DIAGEO Global Risk Management and Licence to Operate Standards governing Environmental Management and ensure continual improvement and prevention of pollution.

## HARASSMENT POLICY

The Company is committed to promoting and providing a working environment where individuals are treated with respect and courtesy by ensuring the fair and equitable treatment of all employees.

The company, in keeping with our Values, considers unacceptable any conduct involving harassment of any employee for any reason. Whilst sexual harassment is one form of harassment, there are many types of harassment in the workplace. Harassment at work is not acceptable on ethical, moral and, in some instances, legal grounds, and its existence in the workplace is a barrier to the effective running of the business.

# DIAGEO EMPLOYEE ALCOHOL POLICY

## STATEMENT OF INTENT

**Diageo brands are enjoyed by millions of consumers around the world every day. For most people, drinking responsibly is a pleasurable part of a balanced and healthy lifestyle. Responsible drinking is at the heart of our business and we are committed to providing leadership on this agenda both internally and in society at large.**

Diageo recognises that most of its employees drink responsibly. This policy sets out the support that will be provided to employees, the standards that are required and the serious consequences, both for the individual and for the business, when these standards are breached.

## SCOPE

The Diageo employee alcohol policy applies to all Diageo employees and employees of subsidiaries and joint ventures where Diageo has a controlling interest. It also covers agency workers and contractors acting on Diageo's behalf or working on Diageo sites.

In joint ventures where Diageo does not have overall control, the leaders and managers of those businesses are strongly encouraged to adopt the same or similar standards.

## MANAGEMENT

This policy is fully endorsed by the Diageo Executive Committee and the Group HR Director is the sponsor of this policy. Members of the Diageo Executive Committee will be responsible for implementing the employee alcohol policy within their respective organization. They are accountable for its outcome and will specify those responsible for embedding the policy in their businesses.

## MONITORING

Any breach of the employee alcohol policy is also a breach of the Diageo Code of Business Conduct. As such, all breaches will be reported to the global compliance and ethics team through the breach reporting process. The compliance and ethics team will monitor breaches, including issues raised through SpeakUp and engage with business leaders where necessary to ensure that the policy is embedded and being adhered to. The Diageo Audit and Risk Committee will also receive regular reports on compliance to this policy.

Breaches of this policy will be dealt with in accordance with the Diageo internal investigation policy and local disciplinary policies.

## EMPLOYEE EDUCATIO N AND SUPPORT

We are committed to ensuring that our employees understand the nature and effects of alcohol and that this will support them in drinking responsibly at all times. We also believe that our employees are our ambassadors and can enhance our reputation by showing a responsible attitude to drinking.

To this end we will provide communication and awareness programmes for all employees. It is our intent that all employees will have the opportunity to experience the DRINKiQ programme.

## ALCOHOL AND THE WORKPLACE

All employees must ensure that their performance and their judgment at work are never impaired by alcohol, especially those employees whose jobs involve activities, which impact significantly upon the safety of themselves or others. For example, drivers or operators of moving machinery must ensure that their consumption of alcohol never threatens the safe performance of their duties and that their behaviour never puts themselves or others at risk.

For safety reasons, it will be appropriate that some Diageo locations apply a zero tolerance approach to alcohol consumption in the workplace.

## ALCOHOL RELATED OFFENCES

Any conviction for an alcohol related offence is considered a breach of this policy and it is mandatory that employees report any such conviction to the company through the HR function. Our first concern will be to support employees, especially to avoid any recurrence, and we will seek to provide guidance or counselling. However, depending on the severity of the offence and its potential impact on Diageo's reputation, it may be considered a disciplinary matter. For example, an alcohol related offence that could bring Diageo into disrepute, or a work related drink driving conviction would be considered gross misconduct and likely to result in dismissal. A second conviction for any alcohol related offense would almost certainly result in dismissal. More detailed guidance is available through the HR function and all cases will be treated individually based on the circumstances.

Employees should never feel that the nature of their job makes it difficult for them

# DIAGEO EMPLOYEE ALCOHOL POLICY

to abide by drink driving legislation. Anyone who has a concern about this should consult his or her line manager. Diageo does not condone drinking and driving, even in countries where drink-drive legislation is not in force. We expect our general managers to put appropriate arrangements in place so that all their employees and especially sales staff can operate effectively, without putting themselves or others at risk through drink driving.

We will fully respect the legal drinking age in all markets and will take care not to encourage or condone underage purchase or consumption of alcohol. This is especially the case for any employee under the legal drinking age.

### PROBLEM DRINKING

If an employee has difficulty in meeting Diageo's required standards because of any alcohol related problem, however minor, or is concerned about their drinking, then Diageo strongly encourages the individual to seek medical advice or counselling, from their occupational health centre, or from an external agency. We do our utmost to give support to any employee in this situation. A dependency problem may be identified by the employee, or by colleagues, or managers.

### DIAGEO'S REPUTATION

The image and reputation of any company is determined at least in part by the way its employees behave and are seen to behave. This is particularly true for a company, which is in the premium drinks business. We are proud of our products and proud of the way we carry out our business. Our employees are our ambassadors and can enhance our reputation by showing a responsible attitude to drinking. In contrast, if our employees drink irresponsibly, they put Diageo's reputation at risk. Employees are expected to recognise this and to behave accordingly.

We expect our employees to promote and role model responsible drinking at all times, whether on company business or not. Putting Diageo's reputation at risk by not drinking responsibly may be viewed as a breach of this policy and could result in disciplinary action. Any disciplinary action will be within the bounds of local legislation.

To find out more about Diageo's responsible drinking activities please contact:
Carolyn Panzer,
Director of Corporate Social Responsibility
Carolyn.panzer@diageo.com

Policy revised: June 2010

# BOARD CHARTER & CORPORATE GOVERNANCE GUIDELINES

## BOARD MISSION

**1) Mission Statement**

- The Desnoes & Geddes Limited Board of Directors represents the owners' interest in maintaining and growing a successful business, including optimizing long-term financial returns and lowering cost of capital. The Board is committed to achieving the highest standards of corporate governance, corporate responsibility and risk management in directing and controlling the business.

- The Board is responsible for determining that D&G is managed in such a way to ensure this result. This is an active, not a passive, responsibility. The Board has the responsibility to ensure that management is capably executing its responsibilities. The Board's responsibility is to regularly monitor the effectiveness of management policies and decisions including the execution of its strategies.

- In addition to fulfilling its obligations for increased stockholder value, the Board has a responsibility to deliver holistic performance embracing corporate responsibility towards D&G customers, employees, suppliers and to the communities where it operates – all of whom are essential to a successful business. All of these responsibilities, however, are founded upon the successful perpetuation of the business.

## BOARD FUNCTIONS

**1) Areas of responsibilities**

The Board makes decisions; reviews and approves key policies and decisions of the Company, in particular, in relation to:

- Corporate governance
- Compliance with laws, regulations and the Company's code of business conduct
- Corporate citizenship, ethics, environment
- Strategy and operating plans
- Business development including major investments and disposals
- Financing and treasury
- Appointment or removal of Directors
- Remuneration of Directors
- Risk management
- Financial reporting and audit
- Pensions

**2) Specific responsibilities for Chairman, Company Secretary and Directors**

- The Chairman is principally responsible for the effective operation and chairing of the Board and for ensuring that information that it receives is sufficient to make informed judgments. He also provides support to the Managing Director, particularly in relation to external affairs.

- The Company Secretary is responsible for ensuring that Board processes and procedures are appropriately followed and support effective decision-making and governance. He is appointed by, and can only be removed by the Board. He is also responsible for ensuring that new Directors receive appropriate training and induction into D&G. All Directors have access to the Company Secretary's advice and services and there is also a formal procedure for Directors to obtain independent professional advice in the course of their duties, if necessary, at the company's expense.

- Each Board member is expected to commit sufficient time for preparing and attending meetings of the Board, its Committees and, if applicable, of the Independent Directors. Regular attendance at Board meetings is a prerequisite. Therefore, unless explicitly agreed upfront, a Director should not miss two consecutive regular Board meetings.

- Because in-depth knowledge of the particulars of the Company's business is vital for each Director in making informed and objective decisions, management is to allow direct involvement and review of operational activities. Similarly, management also is to communicate to Board members opportunities to interact in strategy and day-to-day business settings. Board members are strongly encouraged to take advantage of such opportunities as frequently as feasible. The Directors have complete access to the leadership of the company.

## SELECTION AND COMPOSITION OF THE BOARD

The Board is responsible for overviewing the interest of all stakeholders on the matters as outlined above. The composition of the Board should be such that these interests are best served and therefore the Directors require a diversity in skills and characteristics.

**1) Size of the Board**

The Board will have a minimum of ten (10) and a maximum of fifteen (15) Directors. Considering the size of the organization and the environment in which it operates, the Board believes such numbers are adequate.

**2) Executive and Non-Executive Directors**

At any time, the number of Executive Directors should not exceed fifty per cent of the total number of Directors.

**3) Conflicts of Interest/Disclosure**

Any dealings in the company's shares by any Director must be promptly reported to the Company Secretary who is obliged to disclose such information on a regular basis to the Jamaica Stock Exchange.

With respect to 'block out' dates, no director should trade in the company's shares during the period from which the company declares the payment of a dividend to the payment date of such dividend.

A Director who has an interest in the company or in any transactions with the company which could create or appear to create a conflict of interest must disclose such interests to the company. These would include:

- Any interest in contracts or proposed contracts with the company
- General disclosure on interest in a firm, which does business with the company
- Interest in securities held in the company
- Emoluments received by the Company
- Loans or Guarantees granted by the company to/for the Director.

Disclosure shall be made at the first opportunity at a Board Meeting in writing and such disclosure shall be recorded in the minutes of the Board Meeting.

The Director shall then excuse himself from the Board meetings when the Board is deliberating over any such contract and shall not vote on any such issue. The disclosure of Director's interest shall include interests of his family and affiliates.

