

DESNOES AND GEDDES LIMITED

FINANCIAL STATEMENTS

JUNE 30, 2011



**KPMG**  
**Chartered Accountants**  
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## INDEPENDENT AUDITORS' REPORT

To the Members of  
DESNOES & GEDDES LIMITED

### **Report on the financial statements**

We have audited the financial statements of Desnoes & Geddes Limited (“the company”) and the consolidated financial statements of the company and its subsidiaries (“the group”), set out on pages 3 to 43, which comprise the group’s and company’s statements of financial position as at June 30, 2011, the group’s and company’s statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these 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 the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we 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.

To the Members of  
DESNOES & GEDDES LIMITED

**Report on the financial statements (continued)**

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial positions of the group and the company as at June 30, 2011, and of the group's and company'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 matters as required by the Jamaican Companies Act**

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.



Chartered Accountants  
Kingston, Jamaica

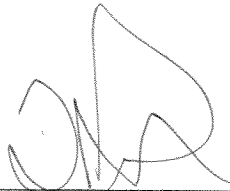
August 19, 2011

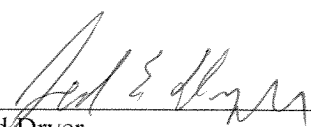
**DESNOES AND GEDDES LIMITED**

Company Statement of Financial Position  
As at June 30, 2011

	<u>Notes</u>	<u>2011</u> \$'000	<u>2010</u> \$'000
<b>ASSETS</b>			
Investments	4	403,062	406,525
Investment properties	5	152,650	96,500
Property, plant and equipment	6	6,536,478	6,644,362
Employee benefit asset	7	<u>1,197,000</u>	<u>1,131,000</u>
<b>Total non-current assets</b>		<b><u>8,289,190</u></b>	<b><u>8,278,387</u></b>
Cash and bank		270,216	411,070
Short-term deposits		2,083	18,083
Accounts receivable	8(a)	559,516	454,306
Due from fellow subsidiaries	8(b)	812,501	725,788
Inventories	9	<u>1,372,089</u>	<u>1,159,509</u>
<b>Total current assets</b>		<b><u>3,016,405</u></b>	<b><u>2,768,756</u></b>
Accounts payable	10	1,816,617	1,809,995
Short-term loans	11	-	700,000
Taxation payable		267,243	108,498
Due to fellow subsidiaries		<u>299,872</u>	<u>565,245</u>
<b>Total current liabilities</b>		<b><u>2,383,732</u></b>	<b><u>3,183,738</u></b>
<b>Net current assets/(liabilities)</b>		<b><u>632,673</u></b>	<b><u>( 414,982)</u></b>
<b>Total assets less current liabilities</b>		<b><u>8,921,863</u></b>	<b><u>7,863,405</u></b>
<b>EQUITY</b>			
Share capital	12	2,174,980	2,174,980
Capital reserves	13	2,046,369	2,093,665
Other reserves	14	1,108,467	1,095,880
Retained earnings		<u>2,241,056</u>	<u>1,164,861</u>
<b>Total equity</b>		<b><u>7,570,872</u></b>	<b><u>6,529,386</u></b>
<b>NON-CURRENT LIABILITIES</b>			
Employee benefit obligation	7	128,000	86,000
Long-term liabilities	15	157,235	157,235
Deferred tax liabilities	16	<u>1,065,756</u>	<u>1,090,784</u>
<b>Total non-current liabilities</b>		<b><u>1,350,991</u></b>	<b><u>1,334,019</u></b>
<b>Total equity and non-current liabilities</b>		<b><u>8,921,863</u></b>	<b><u>7,863,405</u></b>

The financial statements on pages 3 to 43 were approved for issue by the Board of Directors on August 19, 2011 and signed on its behalf by:

