DESNOES AND GEDDES LIMITED
UNAUDITED OPERATING RESULTS
FOR THE PERIOD ENDED MARCH 31, 2011

The Directors of Desnoes and Geddes Limited, producers of Jamaica's beer, Red Stripe, and distributors of leading spirits Johnnie Walker and Smirnoff, wish to present the unaudited results of the Group for the nine months period ended March 31, 2011.

Profit after tax of $126 million for the third quarter was up 5% vs the same period last year.

	Profit and Loss Summary					
	9-months ended March 31			3-months ended March 31		
	2011	2010	change	2011	2010	change
	J$m	J$m	%	J$m	J$m	%
Net sales value	8,155	8,203	(1)%	2,455	2,505	(2)%
Trading profit	645	854	(24)%	189	130	45 %
Profit before tax	663	950	(30)%	182	160	14 %
Profit after tax	445	645	(31)%	126	120	5 %
Earnings per stock unit (cents)	15.86	22.96	(31)%	4.49	4.28	5 %

Performance Highlights

Net sales value of $2,455 million in the company's third quarter represented a 2% decline over the same period last year as weakness in the domestic alcoholic drinks market continues to have an adverse effect on our domestic volumes and revenues. The export net sales value increased 6% for the quarter which helped offset the domestic decline.

Cost of sales for the third quarter was $1,748 million which is 5% below the prior year corresponding to the volume decline. The business continues to focus on reducing production costs to offset the negative impact of the lower volume base. General, selling and administration ("GS&A") costs of $270 million were substantially higher for the third quarter vs the same period last year but due only to the relative timing of annual expenses incurred. For the year-to-date, the total GS&A costs were only 9% higher than last year – in line with general inflation.

Trading profit for the third quarter was $189 million representing a 45% increase over the same period last year, which was mainly due to the timing of marketing expense in the quarter vs last year. However, on a year to date basis at the end of the third quarter, the total marketing spend is 18% higher than the same period last year, which is a main contributor to the trading profit decline of 24% for the first three quarters compared to last year.

The profit after tax of $126 million for the third quarter was up 5% vs the same period last year. This translates into an earnings per share of ¢4.49 for the third quarter vs ¢4.28 for the same period last year.

The earnings per share for the nine months ending March 31, 2010 were ¢15.86 vs ¢22.96 for the same period in the prior year.

Given the decline in earnings per share, no dividend was paid for the first nine months compared to a dividend of 15c in December 2009. The Directors of the company are actively engaged in exploring alternatives to improve the company’s performance and these will be communicated to the shareholders and the public in the coming months.

Corporate Update

This quarter Red Stripe took the show on the road, launching the island-wide Diageo Learning for Life Project Bartender. The $7 million project is set to train two hundred bartenders over six-weeks in a widely relevant curriculum. The expanded programme recruited residents from Montego Bay, Ocho Rios, Negril, Port Antonio and Mandeville. Red Stripe also launched the Diageo Learning for Life Project Tourism, providing hands on training in the areas of Landscaping, Housekeeping, Food & Beverage Service and Hospitality Training for 420 participants. Project Tourism provides an opportunity for new and more viable means of livelihood for participants, thereby assisting them to engage in and benefit from the economic opportunities in their communities and beyond. This programme is executed in partnership with the Institute of Workplace Education and Development, Ltd. and the Bars To Go Training Institute and offered to inner-city youth free of cost.

Red Stripe partnered with the Small Businesses Association of Jamaica (SBAJ) and the HEART Trust-NTA, to launch the quintessential Red Stripe Route Academy under the Diageo Learning for Life brand. This first-of-its-kind training initiative is designed to re-invigorate and enhance the viability of the community bar business throughout Jamaica. Through this programme, about 1,000 community bar owners and bartenders will be trained over nine months. Graduates will receive the HEART Trust certified Statement of Competency and premium visibility items to improve the image of their bars.

The Board wishes to thank all employees and our key stakeholders for their continued support and dedication to the organisation.