**4) Election, terms, re-election and retirement**

Election, terms, re-election and retirement of each Board member is conducted in line with the Articles of Association of the company, Articles 92 to 100, with the exception that each Board member is to retire during the financial year, when the Director reaches the age of 70 years, unless a special resolution of exemption to this rule is passed by the Board.

Equally, the maximum number of terms of the Chairman should not exceed 10 successive years, unless a special resolution of exemption of this rule is passed by the Board.

**5) Board Compensation**

The level of compensation of the Non-Executive Directors reflects the time, commitment and responsibilities of the role. It consists of a package appropriate to attract, retain and motivate non-executive Directors of the quality required. The compensation is competitive and subject to regular review to what is paid in comparable situations elsewhere.

No remuneration committee shall be in effect. A review by the Board of the remuneration policies for Executive Directors and the members of the central leadership team as applied by the ultimate parent to the Company, will take place during a regular Board meeting annually.

**6) Director Orientation and Education**

The Board and Management will conduct a comprehensive orientation process for new Directors to become familiar with the Company's vision, strategic direction, core values, financial matters, corporate governance practices and other key policies and practices through a review of background material, meetings with senior management and visits to the company's facilities.

The Board also recognizes the importance of education for its Directors. It is the responsibility of the Board to advise the Non-Executive Directors about their education, including corporate governance issues. Directors are encouraged to participate in the Directors' continuing education programs.

**7) Access to outside advisors and funds**

The Company will make such funds available to the Board and in particular the Non-Executive Directors as is reasonably required for those Directors to objectively make decisions. This may include providing funds to access outside advisors and cover cost associated with travel and the gathering of relevant information for the execution of their responsibilities.

**8) Code of Conduct**

The Board expects all Directors, as well as officers and employees, to act ethically at all times and to adhere to all Diageo codes and policies specifically, including 'The Diageo Code of Business Conduct'; 'The Diageo Marketing Code' and the 'Employee Alcohol Policy.' The Board will not permit any waiver of any of these policies for any Director or Executive officer. If an actual or potential conflict of interest arises for a Director, the Director shall promptly inform the Chairman. If a conflict exists and cannot be resolved, the Director should resign.

## BOARD COMMITTEES

The Board has established several Committees, each with clearly defined terms of reference, procedures, responsibilities and powers.

**1) Audit Committee**

On behalf of the Board, the Audit Committee shall:

- Monitor the adequacy and effectiveness of the company's systems of risk management and control, the Business Risk Assurance function and external auditors
- Review the company's annual and interim financial statements and related policies and assumptions and any accompanying reports or related policies and statements
- Monitor and review the effectiveness of the Company's internal audit function
- Monitor and review the external auditor's independence, objectivity and effectiveness
- Develop and implement policy on the engagement of the external auditor to supply non-audit services.

The Audit Committee shall consist of Non-Executive Directors of the company duly appointed by the Board. The Chairman and Secretary of the Audit Committee shall also be appointed by the Board. The Board Chairman shall not be a member of the Committee. The Committee shall consist of not less than three members. The Audit Committee shall meet at least four (4) times a year, within twenty (20) days of the end of each quarter and at such other times as any member of the Committee or the external auditors may request.

**2) Nomination Committee**

This Committee comprises of two Non-Executive Directors and one Executive Director. The Committee is responsible for keeping under review the composition of the Board and succession to it. It makes recommendations to the Board concerning appointments to the Board of Non-Executive Directors, having regard to the balance and structure of the Board and the required blend of skills and experience. The Committee has responsibility to:

- Nominate potential candidates and evaluate the suitability of those candidates for future Board membership
- Propose suitable candidates to the board for approval prior to approaching the candidate
- Approach the future candidate and upon positive response, introduce the future board member to the board.

The nomination of one Non-Executive Director through Diageo and one Non-Executive Director through Heineken are exempt from nomination through the Nomination Committee.

The Nomination Committee shall meet in line with election and re-election procedures determined and at such other times as any member of the Committee may request.

**3) Evaluation Committee**

This Committee comprises the Chairman, the Managing Director and the Company Secretary. The Committee is responsible for keeping under review the performance of all Board members. It develops, maintains and executes an annual process of self-evaluation and '360 degrees feedback' between Board members. Results of the self-evaluation are discussed annually in a Board meeting.

The Chairman and the Managing Director will present results of the '360 degrees feedback' to the relevant Board member individually.

The Evaluation Committee shall meet annually to initiate and assess the outcome of the evaluations and at such other times as any member of the Committee may request.

**4) Ad Hoc Committees**

The Board may call any Ad Hoc Committee as it deems necessary. The rules under which such Committee governs will be set out at each occasion by the Board. All committees including those explicitly mentioned above will be subject to the annual evaluation process, similar as applied to the Board itself.

## MEETINGS

**1) Frequency of meetings**

During each financial year, there will be a minimum of four regular Board meetings. Special Board meetings may occur at such other times as any member of the Board may request.

**2) Non-Executive Director Meetings**

The Company is to provide opportunity for the Non-Executive Directors to meet independently of the Executive Directors. On the decision of the Non-Executive Directors, the Managing Director may be invited if they so desire.

**3) Operational Review Meetings**

To further engage the Board and strengthen its in-depth knowledge of the particulars of the company's business a monthly one hour (virtual) meeting on the past month's performance is conducted. This meeting allows direct involvement and review of operational activities. Attendance is on a voluntary basis.

**4) Strategy and Operating Plan Setting Meeting**

The Board is consulted on a regular basis on matters which are of strategic importance to the company. Annually, the Company will set, in coordination with the Chairman, a meeting to review the Company's strategy in depth prior to final agreement of such strategy and annual operating plan with the Company's parent Company.

**5) Selection of Agenda Items for Board Meetings**

The Chairman and Company Secretary will establish the agenda for each Board meeting. Each Board member may suggest the inclusion of item(s) on the agenda.

Information important to the Board's understanding of the business will be distributed electronically and or in writing to the Board before the Board meetings. As a general rule, presentations on specific subjects should be sent to the Board members in advance to save time at Board meetings and focus discussion on the Board's questions. On those occasions in which the subject matter is extremely sensitive, the presentation will be discussed at the meeting.

**6) Additional attendees to the meeting**

Furthermore, the Board encourages the Management, where it assists the ability of the Board members to execute their responsibilities to bring managers into Board meetings who: (a) can provide additional insight into the items being discussed because of personal involvement in these areas, and/or (b) are managers with future potential that the senior management believes should be given exposure to the Board.

# INDEPENDENT AUDITORS' REPORT

**KPMG**
**Chartered Accountants**
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**TO THE MEMBERS OF DESNOES & GEDDES LIMITED**

We have audited the financial statements of Desnoes & Geddes Limited ("the company"), and the consolidated financial statements of the company and its subsidiaries ('the group"), set out on pages 56 to 93, which comprise the company and the group statements of financial position as at June 30, 2010, the company and the group income statements, statements of comprehensive income, changes in equity and cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

**MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the Jamaican Companies Act. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and consistently applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

**AUDITORS' RESPONSIBILITY**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**OPINION**

In our opinion, the financial statements give a true and fair view of the financial position of the company and the group as at June 30, 2010, and of the company's and the group's financial performance, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Jamaican Companies Act.

**REPORT ON ADDITIONAL REQUIREMENTS OF 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 and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner so required.

KPMG

Chartered Accountants
Kingston, Jamaica

August 27, 2010

# COMPANY STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2010

| | Notes | 2010 $'000 | 2009 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Investments | 4 | 406,525 | 407,025 |
| Investment properties | 5 | 96,500 | 96,500 |
| Property, plant and equipment | 6 | 6,644,362 | 6,661,479* |
| Employee benefit asset | 7 | 1,131,000 | 411,000 |
| **Total non-current assets** | | **8,278,387** | **7,576,004** |
| Cash and bank | | 411,070 | 634,895 |
| Short-term deposits | | 18,083 | 17,357 |
| Accounts receivable | 8(a) | 454,306 | 409,308 |
| Due from fellow subsidiaries | 8(b) | 725,788 | 444,837 |
| Inventories | 9 | 1,159,509 | 1,081,165* |
| **Total current assets** | | **2,768,756** | **2,587,562** |
| Accounts payable | 10 | 1,809,995 | 1,360,675 |
| Short-term loans | 11 | 700,000 | 733,608 |
| Taxation payable | | 108,498 | 252,836 |
| Due to fellow subsidiaries | | 565,245 | 642,440 |
| **Total current liabilities** | | **3,183,738** | **2,989,559** |
| **Net current liabilities** | | **( 414,982)** | **( 401,997)** |
| **Total assets less current liabilities** | | **7,863,405** | **7,174,007** |
| **EQUITY** | | | |
| Share capital | 12 | 2,174,980 | 2,174,980 |
| Capital reserves | 13 | 2,093,665 | 2,109,675 |
| Other reserves | 14 | 1,095,880 | 627,213 |
| Retained earnings | | 1,164,861 | 1,187,075 |
| **Total Equity** | | **6,529,386** | **6,098,943** |
| **NON-CURRENT LIABILITIES** | | | |
| Employee benefit obligation | 7 | 86,000 | 69,000 |
| Long-term liabilities | 15 | 157,235 | 157,235 |
| Deferred tax liabilities | 16 | 1,090,784 | 848,829 |
| **Total non-current liabilities** | | **1,334,019** | **1,075,064** |
| **Total equity and non-current liabilities** | | **7,863,405** | **7,174,007** |

The financial statements on pages 56 to 93 were approved for issue by the Board of Directors on August 27, 2010 and signed on its behalf by:

_______________ Chairman
Richard Byles

_______________ Director
Alan Barnes

* Reclassified to conform to current year presentation.
The accompanying notes form an integral part of these financial statements.