  
\_\_\_\_\_  
Renato Gonzalez Director

  
\_\_\_\_\_  
Jed Dryer Director


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

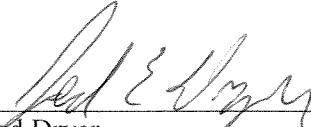
**DESNOES AND GEDDES LIMITED**

Group Statement of Financial Position  
As at June 30, 2011

	<u>Notes</u>	<u>2011</u> \$'000	<u>2010</u> \$'000
<b>ASSETS</b>			
Investments	4	401,907	405,370
Investment properties	5	152,650	96,500
Property, plant and equipment	6	6,536,478	6,644,362
Employee benefit asset	7	<u>1,197,000</u>	<u>1,131,000</u>
<b>Total non-current assets</b>		<b><u>8,288,035</u></b>	<b><u>8,277,232</u></b>
Cash and bank		271,972	412,826
Short-term deposits		2,083	18,083
Accounts receivable	8(a)	559,516	454,306
Due from fellow subsidiaries	8(b)	812,501	725,788
Inventories	9	<u>1,372,089</u>	<u>1,159,509</u>
<b>Total current assets</b>		<b><u>3,018,161</u></b>	<b><u>2,770,512</u></b>
Accounts payable	10	1,819,323	1,812,701
Short-term loans	11	-	700,000
Taxation payable		267,233	108,488
Due to fellow subsidiaries		<u>299,872</u>	<u>565,245</u>
<b>Total current liabilities</b>		<b><u>2,386,428</u></b>	<b><u>3,186,434</u></b>
<b>Net current assets/(liabilities)</b>		<b><u>631,733</u></b>	<b><u>( 415,922)</u></b>
<b>Total assets less current liabilities</b>		<b><u>8,919,768</u></b>	<b><u>7,861,310</u></b>
<b>EQUITY</b>			
Share capital	12	2,174,980	2,174,980
Capital reserves	13	2,054,139	2,101,435
Other reserves	14	1,108,467	1,095,880
Retained earnings		<u>2,380,979</u>	<u>1,304,784</u>
<b>Attributable to equity holders of the parent</b>		<b>7,718,565</b>	<b>6,677,079</b>
Non-controlling interest		<u>7,447</u>	<u>7,447</u>
<b>Total equity</b>		<b><u>7,726,012</u></b>	<b><u>6,684,526</u></b>
<b>NON-CURRENT LIABILITIES</b>			
Employee benefit obligation	7	128,000	86,000
Deferred tax liabilities	16	<u>1,065,756</u>	<u>1,090,784</u>
<b>Total non-current liabilities</b>		<b><u>1,193,756</u></b>	<b><u>1,176,784</u></b>
<b>Total equity and non-current liabilities</b>		<b><u>8,919,768</u></b>	<b><u>7,861,310</u></b>

The financial statements on pages 3 to 43 were approved for issue by the Board of Directors on August 19, 2011 and signed on its behalf by:

  
\_\_\_\_\_  
Renato Gonzalez Director

  
\_\_\_\_\_  
Jed Dryer Director

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

**DENOES AND GEDDES LIMITED**

Company and Group Income Statement  
Year ended June 30, 2011

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	<u>Notes</u>	<u>2011</u> \$'000	<u>2010</u> \$'000
Turnover	17	13,272,380	13,332,436
Special Consumption Tax (SCT)		( 2,116,181)	( 2,227,725)
Net sales		11,156,199	11,104,711
Cost of sales		( 7,068,598)	( 7,400,708)
Gross profit		4,087,601	3,704,003
Marketing costs		( 1,483,719)	( 1,499,185)
Contribution after marketing		2,603,882	2,204,818
General, selling and administration expenses		( 1,253,285)	( 1,142,988)
Other income/(expenses), net		<u>72,308</u>	<u>( 13,333)</u>
Trading profit		1,422,905	1,048,497
Employee benefits (expense)/income, net	7(d)	( 10,000)	186,000
Finance income – interest		6,102	8,536
Gain on revaluation of investment properties		56,150	-
Gain on disposal of property, plant and equipment		<u>15,086</u>	<u>-</u>
Profit before finance cost		1,490,243	1,243,033
Finance cost – interest		( 43,302)	( 60,659)
Profit before taxation	18	1,446,941	1,182,374
Taxation	19	( 431,251)	( 392,976)
<b>Profit for the year attributable to equity holders of the parent company, all dealt with in the financial statements of the company</b>		<b><u>1,015,690</u></b>	<b><u>789,398</u></b>
<b>Earnings per stock unit</b>	<b>20</b>	<b><u>36.16¢</u></b>	<b><u>28.10¢</u></b>

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

**DESNOES & GEDDES LIMITED**

Company and Group Statement of Comprehensive Income  
 Year ended June 30, 2011

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	<u>2011</u> \$'000	<u>2010</u> \$'000
<b>Profit for the year</b>	<b><u>1,015,690</u></b>	<b><u>789,398</u></b>
<b>Other comprehensive income/(loss):</b>		
Fair value adjustment on available-for-sale investments [note 4 (a)]	( 3,413)	-
Deferred taxation on revalued property, plant and equipment	16,542	8,005
Change in unrecognised employee benefit asset	( 151,000)	1,530,000
Deferred taxation on employee benefit asset/obligation	( 6,333)	( 167,667)
Actuarial gains/(losses) recognised in equity	<u>170,000</u>	<u>(1,027,000)</u>
	<b><u>25,796</u></b>	<b><u>343,338</u></b>
<b>Total comprehensive income for the year</b>	<b><u>1,041,486</u></b>	<b><u>1,132,736</u></b>