Richard Byles
Chairman
May 6, 2011

Alan Barnes
Managing Director
May 6, 2011

DESNOES AND GEDDES LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION

As at March 31, 2011

	Unaudited March 31, 2011 $'000		Unaudited March 31, 2010 $'000		Audited June 30, 2010 $'000
ASSETS					
Investments	406,525		407,025		406,525
Investment properties	96,500		96,500		96,500
Property, plant and equipment	6,450,718		6,607,504	*	6,644,362
Employee benefit asset	1,135,000		946,000		1,131,000
Total non-current assets	**8,088,743**		**8,057,029**		**8,278,387**
Cash and bank	337,432		304,783		411,070
Short-term deposits	18,083		17,357		18,083
Accounts receivable	573,595		469,719		454,306
Due from fellow subsidiaries	308,024		346,207		725,788
Inventories	1,340,770		1,166,495	*	1,159,509
Total current assets	**2,577,904**		**2,304,561**		**2,768,756**
Accounts payable	1,481,472		1,690,059		1,809,995
Short-term loans	240,000		420,076		700,000
Taxation payable	195,677		79,855		108,498
Due to fellow subsidiaries	559,300		367,806		565,245
Total current liabilities	**2,476,449**		**2,557,796**		**3,183,738**
Net current assets/(liabilities)	**101,455**		**(253,235)**		**(414,982)**
Total assets less current liabilities	**8,190,198**		**7,803,794**		**7,863,405**
EQUITY					
Share capital	2,174,980		2,174,980		2,174,980
Capital reserves	2,042,868		2,097,668		2,093,665
Other reserves	1,095,880		976,545		1,095,880
Retained earnings	1,625,032		1,327,258		1,164,861
Total equity	**6,938,760**		**6,576,451**		**6,529,386**
NON-CURRENT LIABILITIES					
Employee benefit obligation	90,000		80,000		86,000
Long-term liabilities	157,235		157,235		157,235
Deferred tax liabilities	1,004,203		990,108		1,090,784
Total non-current liabilities	**1,251,438**		**1,227,343**		**1,334,019**
Total equity and non-current liabilities	**8,190,198**		**7,803,794**		**7,863,405**

* Reclassified to conform to current year presentation

DESNOES AND GEDDES LIMITED

GROUP STATEMENT OF FINANCIAL POSITION

As at March 31, 2011

	Unaudited March 31, 2011 $'000	Unaudited March 31, 2010 $'000	Audited June 30, 2010 $'000
ASSETS			
Investments	405,370	405,870	405,370
Investment properties	96,500	96,500	96,500
Property, plant and equipment	6,450,718	6,607,504 *	6,644,362
Employee benefit asset	1,135,000	946,000	1,131,000
Total non-current assets	**8,087,588**	**8,055,874**	**8,277,232**
Cash resources	339,188	306,539	412,826
Short-term deposits	18,083	17,357	18,083
Accounts receivable	573,595	469,719	454,306
Due from fellow subsidiaries	308,024	346,207	725,788
Inventories	1,340,770	1,166,495 *	1,159,509
Total current assets	**2,579,660**	**2,306,317**	**2,770,512**
Accounts payable	1,484,178	1,692,765	1,812,701
Short-term loans	240,000	420,076	700,000
Taxation payable	195,667	79,845	108,488
Due to fellow subsidiaries	559,300	367,806	565,245
Total current liabilities	**2,479,145**	**2,560,492**	**3,186,434**
Net current assets/(liabilities)	**100,515**	**(254,175)**	**(415,922)**
Total assets less current liabilities	**8,188,103**	**7,801,699**	**7,861,310**
EQUITY			
Share capital	2,174,980	2,174,980	2,174,980
Capital reserves	2,050,638	2,105,438	2,101,435
Other reserves	1,095,880	976,545	1,095,880
Retained earnings	1,764,955	1,467,181	1,304,784
Shareholders' equity	**7,086,453**	**6,724,144**	**6,677,079**
Minority interest	7,447	7,447	7,447
Total equity	**7,093,900**	**6,731,591**	**6,684,526**
NON-CURRENT LIABILITIES			
Employee benefit obligation	90,000	80,000	86,000
Deferred tax liabilities	1,004,203	990,108	1,090,784
Total non-current liabilities	**1,094,203**	**1,070,108**	**1,176,784**
Total equity and non-current liabilities	**8,188,103**	**7,801,699**	**7,861,310**