# GROUP STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2010

| | Notes | 2010<br>$'000 | 2009<br>$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Investments | 4 | 405,370 | 405,870 |
| Investment properties | 5 | 96,500 | 96,500 |
| Property, plant and equipment | 6 | 6,644,362 | 6,661,479* |
| Employee benefit asset | 7 | 1,131,000 | 411,000 |
| **Total non-current assets** | | **8,277,232** | **7,574,849** |
| Cash and bank | | 412,826 | 636,651 |
| Short-term deposits | | 18,083 | 17,357 |
| Accounts receivable | 8(a) | 454,306 | 409,308 |
| Due from fellow subsidiaries | 8(b) | 725,788 | 444,837 |
| Inventories | 9 | 1,159,509 | 1,081,165* |
| **Total current assets** | | **2,770,512** | **2,589,318** |
| Accounts payable | 10 | 1,812,701 | 1,363,381 |
| Short-term loans | 11 | 700,000 | 733,608 |
| Taxation payable | | 108,488 | 252,826 |
| Due to fellow subsidiaries | | 565,245 | 642,440 |
| **Total current liabilities** | | **3,186,434** | **2,992,255** |
| **Net current liabilities** | | **(415,922)** | **(402,937)** |
| **Total assets less current liabilities** | | **7,861,310** | **7,171,912** |
| **EQUITY** | | | |
| Share capital | 12 | 2,174,980 | 2,174,980 |
| Capital reserves | 13 | 2,101,435 | 2,117,445 |
| Other reserves | 14 | 1,095,880 | 627,213 |
| Retained earnings | | 1,304,784 | 1,326,998 |
| **Attributable to equity holders of the parent** | | **6,677,079** | **6,246,636** |
| Minority interest | | 7,447 | 7,447 |
| **Total equity** | | **6,684,526** | **6,254,083** |
| **NON-CURRENT LIABILITIES** | | | |
| Employee benefit obligation | 7 | 86,000 | 69,000 |
| Deferred tax liabilities | 16 | 1,090,784 | 848,829 |
| **Total non-current liabilities** | | **1,176,784** | **917,829** |
| **Total equity and non-current liabilities** | | **7,861,310** | **7,171,912** |

The financial statements on pages 56 to 93 were approved for issue by the Board of Directors on August 27, 2010 and signed on its behalf by:

Chairman
Richard Byles

Director
Alan Barnes

* Reclassified to conform to current year presentation.
The accompanying notes form an integral part of these financial statements.

# COMPANY & GROUP INCOME STATEMENT

YEAR ENDED JUNE 30, 2010

| | Notes | 2010<br>$'000 | 2009<br>$'000 |
|---|---|---|---|
| Turnover | 17 | 13,332,436 | 13,447,889 |
| Special Consumption Tax (SCT) | | ( 2,227,725) | ( 1,817,448) |
| Net sales | | 11,104,711 | 11,630,441 |
| Cost of sales | | ( 7,400,708) | ( 7,074,359) |
| Gross profit | | 3,704,003 | 4,556,082 |
| Marketing costs | | ( 1,499,185) | ( 1,349,435) |
| Contribution after marketing | | 2,204,818 | 3,206,647 |
| General, selling and administration expenses | | ( 1,142,988) | ( 1,090,874) |
| Other income/(expenses), net | | ( 13,333) | ( 79,981) |
| Trading profit | | 1,048,497 | 2,035,792 |
| Employee benefits income, net | 7(d) | 186,000 | 212,000 |
| Finance income – interest | | 8,536 | 18,276 |
| Revaluation surplus on investment properties | | - | 12,000 |
| Loss on disposal of property, plant and equipment | | - | ( 31) |
| Profit before finance cost | | 1,243,033 | 2,278,037 |
| Finance cost – interest | | ( 60,659) | ( 66,596) |
| Profit before taxation | 18 | 1,182,374 | 2,211,441 |
| Taxation | 19 | ( 392,976) | ( 660,118) |
| **Profit for the year attributable to equity holders of the parent company, all dealt with in the financial statements of the company** | | **789,398** | **1,551,323** |
| **Earnings per stock unit** | **20** | **28.10¢** | **55.22¢** |

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

# COMPANY & GROUP STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED JUNE 30, 2010

| | 2010<br>$'000 | 2009<br>$'000 |
|---|---|---|
| Profit for the year | 789,398 | 1,551,323 |
| **Other comprehensive income/(loss):** | | |
| Fair value adjustment on available-for-sale investments [note 4 (a)] | - | ( 104,355) |
| Deferred taxation on revalued property, plant and equipment | 8,005 | 8,005 |
| Change in unrecognised employee benefit asset | 1,530,000 | ( 664,000) |
| Deferred taxes on employee benefit | ( 167,667) | 279,000 |
| Actuarial losses recognised in equity | (1,027,000) | ( 173,000) |
| **Total other comprehensive income** | **343,338** | **( 654,350)** |
| **Total comprehensive income for the year** | **1,132,736** | **896,973** |

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

# COMPANY STATEMENT OF CHANGES IN EQUITY

YEAR ENDED JUNE 30, 2010

| | Share capital $'000 (Note 12) | Capital reserves $'000 (Note 13) | Other reserves $'000 (Note 14) | Retained earnings $'000 | Total $'000 |
|---|---|---|---|---|---|
| Balances at June 30, 2008 | 2,174,980 | 2,125,684 | 1,139,568 | 744,946 | 6,185,178 |
| **Total comprehensive income for the year:** | | | | | |
| Profit for the year | - | - | - | 1,551,323 | 1,551,323 |
| **Other comprehensive income:** | | | | | |
| Fair value adjustment on available-for-sale investment | - | - | ( 104,355) | - | ( 104,355) |
| Deferred taxation on revalued property, plant and equipment | - | 8,005 | - | - | 8,005 |
| Change in unrecognised employee benefit asset | - | - | - | ( 664,000) | ( 664,000) |
| Deferred taxes on employee benefit | - | - | - | 279,000 | 279,000 |
| Actuarial losses | - | - | - | ( 173,000) | ( 173,000) |
| Total other comprehensive income/(loss) | - | 8,005 | ( 104,355) | ( 558,000) | ( 654,350) |
| Total comprehensive income/(loss) | - | 8,005 | ( 104,355) | 993,323 | 896,973 |
| **Movement between reserves:** | | | | | |
| Transfer of depreciation charge on revaluation surplus of property,plant and equipment | - | ( 24,014) | - | 24,014 | - |
| Transfer to pension equalisation reserve | - | - | ( 408,000) | 408,000 | - |
| **Transactions with owners recorded directly in equity:** | | | | | |
| Dividends (note 21) | - | - | - | ( 983,208) | ( 983,208) |
| Balances at June 30, 2009 | 2,174,980 | 2,109,675 | 627,213 | 1,187,075 | 6,098,943 |
| **Total comprehensive income for the year:** | | | | | |
| Profit for the year | - | - | - | 789,398 | 789,398 |
| **Other comprehensive income/(loss):** | | | | | |
| Deferred taxation on revalued property, plant and equipment | - | 8,005 | - | - | 8,005 |
| Change in unrecognised employee benefit asset | - | - | - | 1,530,000 | 1,530,000 |
| Deferred taxes on employee benefit | - | - | - | ( 167,667) | ( 167,667) |
| Actuarial losses | - | - | - | (1,027,000) | (1,027,000) |
| Total other comprehensive income | - | 8,005 | - | 335,333 | 343,338 |
| Total comprehensive income | - | 8,005 | - | 1,124,731 | 1,132,736 |
| **Movement between reserves:** | | | | | |
| Transfer of depreciation charge on revaluation surplus of property, plant and equipment | - | ( 24,015) | - | 24,015 | - |
| Transfer to pension equalisation reserve | - | - | 468,667 | ( 468,667) | - |
| **Transactions with owners recorded directly in equity:** | | | | | |
| Dividends (note 21) | - | - | - | ( 702,293) | ( 702,293) |
| Balances at June 30, 2010 | 2,174,980 | 2,093,665 | 1,095,880 | 1,164,861 | 6,529,386 |

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

# GROUP STATEMENT OF CHANGES IN EQUITY

YEAR ENDED JUNE 30, 2010

| | Attributable to equity holders of the parent company | | | | | |
|---|---|---|---|---|---|---|
| | Share capital $'000 (Note 12) | Capital reserves $'000 (Note 13) | Other reserves $'000 (Note 14) | Retained earnings $'000 | Minority interest $'000 | Total $'000 |
| Balances at June 30, 2008 | 2,174,980 | 2,133,454 | 1,139,568 | 884,869 | 7,447 | 6,340,318 |
| **Total comprehensive income for the year:** | | | | | | |
| Profit for the year | - | - | - | 1,551,323 | - | 1,551,323 |
| **Other comprehensive income:** | | | | | | |
| Fair value adjustment on available-for-sale investments | - | - | ( 104,355) | - | - | ( 104,355) |
| Deferred taxation on revalued property, plant and equipment | - | 8,005 | - | - | - | 8,005 |
| Change in unrecognised employee benefit asset | - | - | - | ( 664,000) | - | ( 664,000) |
| Deferred taxes on employee benefit | - | - | - | 279,000 | - | 279,000 |
| Actuarial losses | - | - | - | ( 173,000) | - | ( 173,000) |
| Total other comprehensive income/(loss) | - | 8,005 | ( 104,355) | ( 558,000) | - | ( 654,350) |
| Total comprehensive income/(loss) | - | 8,005 | ( 104,355) | 993,323 | - | 896,973 |
| **Movement between reserves:** | | | | | | |
| Transfer of depreciation charge on revaluation surplus of property, plant and equipment | - | ( 24,014) | - | 24,014 | - | - |
| Transfer to pension equalisation reserve | - | - | ( 408,000) | 408,000 | - | - |
| **Transactions with owners recorded directly in equity:** | | | | | | |
| Dividends (note 21) | - | - | - | ( 983,208) | - | ( 983,208) |
| Balances at June 30, 2009 | 2,174,980 | 2,117,445 | 627,213 | 1,326,998 | 7,447 | 6,254,083 |
| **Total comprehensive income for the year:** | | | | | | |
| Profit for the year | - | - | - | 789,398 | - | 789,398 |
| **Other comprehensive income:** | | | | | | |
| Deferred taxation on revalued property, plant and equipment | - | 8,005 | - | - | - | 8,005 |
| Change in unrecognised employee benefit asset | - | - | - | 1,530,000 | - | 1,530,000 |
| Deferred taxes on employee benefit | - | - | - | ( 167,667) | - | ( 167,667) |
| Actuarial losses | - | - | - | (1,027,000) | - | (1,027,000) |
| Total other comprehensive income | - | 8,005 | - | 335,333 | - | 343,338 |
| Total comprehensive income | - | 8,005 | - | 1,124,731 | - | 1,132,736 |
| **Movement between reserves:** | | | | | | |
| Transfer of depreciation charge on revaluation surplus of property, plant and equipment | - | ( 24,015) | - | 24,015 | - | - |
| Transfer to pension equalisation reserve | - | - | 468,667 | ( 468,667) | - | - |
| **Transactions with owners recorded directly in equity:** | | | | | | |
| Dividends (note 21) | - | - | - | ( 702,293) | - | ( 702,293) |
| Balances at June 30, 2010 | 2,174,980 | 2,101,435 | 1,095,880 | 1,304,784 | 7,447 | 6,684,526 |

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

# COMPANY STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2010

| | 2010<br>$'000 | 2009<br>$'000 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit for the year | 789,398 | 1,551,323 |
| Adjustments for: | | |
| Items not involving cash: | | |
| Interest income | ( 8,536) | ( 18,276) |
| Interest expense | 60,659 | 66,596 |
| Depreciation | 607,408 | 541,650* |
| Revaluation surplus on investment properties | - | ( 12,000) |
| Write off of investment | 500 | - |
| Loss on disposal of property, plant and equipment | - | 31 |
| Deferred taxation | 82,293 | 149,417 |
| Income tax charge | 310,683 | 510,701 |
| Increase in employee benefit asset and obligation | ( 186,000) | ( 212,000) |
| | 1,656,405 | 2,577,442 |
| Changes in working capital: | | |
| Accounts receivable | ( 44,998) | 65,897 |
| Due from fellow subsidiaries | ( 280,951) | 138,636 |
| Inventories | ( 78,344) | ( 200,708)* |
| Accounts payable | 449,960 | 132,322 |
| Due to fellow subsidiaries | ( 77,195) | ( 85,007) |
| Cash generated from operations | 1,624,877 | 2,628,582 |
| Interest paid | ( 61,298) | ( 64,180) |
| Income taxes paid | ( 455,022) | ( 499,335) |
| Net cash provided by operating activities | 1,108,557 | 2,065,067 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of property, plant and equipment | ( 590,291) | ( 671,500)* |
| Interest received | 8,536 | 18,276 |
| Pension contributions | ( 14,000) | ( 13,000) |
| Net cash used by investing activities | ( 595,755) | ( 666,224) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Short - term loans | ( 33,608) | 54,500 |
| Dividend payments | ( 702,293) | ( 983,208) |
| Net cash used by financing activities | ( 735,901) | ( 928,708) |
| Net (decrease)/increase in cash and cash equivalents | ( 223,099) | 470,135 |
| Cash and cash equivalents at beginning of year | 652,252 | 182,117 |
| Cash and cash equivalents at end of year | 429,153 | 652,252 |
| Comprised of – | | |
| Cash and bank balances | 411,070 | 634,895 |
| Short-term deposits | 18,083 | 17,357 |
| | 429,153 | 652,252 |

* Reclassified to conform to current year presentation.
The accompanying notes form an integral part of these financial statements.

# GROUP STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2010

| | 2010 $'000 | 2009 $'000 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit for the year | 789,398 | 1,551,323 |
| Adjustments for: | | |
| Items not involving cash: | | |
| Interest income | ( 8,536) | ( 18,276) |
| Interest expense | 60,659 | 66,596 |
| Depreciation | 607,408 | 541,650* |
| Revaluation surplus on investment property | - | ( 12,000) |
| Write off of investment | 500 | - |
| Loss on disposal of property, plant and equipment | - | 31 |
| Deferred taxation | 82,293 | 149,417 |
| Tax charge | 310,683 | 510,701 |
| Increase in employee benefit asset/(obligation) | ( 186,000) | ( 212,000) |
| | 1,656,405 | 2,577,442 |
| Changes in working capital: | | |
| Accounts receivable | ( 44,998) | 65,897 |
| Due from fellow subsidiaries | ( 280,951) | 138,636 |
| Inventories | ( 78,344) | ( 200,708)* |
| Accounts payable | 449,960 | 132,322 |
| Due to fellow subsidiaries | ( 77,195) | ( 85,007) |
| Cash generated from operations | 1,624,877 | 2,628,582 |
| Interest paid | ( 61,298) | ( 64,180) |
| Income taxes paid | ( 455,022) | ( 499,335) |
| Net cash provided by operating activities | 1,108,557 | 2,065,067 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of property, plant and equipment | ( 590,291) | ( 671,500)* |
| Interest received | 8,536 | 18,276 |
| Pension contributions | ( 14,000) | ( 13,000) |
| Net cash used by investing activities | ( 595,755) | ( 666,224) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Short-term loans | ( 33,608) | 54,500 |
| Dividend payments | ( 702,293) | ( 983,208) |
| Net cash used by financing activities | ( 735,901) | ( 928,708) |
| Net (decrease)/increase in cash and cash equivalents | ( 223,099) | 470,135 |
| Cash and cash equivalents at beginning of year | 654,008 | 183,873 |
| Cash and cash equivalents at end of year | 430,909 | 654,008 |
| Comprised of – | | |
| Cash and bank balances | 412,826 | 636,651 |
| Short-term deposits | 18,083 | 17,357 |
| | 430,909 | 654,008 |

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

# NOTES TO THE FINANCIAL STATEMENTS



1. **Identification**

   Desnoes & Geddes Limited ("the company"), is incorporated and domiciled in Jamaica and is a 58% subsidiary of Udiam Holdings AB, a company incorporated in Sweden. The ultimate parent company is Diageo PLC, incorporated in the United Kingdom. The company's registered office is located at 214 Spanish Town Road, Kingston 11. The principal activities of the company comprise the brewing, bottling and distribution of beers and stouts. The company's subsidiaries are inactive [note 3(a) (i)]. The company and its subsidiaries are collectively referred to as the "group".

   The number of employees at June 30, 2010 was 694 (2009: 759) for the company and the group.

2. **Basis of preparation**

   (a) Statement of compliance:

   The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations, issued by the International Accounting Standards Board (IASB).

   **New standards and interpretations effective during the year:**

   As of July 1, 2009, the group has changed its accounting policies as follows:

   - The group applied revised *IAS 1 (Revised)–Presentation of Financial Statement:* The effect of the revision is to present two statements (an income statement and a statement of comprehensive income). The balance sheet is now referred to as the statement of financial position.

   - An amendment to *IAS 23–Borrowing Costs* removes the option of immediately recognising all borrowing costs as an expense, and requires that finance costs directly attributable to the acquisition, construction or production of a qualifying asset, being an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are added to the cost of the asset. IAS 23 did not have any impact on the financial statements.

   - Amendments to *IAS 32–Financial instruments: Presentation* and *IAS 1, Presentation of Financial Statements* allow certain instruments that would normally be classified as liabilities to be classified as equity if certain conditions are met. Where such instruments are reclassified, the entity is required to disclose the amount, the timing and the reason for the reclassification. The revisions did not have any significant impact on the financial statements.

   - IAS 38 (Amendment)-*Intangible Assets* states that an asset may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The amendment requires that advertising and promotion costs be expensed when the group has right of access to the goods or services purchased in respect of future advertising or promotional activities. The amendment had no impact on the financial statements.

**2. Basis of preparation (continued)**

(a) Statement of compliance (continued):

**New standards and interpretations effective during the year (continued):**

As of July 1, 2009, the group has changed its accounting policies as follows (continued):

- *IFRS 3 (Revised)–Business Combinations* and *amended IAS 27 Consolidated and Separate Financial Statements* continues to apply the acquisitions method to business combinations. The definition of a business combination has been revised and focuses on control. All items of consideration transferred by the acquirer are measured and recognised at fair value as of the acquisition date, including contingent consideration. An acquirer can elect to measure non-controlling interest at fair value at the acquisition date or on a transaction by transaction basis. New disclosure requirements have been introduced. The revisions did not have any significant impact on the financial statements.
- Amendments to *IFRS 7–Financial Instruments: Disclosures* requires enhanced disclosures about fair value measurements of financial instruments, specifically, in relation to disclosures over the inputs used in valuation techniques and the uncertainty associated with such valuations; and improved disclosures relating to liquidity risk to address current diversity in practice. The enhanced disclosures have been incorporated in note 25 where applicable.
- *IFRS 8–Operating Segments* replaces IAS 14 *Segment Reporting*. It requires disclosures based on the components of the company that management monitors in making decisions about operating matters as well as qualitative disclosures on segments. The enhanced disclosures have been incorporated in note 23 where applicable.

**New standards and interpretations not yet effective:**

At the date of the authorisation of the financial statements, certain new standards, amendments to standards and interpretations of existing standards, which have been issued are not yet effective and the company and group have not early-adopted. The company and group have assessed the relevance of all such new standards, amendments, and interpretations with respect to its operations and have concluded as follows:

- IAS 19 (Amendment), *Employee Benefits*, is effective for annual reporting periods beginning on or after January 1, 2010. The amendment states that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. It amends the definition of return on plan assets to state that plan administration costs be deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation. It also makes the distinction between short-term and long-term employee benefits which is now based on whether benefits are due to be settled within or after 12 months of employee service being rendered. The amendment provides further guidance that states that IAS 37, '*Provisions, Contingent Liabilities and Contingent Assets*' requires contingent liabilities to be recognised.