* Reclassified to conform to current year presentation

DESNOES AND GEDDES LIMITED

Company and Group Income Statements

9 month period ended March 31, 2011

	Unaudited 9 months to Mar. 31 2011 $'000	Unaudited 9 months to Mar. 31, 2010 $'000	Unaudited 3 months to Mar. 31, 2011 $'000	Unaudited 3 months to Mar. 31, 2010 $'000
Turnover	9,758,107	9,914,221	2,866,399	2,975,680
Special Consumption Tax (SCT)	(1,602,985)	(1,711,141)	(411,824)	(471,070)
Net sales	8,155,122	8,203,080	2,454,575	2,504,610
Cost of sales	(5,399,492)	(5,493,687) *	(1,748,703)	(1,841,014) *
Gross profit	2,755,630	2,709,393	705,872	663,596
Marketing costs	(1,221,470)	(1,035,800)	(260,807)	(352,216)
Contribution after marketing	1,534,160	1,673,593	445,065	311,380
General, selling and administration expenses	(930,897)	(853,222)	(270,443)	(193,514)
Other income / (expenses)	41,980	33,327	14,056	11,859
Trading profit	645,243	853,698	188,678	129,725
Employee benefit (expense)/ income, net	(6,000)	138,000	(1,000)	48,000
Finance income - interest	4,772	6,394	1,823	1,824
Profit on disposal of property, plant & equipment	55,199	-	(718)	-
Profit before finance cost	699,214	998,092	188,783	179,549
Finance cost	(36,238)	(48,571)	(6,689)	(19,333)
Profit before taxation	662,976	949,521	182,094	160,216
Taxation	(217,483)	(304,642)	(55,942)	(39,998)
Profit for the period attributable to equity holders of the parent company, all dealt with in the financial statements of the company	445,493	644,879	126,152	120,218
Earnings per stock unit	15.86 ¢	22.96 ¢	4.49 ¢	4.28 ¢

* Reclassified to conform to current year presentation

DESNOES AND GEDDES LIMITED

Company and Group Statement of Comprehensive Income

9-month period ended March 31, 2011

	Unaudited March 31, 2011 $'000	Unaudited March 31, 2010 $'000
Profit for the year	445,493	644,879
Other comprehensive income/ (loss):		
Sale of revalued property, plant and equipment	(38,790)	-
Deferred taxation on revalued property, plant and equipment	6,004	6,004
Change in unrecognised employee benefit asset	(109,000)	1,151,000
Deferred taxation on employee benefit asset	1,667	(124,000)
Actuarial losses recognised in equity	104,000	(779,000)
Total other comprehensive income/ (loss)	(36,119)	254,004
Total comprehensive income for the period	409,374	898,883

DESNOES & GEDDES LIMITED
Unaudited Company Statement of Changes in Equity
9 month period ended March 31, 2011

	Share capital	Capital reserves	Other reserves	Retained earnings	Total
	$'000	$'000	$'000	$'000	$'000
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	-	-	-	644,879	644,879
Other comprehensive income:					
Deferred taxation on revalued property, plant and equipment	-	6,004	-	-	6,004
Change in unrecognised employee benefit asset	-	-	-	1,151,000	1,151,000
Deferred taxes on employee benefit	-	-	-	(124,000)	(124,000)
Actuarial gains and losses	-	-	-	(779,000)	(779,000)
Total other comprehensive income	-	6,004	-	248,000	254,004
Total comprehensive income	-	6,004	-	892,879	898,883
Movement between reserves:					
Transfer of depreciation charge on revaluation surplus of property, plant and equipment	-	(18,011)	-	18,011	-
Transfer to pension equalisation reserve	-	-	349,332	(349,332)	-
Transactions with owners recorded directly in equity:					
Dividends	-	-	-	(421,375)	(421,375)
Balances at March 31, 2010	2,174,980	2,097,668	976,545	1,327,258	6,576,451
Balances at June 30, 2010	2,174,980	2,093,665	1,095,880	1,164,861	6,529,386
Total comprehensive income for the period:					
Profit for the period	-	-	-	445,493	445,493
Other comprehensive income:					
Sale of revalued property, plant and equipment	-	(38,790)	-	-	(38,790)
Deferred taxation on revalued property, plant and equipment	-	6,004	-	-	6,004
Change in unrecognised employee benefit asset	-	-	-	(109,000)	(109,000)
Deferred taxes on employee benefit	-	-	-	1,667	1,667
Actuarial gains and losses	-	-	-	104,000	104,000
Total other comprehensive income	-	(32,786)	-	(3,333)	(36,119)
Total comprehensive income	-	(32,786)	-	442,160	409,374
Movement between reserves:					
Transfer of depreciation charge on revaluation surplus of property, plant and equipment	-	(18,011)	-	18,011	-
Transfer to pension equalisation reserve	-	-	-	-	-
Transactions with owners recorded directly in equity:					
Dividends	-	-	-	-	-
Balances at March 31, 2011	2,174,980	2,042,868	1,095,880	1,625,032	6,938,760