**2. Basis of preparation (continued)**

(a) Statement of compliance (continued):

**New standards and interpretations not yet effective (continued):**

- IFRIC 17, *Distribution of Non-Cash Assets to Owners*, is effective for annual reporting periods beginning on or after January 1, 2010. IFRIC 17 states that a dividend payable should be recognised when appropriately authorised and no longer at the entity's discretion. Where an owner has a choice of a dividend of a non-cash asset or cash, the dividend payable is estimated considering both the fair value and probability of the owners selecting each option. The dividend payable is measured at the fair value of the net assets to be distributed. The difference between fair value of the dividend paid and the carrying amount of the net assets distributed is recognised in profit or loss. The amendment is not expected to have any impact on its 2011 financial statements.
- *IFRS 9–Financial Instruments,* is effective for annual reporting periods beginning on or after January 1, 2013. The standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. Management is assessing the impact that this standard would have on its 2014 financial statements.

(b) Basis of measurement:

The financial statements are prepared on the historical cost basis, except for available-for-sale investments (other than those for which a reliable measure of fair value is not available), investment properties and certain classes of property, plant and equipment which are carried 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 amounts of assets, liabilities, contingent assets and contingent liabilities at the reporting date (June 30, 2010) 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 both current and future periods.

**2. Basis of preparation (continued)**

(d) Use of estimates and judgements (continued):

The significant area of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is in respect of the measurement of defined benefit obligations and the fair value of certain available-for-sale investments.

The amounts recognised in the statements of financial position and 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 as detailed in note 4(a).

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**

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

(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.

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

(a) Basis of consolidation (continued):

(i) (continued)

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The consolidated financial statements include the financial statements of the company and its subsidiaries, made up to June 30, 2010. The wholly-owned subsidiaries, incorporated in Jamaica are as follows:-

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 2010 and 2009. The carrying value of the company's interest in these subsidiaries was previously reduced to $Nil.

(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 the equity accounting basis, from the date that significant influence commences until the date that significant influence ceases. When the group's share 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 statement 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 (continued)**

(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. Returnable packaging (used cases and bottles) were reclassified as property, plant and equipment during the year.

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 buildings 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 to write down the carrying value of each asset to its estimated residual value 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% |
| Returnable bottles | 20% |
| Returnable crates | 10% |

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

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

(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 (returnable packaging) which were previously stated at the customers' deposit value, are now reclassified as property, plant and equipment (see note 6.) Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

(e) Foreign currencies:

Transactions in foreign currencies are converted at the foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the reporting 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 dates of the transactions. 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 reporting 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 reporting 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.

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

(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.

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 and group'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.

Pension scheme costs (note 7) are accrued and funded annually. Such costs are actuarially determined and include amounts to fund past service benefits, expenses and future service benefits.

The company's net obligation in respect of the defined-benefit pension plan is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that value is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is determined by reference to the yield at the reporting 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 statement 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 statement.

The company recognises all actuarial gains and losses directly in equity.

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.

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

(g) Employee benefits (continued):

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.

(h) 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.

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, accounts payable, short-term loans and long-term liabilities.

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 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 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 by a professional valuator using a valuation technique; maintainable earnings approach [note 4(a)].

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

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

(h) Financial instruments (continued):

(iii) Other non-derivative financial instruments, including cash and cash equivalents, short-term deposits, trade and other receivables, related party balances, accounts payable, short-term loans 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 changes in fair value is recognised in the income statement. In carrying out the audit, the auditors rely on the valuator's and directors' reports.

(j) Provision:

A provision is recognised in the statement of financial position 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.

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

(k) Impairment (continued):

(i) Financial assets (continued):

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 properties and inventories, 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 whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

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 costs:

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

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

(m) Segment reporting:

An operating segment is a component of the group 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 group's other components. All operating segments' operating results are reviewed regularly by the group'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.

(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.

**4. Investments**

(a) Investments comprise:

| | Company | | Group | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $'000 | $'000 | $'000 | $'000 |
| Available for sale: | | | | |
| Unquoted | 406,525 | 407,025 | 405,352 | 405,852 |
| Loans and receivables | - | - | 18 | 18 |
| | 406,525 | 407,025 | 405,370 | 405,870 |

The carrying amount of the available for sale investment is the fair value as determined by a professional business valuator in the previous year. A maintainable earnings approach was applied based on projected after tax earnings for 2009. The multiple applied was determined based on an average of the company's multiple, discounted by 40 % for lack of marketability and an approximate hurdle rate for the company being valued. A further discount of 10% was also applied as the company has a minority interest.

(b) Associated companies, incorporated in Jamaica, unless stated otherwise, are as follows:

| | Group's percentage interest | |
|---|---|---|
| | 2010 | 2009 |
| | % | % |
| West Indies Yeast Company Limited | 28.0 | 28.0 |
| Jamaica Extracts Limited | 20.0 | 20.0 |
| Red Stripe Marketing Company Limited (Resident in the United Kingdom) | 50.0 | 50.0 |

These companies are inactive.

## 5. Investment properties

| | Company and Group | |
|---|---|---|
| | 2010 | 2009 |
| | $'000 | $'000 |
| Balance as at beginning of year | 96,500 | 84,500 |
| Net gains from fair value adjustments | - | 12,000 |
| Balance as at end of year | 96,500 | 96,500 |

The carrying amount of investment properties is the fair value of the properties as determined by Property Consultants Limited, a registered independent valuator having an appropriate recognised professional qualification and recent experience in the locations and category of the properties being valued, in the previous year. At the end of the current year, the properties were valued by the directors, who took account of the locations and category of the properties. Fair values arrived at by the directors were determined having regard to recent market transactions for similar properties in the same locations as the group's investment properties and were the same as the independent valuator [note 3 (i)].

No income is being earned from, or expenses incurred by, these properties.

## 6. Property, plant and equipment

| | Company and Group | | | | | |
|---|---|---|---|---|---|---|
| | Freehold land and buildings | Plant and equipment | Furniture, fixtures and computer equipment | Construction in progress (CIP) | Returnable packaging | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Cost or valuation: | | | | | | |
| June 30, 2008 | 2,551,265 | 4,820,457 | 475,667 | 1,370,211 | 1,111,692 | 10,329,292 |
| Additions | 72,185 | 120,764 | 11,331 | 296,741 | 170,479 | 671,500 |
| Transfers from CIP | 380,612 | 905,824 | 47,233 | (1,333,669) | - | - |
| Disposals/write- off | - | ( 49,592) | - | - | - | ( 49,592) |
| June 30, 2009 | 3,004,062 | 5,797,453 | 534,231 | 333,283 | 1,282,171 | 10,951,200 |
| Additions | 50,299 | 61,963 | 84,050 | 229,769 | 164,210 | 590,291 |
| Transfers from CIP | 13,636 | 182,779 | 130,415 | ( 326,830) | - | - |
| Disposals/write- off | - | ( 552) | - | - | - | ( 552) |
| June 30, 2010 | 3,067,997 | 6,041,643 | 748,696 | 236,222 | 1,446,381 | 11,540,939 |
| At cost | 715,516 | 1,488,328 | 748,696 | 236,222 | 1,446,381 | 4,635,143 |
| At valuation | 2,352,481 | 4,553,315 | - | - | - | 6,905,796 |
| | 3,067,997 | 6,041,643 | 748,696 | 236,222 | 1,446,381 | 11,540,939 |
| Depreciation and impairment losses: | | | | | | |
| June 30, 2008 | 43,676 | 2,930,368 | 340,420 | - | 483,168 | 3,797,632 |
| Charge for the year | 50,858 | 238,190 | 48,048 | - | 204,554 | 541,650 |
| Eliminated on disposals/write-off | - | ( 49,561) | - | - | - | ( 49,561) |
| June 30, 2009 | 94,534 | 3,118,997 | 388,468 | - | 687,722 | 4,289,721 |
| Charge for the year | 60,251 | 291,279 | 52,481 | - | 203,397 | 607,408 |
| Eliminated on disposals/write-off | - | ( 552) | - | - | - | ( 552) |
| June 30, 2010 | 154,785 | 3,409,724 | 440,949 | - | 891,119 | 4,896,577 |
| Carrying amounts: | | | | | | |
| June 30, 2010 | 2,913,212 | 2,631,919 | 307,747 | 236,222 | 555,262 | 6,644,362 |
| June 30, 2009 | 2,909,528 | 2,678,456 | 145,763 | 333,283 | 594,449 | 6,661,479 |
| June 30, 2008 | 2,507,589 | 1,890,089 | 135,247 | 1,370,211 | 628,524 | 6,531,660 |

## 6. Property, plant and equipment (continued)

Freehold land and buildings were revalued as at June 30, 2007 at market value by Property Consultants Limited, independent valuators.

The company's plant and equipment were revalued as of June 30, 2007 on the depreciated replacement cost basis by Delano Reid and Associates Limited, independent valuators.

Had the assets not been revalued, the carrying amounts at the reporting date would be $1,221,010,875 (2009: $1,199,272,000) for freehold land and buildings and $2,909,511,651 (2009: $2,789,592,000) for plant and equipment.

The surplus arising on revaluation was credited to capital reserves (note 13).

The group reclassified returnable bottles and crates to more appropriately reflect the usage of these assets. Bottles and crates which were previously held within inventories (note 9) are classified within property, plant and equipment and depreciated on the straight-line basis to their estimated residual values over their expected useful lives.

## 7. Employee benefit asset/obligation

The company operates a defined-benefit pension scheme [note 3(g)] which is open to all permanent employees and is managed by an independent outside agency. The scheme is funded by employee contributions at rates varying between 6% and 10% of salary and employer contributions at rates recommended by independent actuaries from time to time. Retirement and other benefits are based on average salary for the last three years of pensionable service. The company also provides post-employment medical benefits to employees upon retirement.

(a) Employee benefit asset/(obligation):

| | Company and Group Asset | | Company and Group Obligation | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $'000 | $'000 | $'000 | $'000 |
| Present value of funded obligation | (3,357,000) | (2,261,000) | (86,000) | (69,000) |
| Fair value of plan assets | 4,922,000 | 4,636,000 | - | - |
| Asset not recognised due to limitation | ( 434,000) | (1,964,000) | - | - |
| Net asset/(obligation) at end of year | 1,131,000 | 411,000 | (86,000) | (69,000) |

(b) Movements in the present value of funded obligation:

| | Company and Group Pension Asset | | Company and Group Obligation | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $'000 | $'000 | $'000 | $'000 |
| Balance at beginning of year | (2,261,000) | (2,573,000) | (69,000) | (74,000) |
| Benefits | 190,000 | 151,000 | 3,000 | 3,000 |
| Service and interest costs | ( 439,000) | ( 405,000) | (17,000) | (17,000) |
| Contributions | ( 82,000) | ( 79,000) | - | - |
| Actuarial (loss)/ gain | ( 765,000) | 645,000 | ( 3,000) | 19,000 |
| Balance at end of year | (3,357,000) | (2,261,000) | (86,000) | (69,000) |

**7. Employee benefit asset/obligation (continued)**

(c) Movement in plan assets:

| | Company and Group Pension Asset | | Company and Group Obligation | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $'000 | $'000 | $'000 | $'000 |
| Fair value of plan assets at July 1 | 4,636,000 | 4,901,000 | - | - |
| Contributions paid | 93,000 | 89,000 | - | - |
| Expected return on plan assets | 642,000 | 634,000 | - | - |
| Benefits paid | ( 190,000) | ( 151,000) | - | - |
| Actuarial (loss)/gain | ( 259,000) | ( 837,000) | - | - |
| Fair value of plan assets on June 30 | 4,922,000 | 4,636,000 | - | - |

| | Company and Group Pension Asset | | Company and Group Obligation | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $'000 | $'000 | $'000 | $'000 |
| Plan assets consist of the following: | | | | |
| Equities | 2,181,000 | 1,712,000 | - | - |
| Foreign currency | 351,000 | 226,000 | - | - |
| Fixed income securities | 1,083,000 | 877,000 | - | - |
| Money market securities | 16,000 | 48,000 | - | - |
| Real estate | 1,291,000 | 1,773,000 | - | - |
| | 4,922,000 | 4,636,000 | - | - |

(d) Income recognised in the company and group income statements:

| | Pension Asset | | Obligation | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $'000 | $'000 | $'000 | $'000 |
| Current service costs | 38,000 | 92,000 | 4,000 | 7,000 |
| Interest on obligation | 401,000 | 313,000 | 13,000 | 10,000 |
| Expected return on plan assets | (642,000) | (634,000) | - | - |
| | (203,000) | (229,000) | 17,000 | 17,000 |
| Actual return on plan assets | 8.3% | (4.2%) | | |

**7. Employee benefit asset/obligation (continued)**

(e) Actuarial gains and losses recognised directly in equity:

| | Company and Group Pension asset | | Company and Group Obligation | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $'000 | $'000 | $'000 | $'000 |
| Cumulative amount at the beginning of the year | ( 448,000) | (640,000) | (29,000) | (10,000) |
| Recognised during the year | 1,024,000 | 192,000 | 3,000 | (19,000) |
| Cumulative amount at the end of the year | 576,000 | (448,000) | (26,000) | (29,000) |

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

| | 2010 | 2009 |
|---|---|---|
| | % | % |
| Discount rate at June 30 | 11.5 | 19.0 |
| Expected return on plan assets at June 30 | 9.5 | 14.0 |
| Future salary increases | 7.5 | 14.0 |
| Future pension increases | 6.5 | 10.0 |
| Medical claims growth | 10.5 | 16.0 |

(i) The expected long-term rate of return is based on market expectation of inflation of (7.5%) plus a margin for real returns (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 $99,000,000

(g) Assumed health care cost trend have a significant effect on the amounts recognised in profit or loss. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

| | One percentage point increase | One percentage point decrease |
|---|---|---|
| | $ | $ |
| Effect on the aggregate service and interest cost | 21,000,000 | 14,000,000 |
| Effect on the defined-benefit obligation | 104,000,000 | 71,000,000 |

The company expects to contribute approximately $3,650,000 to the pension plan for year ending June 30, 2011 in respect of health benefits.

**7. Employee benefit asset/obligation (continued)**

(h) Historical information

(i) Defined benefit pension plan:

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| Present value of defined benefit obligation | 3,357,000 | 2,261,000 | 2,573,000 | 2,462,000 | 2,001,000 |
| Fair value of plan assets | (4,922,000) | (4,636,000) | (4,901,000) | (3,970,000) | (3,383,000) |
| Surplus | (1,565,000) | (2,375,000) | (2,328,000) | (1,508,000) | (1,382,000) |
| Experience adjustments on plan liabilities | 765,000 | ( 645,000) | ( 206,000) | 291,000 | 221,000 |
| Experience adjustments on plan assets | 259,000 | 837,000 | ( 499,000) | ( 308,000) | 558,000 |

(ii) Post-employment medical benefits:

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| Present value of defined benefit obligation | 86,000 | 69,000 | 74,000 | 59,000 | 62,000 |
| Experience adjustments on plan liabilities | 3,000 | (19,000) | 6,000 | (12,000) | ( 3,000) |

**8. (a) Accounts receivable**

| | Company and Group | |
|---|---|---|
| | 2010 | 2009 |
| | $'000 | $'000 |
| Trade | 419,676 | 401,338 |
| Other | 80,857 | 60,966 |
| | 500,533 | 462,304 |
| Less provision for doubtful debts | ( 46,227) | ( 52,996) |
| | 454,306 | 409,308 |

(b) **Due from fellow subsidiaries**

| | Company and Group | |
|---|---|---|
| | 2010 | 2009 |
| | $'000 | $'000 |
| Exports to related companies | 725,788 | 444,837 |

The movement in the provision for doubtful debts is as follows:

| | Company and Group | |
|---|---|---|
| | 2010 | 2009 |
| | $'000 | $'000 |
| Balance at July 1, 2009 | 52,996 | 48,602 |
| Debts recovered | (15,980) | ( 265) |
| Debts written-off – trade receivable | ( 8,050) | ( 30,217) |
| – exports | ( 987) | ( 5,501) |
| Charge for the year – trade receivable | 18,248 | 40,377 |
| Balance at June 30, 2010 | 46,227 | 52,996 |

## 9. Inventories

| | Company and Group | |
|---|---|---|
| | 2010 | 2009* |
| | $'000 | $'000 |
| Raw materials | 108,167 | 165,818 |
| Work-in-progress | 148,853 | 177,495 |
| Finished goods | 342,673 | 275,722 |
| Consumables | 395,599 | 314,432 |
| Plant and equipment spares | 164,217 | 147,698 |
| | 1,159,509 | 1,081,165 |

* Reclassified (note 6)

## 10. Accounts payable

| | Company | | Group | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $'000 | $'000 | $'000 | $'000 |
| Trade | 663,862 | 316,426 | 663,862 | 316,426 |
| Staff accruals | 229,708 | 242,092 | 229,708 | 242,092 |
| Other | 916,425 | 802,157 | 919,131 | 804,863 |
| | 1,809,995 | 1,360,675 | 1,812,701 | 1,363,381 |

## 11. Short-term loans

| | Company and Group | |
|---|---|---|
| | 2010 | 2009 |
| | $'000 | $'000 |
| Bank of Nova Scotia Jamaica Limited – 11.00% to 11.45% (2009: 21%) | 350,000 | 600,000 |
| Citibank N.A. (Jamaica Branch) – 11.50% | 350,000 | - |
| Citibank N.A. (Jamaica Branch) – (2009: US$1,500,000; 9.99%) | - | 133,608 |
| | 700,000 | 733,608 |

All loans are unsecured and are repayable within one hundred and twenty (120) days of the year-end.

**12. Share capital**

| | Company and Group | |
|---|---|---|
| Authorised: | | |
| 2,810,500,000 ordinary shares of no par value | | |
| | 2010 | 2009 |
| | $'000 | $'000 |
| Issued and fully paid: | | |
| 2,809,170,386 ordinary stocks of no par value | 2,174,980 | 2,174,980 |

**13. Capital reserves**

| | Company | | Group | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $'000 | $'000 | $'000 | $'000 |
| Unrealised surplus on revaluation of property, plant and equipment (note 6) | 3,074,084 | 3,074,084 | 3,081,854 | 3,081,854 |
| Depreciation charge on surplus of revalued property, plant and equipment, transferred to retained earnings | ( 254,934) | ( 230,919) | ( 254,934) | ( 230,919) |
| Deferred taxation on revalued property, plant and equipment | ( 663,300) | ( 671,305) | ( 663,300) | ( 671,305) |
| Realised gain on disposal of property, plant and equipment | ( 62,185) | ( 62,185) | ( 62,185) | ( 62,185) |
| | 2,093,665 | 2,109,675 | 2,101,435 | 2,117,445 |

**14. Other reserves**

| | Company and Group | |
|---|---|---|
| | 2010 | 2009 |
| | $'000 | $'000 |
| Investment revaluation reserve [see (a) below] | 399,213 | 399,213 |
| Pension equalisation reserve [see (b) below ] | 696,667 | 228,000 |
| | 1,095,880 | 627,213 |

(a) This represents the unrealised gains on the revaluation of available-for-sale investments.

(b) This represents the net employee benefit asset of $1,045,000,000 (2009: $342,000,000), less deferred tax of $348,333,000 (2009: $114,000,000), arising on the actuarial valuation, under IAS 19, of the group's pension scheme. Annual changes in the value of the scheme are shown in the company and group income statement and statement of comprehensive income, then transferred to this reserve.

## 15. Long-term liabilities

| | Company 2010 | Company 2009 |
|---|---|---|
| | $'000 | $'000 |
| Subsidiaries [see (i) below] | 157,235 | 157,235 |

( i ) The loans from subsidiaries are unsecured, bore no interest for 2010 and 2009, and have no fixed repayment date.