DESNOES & GEDDES LIMITED
Unaudited Group Statement of Changes in Equity
9 month period ended March 31, 2011

	Attributable to equity holders of the parent company					
	Share capital	Capital reserves	Other reserves	Retained earnings	Minority interest	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balances at June 30, 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	-	-	-	644,879	-	644,879
Other comprehensive income:						
Deferred taxation on revalued property, plant and equipment	-	6,004	-	-	-	6,004
Change in unrecognised employee benefit asset	-	-	-	1,151,000	-	1,151,000
Deferred taxes on employee benefit	-	-	-	(124,000)	-	(124,000)
Actuarial gains and losses	-	-	-	(779,000)	-	(779,000)
Total other comprehensive income/ (loss)	-	6,004	-	248,000	-	254,004
Total comprehensive income/ (loss)	-	6,004	-	892,879	-	898,883
Movement between reserves:						
Transfer of depreciation charge on revaluation surplus of property, plant and equipment	-	(18,011)	-	18,011	-	-
Transfer to pension equalisation reserve	-	-	349,332	(349,332)	-	-
Transactions with owners recorded directly in equity:						
Dividends	-	-	-	(421,375)	-	(421,375)
Balances at March 31, 2010	2,174,980	2,105,438	976,545	1,467,181	7,447	6,731,591
Balances at June 30, 2010	2,174,980	2,101,435	1,095,880	1,304,784	7,447	6,684,526
Total comprehensive income for the period:						
Profit for the period	-	-	-	445,493	-	445,493
Other comprehensive income:						
Sale of revalued property, plant and equipment	-	(38,790)	-	-	-	(38,790)
Deferred taxation on revalued property, plant and equipment	-	6,004	-	-	-	6,004
Change in unrecognised employee benefit asset	-	-	-	(109,000)	-	(109,000)
Deferred taxes on employee benefit	-	-	-	1,667	-	1,667
Actuarial gains and losses	-	-	-	104,000	-	104,000
Total other comprehensive income/ (loss)	-	(32,786)	-	(3,333)	-	(36,119)
Total comprehensive income/ (loss)	-	(32,786)	-	442,160	-	409,374
Movement between reserves:						
Transfer of depreciation charge on revaluation surplus of property, plant and equipment	-	(18,011)	-	18,011	-	-
Transfer to pension equalisation reserve	-	-	-	-	-	-
Transactions with owners recorded directly in equity:						
Dividends	-	-	-	-	-	-
Balances at March 31, 2011	2,174,980	2,050,638	1,095,880	1,764,955	7,447	7,093,900

DESNOES & GEDDES LIMITED

Company Statement of Cash Flows

9 month period ended March 31, 2011

	Unaudited March 31, 2011 $'000	Unaudited March 31, 2010 $'000
CASHFLOWS FROM OPERATING ACTIVITIES		
Profit for the year	445,493	644,879
Adjustments for:		
Items not involving cash:		
Interest income	(4,772)	(6,394)
Interest expense	36,238	48,571
Depreciation	581,521	450,274 *
Gain on disposal of property, plant and equipment	(55,199)	-
Deferred taxation	(79,459)	23,284
Income tax charge	296,942	281,358
Increase in employee benefit asset and obligation	6,000	(138,000)
	1,226,764	1,303,972
Changes in working capital		
Accounts receivable	(119,289)	(60,411)
Due from fellow subsidiaries	417,764	98,630
Inventories	(181,261)	(85,332) *
Accounts payable	(326,746)	331,800
Due to fellow subsidiaries	(5,945)	(274,634)
Cash generated from operations	1,011,287	1,314,025
Interest paid	(38,015)	(50,988)
Income taxes paid	(209,761)	(454,340)
Net cash provided by operating activities	763,511	808,697
CASHFLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(485,509)	(396,297) *
Proceeds from disposal of property, plant and equipment	114,588	-
Interest received	4,772	6,394
Pension contributions	(11,000)	(14,000)
Net cash used by investing activities	(377,149)	(403,903)
CASHFLOWS FROM FINANCING ACTIVITIES		
Short term loan	(460,000)	(313,532)
Dividend payments	-	(421,375)
Net cash used by financing activities	(460,000)	(734,907)
Net (decrease)/ increase in cash and cash equivalents	(73,638)	(330,112)
Cash and cash equivalents at beginning of year	429,153	652,252
Cash and cash equivalent at end of year	**355,515**	**322,140**
Comprised of:-		
Cash and bank balances	337,432	304,783
Short-term deposits	18,083	17,357
	355,515	**322,140**