## 16. Deferred tax liabilities

Deferred tax liabilities are attributable to the following:

| | Company and Group 2010 | Company and Group 2009 |
|---|---|---|
| | $'000 | $'000 |
| Accrued vacation leave | ( 9,677) | ( 7,546) |
| Unrealised foreign exchange (loss)/ gain | ( 4,221) | ( 766) |
| Property, plant and equipment | 756,941 | 743,946 |
| Interest payable | ( 592) | ( 805) |
| Employee benefits asset | 348,333 | 114,000 |
| | 1,090,784 | 848,829 |

Movement in temporary differences during the year:

| | Balance at July 1 | Recognised in income | Recognised in equity | Balance at June 30 |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| | | [Note 19(a) (iii)] | [Note 19(c)] | |
| Accrued vacation leave | ( 7,546) | ( 2,131) | - | ( 9,677) |
| Unrealised foreign exchange (loss)/gain | ( 766) | ( 3,455) | - | ( 4,221) |
| Property, plant and equipment | 743,946 | 21,000 | ( 8,005) | 756,941 |
| Interest payable | ( 805) | 213 | - | ( 592) |
| Employee benefits asset | 114,000 | 66,666 | 167,667 | 348,333 |
| | 848,829 | 82,293 | 159,662 | 1,090,784 |

## 17. Turnover

Turnover represents the net invoice value of goods and services, including Special Consumption Tax (SCT) and royalties but excluding General Consumption Tax (GCT).

## 18. Profit before taxation

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

| | Company and Group | |
|---|---|---|
| | 2010 | 2009 |
| | $'000 | $'000 |
| Auditors' remuneration | 5,300 | 4,380 |
| Depreciation | 607,408 | 541,650 |
| Directors' emoluments: | | |
| Fees | 4,200 | 4,850 |
| Management remuneration | 95,804 | 93,088 |
| Staff costs | 1,610,716 | 1,630,165 |
| Redundancy payments | 105,447 | 116,569 |
| Foreign exchange losses | 45,005 | 51,716 |
| Dividends received on: | | |
| Other investments | - | ( 34) |
| Overseas investments | ( 57,548) | ( 56,206) |
| Royalties earned | (166,628) | ( 213,944) |
| Bad debts | 2,451 | 40,377 |
| Inventories written off/(on) | 40,986 | ( 3,437) |

## 19. Taxation

(a) Recognised in the company and group income statement:

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

| | 2010 | 2009 |
|---|---|---|
| | $'000 | $'000 |
| (i) Current tax expense: | | |
| Income tax at 33⅓% | 310,683 | 576,368 |
| (ii) Over provision of prior year taxation | - | ( 65,667) |
| (iii) Deferred taxation: | | |
| Origination and reversal of temporary differences (note 16) | 82,293 | 149,417 |
| Total taxation in income statement | 392,976 | 660,118 |

**19. Taxation (continued)**

(b) Reconciliation of effective tax rate:

| | Company and Group | |
|---|---|---|
| | 2010 | 2009 |
| | $'000 | $'000 |
| Profit before taxation | 1,182,374 | 2,211,441 |
| Computed "expected" tax charge at 33⅓% | 394,125 | 737,147 |
| Difference between profit for financial statements and tax reporting purposes on: | | |
| Depreciation charge and capital allowances | 8,009 | 7,994 |
| Dividend income | ( 20,228) | ( 18,747) |
| Other | 11,070 | ( 609) |
| Prior year over-provision | - | ( 65,667) |
| Actual tax charge | 392,976 | 660,118 |

| | 2010 | 2009 |
|---|---|---|
| | $'000 | $'000 |
| (c) Deferred tax recognised directly in equity relating to employee benefits and revaluation of property, plant and equipment (note 16) | 159,662 | 287,005 |

**20. Earnings per stock unit**

The calculation of earnings per stock unit is based on the group's profit for the year of $789,398,000 (2009: $1,551,323,000) and 2,809,170,386 stock units, being the number of stock units in issue at the end of the current and prior year.

**21. Dividends**

| | 2010 | 2009 |
|---|---|---|
| | $'000 | $'000 |
| Ordinary dividends: | | |
| Interims paid in respect of 2010 - 25¢ (2009: 35¢) per stock unit – gross | 702,293 | 983,208 |

A first interim ordinary dividend of 15¢ (2009: 10¢) (gross) per stock unit, was paid on December 29, 2009 (2009: December 12, 2008).

A second interim ordinary dividend of 10¢ (2009: 25¢) (gross) per stock unit, was paid on June 28, 2010 (2009: June 26, 2009).

## 22. Related party balances and transactions

A party is related to an entity if:

(a) directly, or indirectly through one or more intermediaries, the party:

( i) controls, is controlled by, or is under common control with, the entity

( ii) has an interest in the entity that gives it significant influence over the entity; or

(iii) has joint control over the entity;

(b) the party is an associate of the entity;

(c) the party is a joint venture in which the entity is a venturer;

(d) the party is a member of the key management personnel of the entity or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

During the year, the following (income)/expenses, arising in the ordinary course of business with related parties, were as follows:

| | 2010<br>$'000 | 2009<br>$'000 |
|---|---|---|
| Fellow subsidiaries: | | |
| Sales | (3,364,015) | (3,473,045) |
| Royalties | 106,304 | 140,328 |
| Marketing cost | 623,320 | 543,239 |
| Purchases of raw materials and finished goods | 288,567 | 245,506 |
| Key management personnel compensation: | | |
| Short-term employment benefits | 143,393 | 131,308 |
| Post-employment benefits | ( 10,000) | ( 34,000) |

The balance sheet includes balances arising in the ordinary course of business with related parties as follows:

| | 2010<br>$'000 | 2009<br>$'000 |
|---|---|---|
| Key management personnel: | | |
| Accounts (payable)/ receivable | 332 | (174) |

## 23. Segment reporting

The identification of business segments is based on the company's management and internal reporting structure. The group 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 | | Group | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Turnover | 9,400,189 | 9,671,275 | 3,932,247 | 3,776,614 | 13,332,436 | 13,447,889 |
| SCT | (2,227,725) | (1,817,448) | - | - | ( 2,227,725) | ( 1,817,448) |
| Net external revenue | 7,172,464 | 7,853,827 | 3,932,247 | 3,776,614 | 11,104,711 | 11,630,441 |
| Segment profit | 2,192,995 | 3,032,992 | 11,823 | 173,655 | 2,204,818 | 3,206,647 |
| General, selling and administration expenses | | | | | ( 1,142,988) | ( 1,090,874) |
| Other expenses | | | | | ( 13,333) | ( 79,981) |
| Trading profit | | | | | 1,048,497 | 2,035,792 |
| Employee benefits income | | | | | 186,000 | 212,000 |
| Interest income | | | | | 8,536 | 18,276 |
| Revaluation surplus | | | | | - | 12,000 |
| (Loss) on disposal of property, plant and equipment | | | | | - | ( 31) |
| Profit before finance cost | | | | | 1,243,033 | 2,278,037 |
| Finance cost | | | | | ( 60,659) | ( 66,596) |
| Profit before taxation | | | | | 1,182,374 | 2,211,441 |
| Taxation | | | | | ( 392,976) | ( 660,118) |
| Profit for the year | | | | | 789,398 | 1,551,323 |
| Segment assets | | | | | 11,047,744 | 10,164,167 |
| Segment liabilities | | | | | 4,363,218 | 3,910,084 |
| Depreciation | | | | | ( 607,408) | ( 541,650) |
| Capital expenditure | | | | | 590,291 | 671,500 |

Segment information below represents segment revenue based on the country receiving the benefit of our products. Segment assets are based on the geographic location of assets.

| | 2010 | 2009 |
|---|---|---|
| | $'000 | $'000 |
| Jamaica | 7,172,464 | 7,853,827 |
| United States | 3,029,770 | 3,074,538 |
| Canada | 216,851 | 176,571 |
| Europe | 506,973 | 364,992 |
| Caribbean | 170,492 | 150,769 |
| Other | 8,161 | 9,744 |
| | 11,104,711 | 11,630,441 |

**23. Segment reporting (continued)**

All non-current assets are located in Jamaica.

Revenues from one customer in the export segment represents approximately $2,968,926 (2009: $3,035,558) of the group's total revenues.

**24. 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 $18,500,000 (2009: $18,500,000), in the ordinary course of business.

(ii) A claim has been made against the company for legal costs amounting to $2.3 million in respect of a previously settled case. This amount is being disputed and no provision has been made in the financial statements with respect to this amount.

(iii) Two claims amounting to $11.0 million in total 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 the management expects the defence to be successful.

**25. Financial risk management**

The company has exposure to the following risks from its use of financial instruments and its operations: credit risk, liquidity risk, and market risk. This note presents information about the company's and group's exposure to each of the above risks, the company's and group's objectives, policies and processes for measuring and managing risk, and the company's and group'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 and group's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the group'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.

(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 investments, cash resources 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.

**25. Financial instrument risk management (continued)**

(i) Credit risk (continued):

**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 amount of cash collected, average debt collection period, percentage of customers with overdue balances and debts deemed uncollectible.

Credit limits and group 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 group maintains cash resources with reputable financial institutions. The credit risk is considered to be low.

No provision for impairment is deemed necessary.

**Investments:**

Investments are in unquoted equities and, therefore, there is little credit risk attached to these instruments.

**Exposure to credit risk:**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

| | Company | | Group | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $'000 | $'000 | $'000 | $'000 |
| Investments | 406,525 | 407,025 | 405,370 | 405,870 |
| Cash and bank | 411,070 | 634,895 | 412,826 | 636,651 |
| Short-term deposits | 18,083 | 17,357 | 18,083 | 17,357 |
| Accounts receivable | 454,306 | 409,308 | 454,306 | 409,308 |
| Due from fellow subsidiaries | 725,788 | 444,837 | 725,788 | 444,837 |
| | 2,015,772 | 1,913,422 | 2,016,373 | 1,914,023 |

**25. Financial instrument risk management (continued)**

(i) Credit risk (continued):

**Exposure to credit risk (continued):**

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

| | Company and group | |
|---|---|---|
| | 2010 | 2009 |
| | $'000 | $'000 |
| On-trade | 121,392 | 58,264 |
| Off-trade | 174,906 | 190,243 |
| Export | 71,547 | 91,203 |
| Other | 5,604 | 8,632 |
| | 373,449 | 348,342 |

The aging of trade receivables (note 8) at the reporting date was:

| | Gross 2010 $'000 | Impairment 2010 $'000 | Gross 2009 $'000 | Impairment 2009 $'000 |
|---|---|---|---|---|
| Not past due | 367,496 | - | 331,010 | - |
| Past due 31-60 days | 3,760 | - | 8,635 | - |
| Past due 61-90 days | 1,713 | - | 1,911 | - |
| More than 90 days | 46,707 | 46,227 | 59,782 | 52,996 |
| Total | 419,676 | 46,227 | 401,338 | 52,996 |

Based on past experience, management believes that no doubtful debt allowance is necessary in respect of trade receivables not past due for more than ninety days. A significant percentage of the balance relates to customers that have a good track record.

During 2010, the company and group 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 the 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 directly.

**25. Financial instrument risk management (continued)**

(ii) Liquidity risk:

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

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

(a) A $765,000,000 (2009: $600,000,000) facility with Bank of Nova Scotia Jamaica Limited which attracts interest rate equivalent to the six (6) months weighted average Treasury Bill rate plus 2.5% (2009: 2.50%).

(b) A US$9,000,000 (2009: US$6,000,000) 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 the 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.

The contractual outflows for the short-term loans are $720,304,000 and are likely to be settled within 120 days of the reporting date.

(iii) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the group'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.

(a) Foreign currency risk:

The group is exposed to currency risk on purchases and borrowings that are denominated in a currency other than the functional currency of the company, primarily the United States Dollars (US$).

**25. Financial instrument risk management (continued)**

(iii) Market risk (continued):

(a) Foreign currency risk (continued):

Exposure to currency risk:

At June 30, 2010, the company and the group had net foreign currency assets/(liabilities) as follows:

| | 2010<br>$'000 | 2009<br>$'000 |
|---|---|---|
| Currency | | |
| United States dollars | 174,836 | (92,454) |
| Canadian dollars | 56,975 | 12,283 |
| Pounds sterling | ( 49,498) | ( 3,123) |
| Euro | 2,715 | 14,112 |

In accordance with accounting policies applied consistently, exchange gains and losses are recognised in the income statement when incurred [see note 3(e)].

Sensitivity analysis:

The following table details the company's and the group's sensitivity to a 10% (2009: 10%) strengthening and 2% (2009: 2%) weakening of the relevant currencies against the Jamaica dollar and would increase/(decrease) profit/(loss) as indicated. This represents management's assessment of the reasonably possible change in foreign currency rates. This analysis assumes that all other variables, in particular interest rates, remain constant.

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | 10% strengthening<br>$'000 | 2% weakening<br>$'000 | 10% strengthening<br>$'000 | 2%weakening<br>$'000 |
| Currency | | | | |
| United States dollars | (17,484) | 3,497 | (9,245) | 1,849 |
| Canadian dollars | ( 5,696) | 1,139 | 1,228 | ( 246) |
| Pounds sterling | 4,950 | ( 990) | ( 312) | 62 |
| Euro | ( 271) | 54 | 1,411 | ( 282) |

(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 group materially contracts financial liabilities at fixed interest rates for the duration of the term. When utilised, bank overdrafts are subject to fixed interest rates, which may be varied by appropriate notice by the lender. At June 30, 2010, the short-term loans were subject to fixed interest rates and the long-term loans were interest-free.

**25. Financial instrument risk management (continued)**

(iv) Fair value of financial instruments:

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists.

The fair value of cash and cash equivalents, short-term deposits, accounts receivable, accounts payable, short-term loan and Diageo group companies' balances approximates to their carrying values due to their relatively short-term nature.

The fair value of long-term liabilities is assumed to approximate their carrying values as no discount on settlement is anticipated.

The fair value of available-for-sale investment and the method of determining fair value is disclosed at note 4(a). The valuation method falls in the level 3 fair value hierarchy which is defined as price determined on inputs that are not based on observable market data.

(v) Capital management:

The Board's policy is to maintain a strong capital base 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, which the group defines as total stockholders' equity, excluding minority interest.

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 group's approach to capital management during the year.

Neither the company nor any of its subsidiaries is subject to externally imposed capital requirements.

# NOTES

# FORM OF PROXY

PLACE $100 STAMP HERE

I/We……………………………………………….....…………………of……………………………………………………..........………………

being a member/members of Desnoes & Geddes Limited, hereby appoint……………………………….......................………………

of ……………………………………….............………………………

or failing him, ……………………………………………....………of ……………………………………………………………...........……

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held

on 29th October 2010 at 10:00 a.m. and any adjournment thereof.

Dated…………………………………………………………………Signed ……………………………………...........…………………………

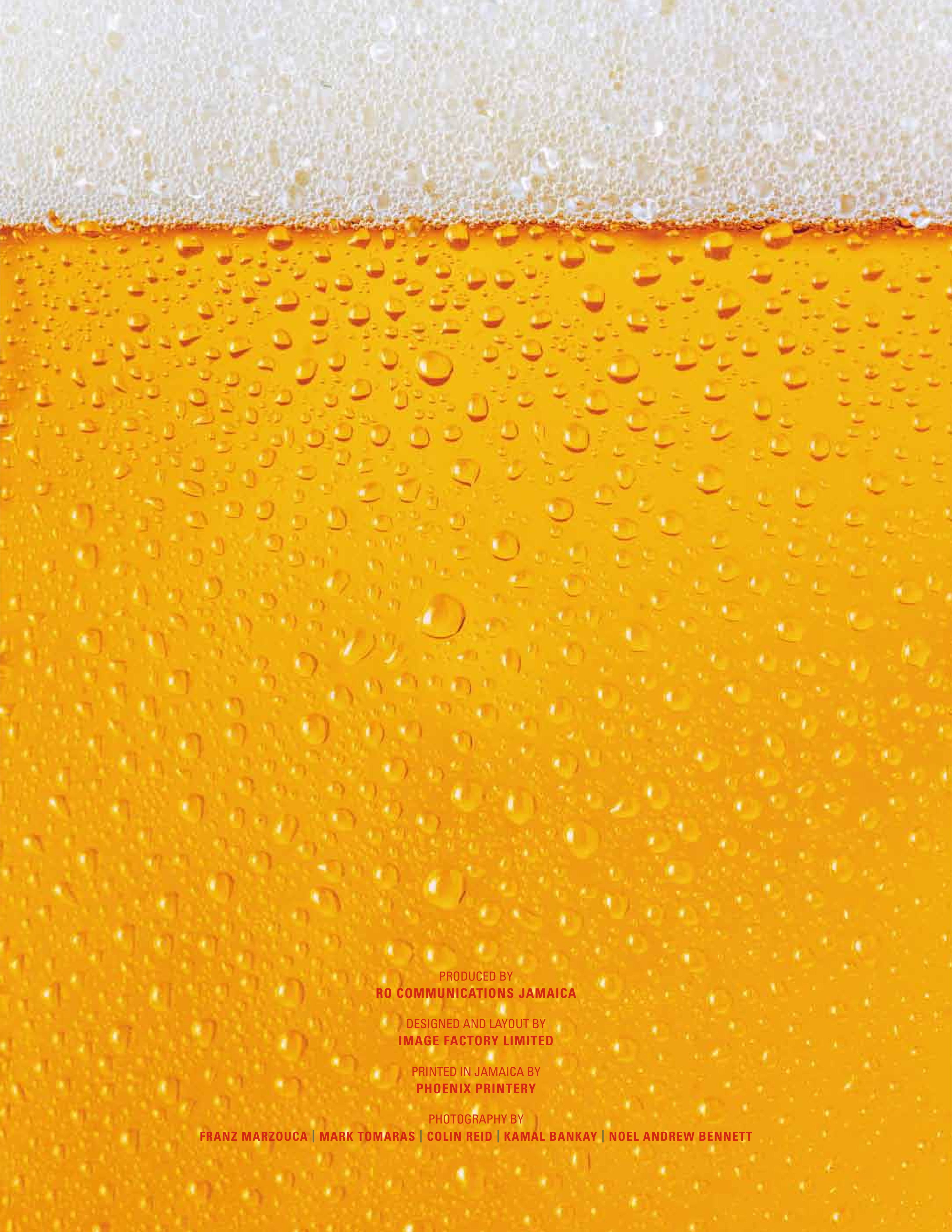
…………...........................................................................................…

Please indicate by inserting "X" in the space below how you wish your vote to be cast. If no indication is given your proxy will vote for or against resolution or abstain as he/she thinks fit.

**RESOLUTIONS**

| | | FOR | AGAINST |
|---|---|---|---|
| 1. | Adopting the financial statements and reports of Directors and Auditors thereon | | |
| 2. | Approving the declaration of final dividend | | |
| 3. | Approving Fees for Non-Executive Directors for the year | | |
| 4(a). | Re-electing Director Peter K Melhado | | |
| 4(b). | Re-electing Director Damien W King | | |
| 4(c). | Electing Director Gary Hendrickson | | |
| 4(d). | Electing Director Oliver McIntosh | | |
| 4(e). | Electing Director Jed Dryer | | |
| 4(f). | Electing Director Alberto Gavazzi | | |
| 5. | Remuneration of the Auditors | | |

Notes:
1. If a member is a corporation, this form must be done under common seal or under the hand of an officer or attorney duly authorised in writing.
2. To be valid, this form must be received at the Registered Office of the Company, 214 Spanish Town Road, Kingston 11, no later than 10:00 a.m. on 28th October 2010.



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