* Reclassified to conform to current year presentation

DESNOES & GEDDES LIMITED

Group Statement of Cash Flows

9 month period ended March 31, 2011

	Unaudited March 31, 2011 $'000	Unaudited March 31, 2010 $'000	
CASHFLOWS FROM OPERATING ACTIVITIES			
Profit for the year	445,493	644,879	
Adjustments for:			
Items not involving cash:			
Interest income	(4,772)	(6,394)	
Interest expense	36,238	48,571	
Depreciation	581,521	450,274	*
Gain on disposal of property, plant and equipment	(55,199)	-	
Deferred taxation	(79,459)	23,284	
Income tax charge	296,942	281,358	
Increase in employee benefit asset and obligation	6,000	(138,000)	
	1,226,764	1,303,972	
Changes in working capital			
Accounts receivable	(119,289)	(60,411)	
Due from fellow subsidiary	417,764	98,630	
Inventories	(181,261)	(85,332)	*
Accounts payable	(326,746)	331,800	
Due to fellow subsidiaries	(5,945)	(274,634)	
Cash generated from operations	1,011,287	1,314,025	
Interest paid	(38,015)	(50,988)	
Income taxes paid	(209,761)	(454,340)	
Net cash provided by operating activities	763,511	808,697	
CASHFLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	(485,509)	(396,297)	*
Proceeds from disposal of property, plant and equipment	114,588	-	
Interest received	4,772	6,394	
Pension contributions	(11,000)	(14,000)	
Net cash used by investing activities	(377,149)	(403,903)	
CASHFLOWS FROM FINANCING ACTIVITIES			
Short term liabilities	(460,000)	(313,532)	
Dividend payments	-	(421,375)	
Net cash used by financing activities	(460,000)	(734,907)	
Net increase in cash and cash equivalents	(73,638)	(330,112)	
Cash and cash equivalents at beginning of year	430,909	654,008	
Cash and cash equivalent at end of year	**357,271**	**323,896**	
Comprised of:-			
Cash and bank balances	339,188	306,539	
Short-term deposits	18,083	17,357	
	357,271	**323,896**	

* Reclassified to conform to current year presentation

DESNOES AND GEDDES LIMITED

Financial Information by Geographical Segment

9 month period ended March 31, 2011

	Domestic		Export		Group	
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	Mar. 31, 2011	Mar. 31, 2010	Mar. 31, 2011	Mar. 31, 2010	Mar. 31, 2011	Mar. 31, 2010
	$'000	$'000	$'000	$'000	$'000	$'000
Turnover	6,902,430	7,270,600	2,855,677	2,643,621	9,758,107	9,914,221
Special consumption tax	(1,602,985)	(1,711,141)	-	-	(1,602,985)	(1,711,141)
Net external revenue	5,299,445	5,559,459	2,855,677	2,643,621	8,155,122	8,203,080
Segment profit	1,757,658	1,638,539	(223,498)	35,054	1,534,160	1,673,593
General, selling & administration expenses					(930,897)	(853,222)
Other income/(expenses)					41,980	33,327
Trading profit					645,243	853,698
Employee benefit (expense)/income					(6,000)	138,000
Interest income					4,772	6,394
Profit on disposal of property, plant and equipment					55,199	-
Profit before finance cost					699,214	998,092
Finance cost					(36,238)	(48,571)
Profit before taxation					662,976	949,521
Taxation					(217,483)	(304,642)
Profit after taxation					445,493	644,879
Segment assets					10,667,248	10,362,191
Segment liabilities					3,573,348	3,630,600
Depreciation					(581,521)	(450,274)
Capital expenditure					(485,509)	(396,298)

1. Identification

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

2. Basis of preparation

(a) Statement of compliance:

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

(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 judgments:

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

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

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

2. Basis of preparation (cont'd)

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

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.

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 amount reflected in the financial statements.

3. Significant accounting policies

The accounting policies applied by the company and group in these interim financial statements are the same as those applied in the audited financial statements for the year ended June 30, 2010.

(a) Revenue:

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

3. Significant accounting policies

(b) 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.

(ii) Depreciation:

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

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

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

(c) 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. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

(d) 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.

3. Significant accounting policies (cont'd)

(e) 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.

(f) 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 revenue and expenses that relate to transactions with any of the group's other components. All operating segments' operating results are reviewed regularly by the groups CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(g) 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.