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

**DESNOES & GEDDES LIMITED**Company Statement of Changes in Equity  
Year ended June 30, 2011

	Share capital \$'000 (Note 12)	Capital reserves \$'000 (Note 13)	Other reserves \$'000 (Note 14)	Retained earnings \$'000	Total \$'000
Balances at June 30, 2009	<u>2,174,980</u>	<u>2,109,675</u>	<u>627,213</u>	<u>1,187,075</u>	<u>6,098,943</u>
<b>Total comprehensive income for the year:</b>					
Profit for the year	-	-	-	789,398	789,398
<b>Other comprehensive income/(loss):</b>					
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 taxation on employee benefit asset/obligation	-	-	-	( 167,667)	( 167,667)
Actuarial losses recognised in equity	-	-	-	(1,027,000)	(1,027,000)
Total other comprehensive income	-	<u>8,005</u>	-	<u>335,333</u>	<u>343,338</u>
Total comprehensive income	-	<u>8,005</u>	-	<u>1,124,731</u>	<u>1,132,736</u>
<b>Movement between reserves:</b>					
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)	-
<b>Transactions with owners recorded directly in equity:</b>					
Dividends (note 21)	-	-	-	( 702,293)	( 702,293)
Balances at June 30, 2010	<u>2,174,980</u>	<u>2,093,665</u>	<u>1,095,880</u>	<u>1,164,861</u>	<u>6,529,386</u>
<b>Total comprehensive income for the year:</b>					
Profit for the year	-	-	-	1,015,690	1,015,690
<b>Other comprehensive income/(loss):</b>					
Fair value adjustment on available-for-sale investment	-	-	( 3,413)	-	( 3,413)
Deferred taxation on revalued property, plant and equipment	-	16,542	-	-	16,542
Change in unrecognised employee benefit asset	-	-	-	( 151,000)	( 151,000)
Deferred taxation on employee benefit asset/obligation	-	-	-	( 6,333)	( 6,333)
Actuarial gains recognised in equity	-	-	-	170,000	170,000
Total other comprehensive income	-	<u>16,542</u>	<u>( 3,413)</u>	<u>12,667</u>	<u>25,796</u>
Total comprehensive income	-	<u>16,542</u>	<u>( 3,413)</u>	<u>1,028,357</u>	<u>1,041,486</u>
<b>Movement between reserves:</b>					
Transfer of depreciation charge on revaluation surplus of property, plant and equipment	-	( 23,603)	-	23,603	-
Transfer to pension equalisation reserve	-	-	16,000	( 16,000)	-
Transfer of realized gain on disposal of property plant and equipment	-	( 40,235)	-	40,235	-
Balances at June 30, 2011	<u>2,174,980</u>	<u>2,046,369</u>	<u>1,108,467</u>	<u>2,241,056</u>	<u>7,570,872</u>

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



**DESNOES & GEDDES LIMITED**Group Statement of Changes in Equity  
Year ended June 30, 2011

	<u>Attributable to equity holders of the company</u>				<u>Non-controlling interest</u> \$'000	<u>Total</u> \$'000
	<u>Share capital</u> \$'000	<u>Capital reserves</u> \$'000	<u>Other reserves</u> \$'000	<u>Retained earnings</u> \$'000		
	(Note 12)	(Note 13)	(Note 14)			
Balances at June 30, 2009	<u>2,174,980</u>	<u>2,117,445</u>	<u>627,213</u>	<u>1,326,998</u>	<u>7,447</u>	<u>6,254,083</u>
<b>Total comprehensive income for the year:</b>						
Profit for the year	-	-	-	789,398	-	789,398
<b>Other comprehensive income/(loss):</b>						
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 taxation on employee benefit asset/obligation	-	-	-	( 167,667)	-	( 167,667)
Actuarial losses recognised in equity	-	-	-	(1,027,000)	-	(1,027,000)
Total other comprehensive income	-	<u>8,005</u>	-	<u>335,333</u>	-	<u>343,338</u>
Total comprehensive income	-	<u>8,005</u>	-	<u>1,124,731</u>	-	<u>1,132,736</u>
<b>Movement between reserves:</b>						
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)	-	-
<b>Transactions with owners recorded directly in equity:</b>						
Dividends (note 21)	-	-	-	( 702,293)	-	( 702,293)
Balances at June 30, 2010	<u>2,174,980</u>	<u>2,101,435</u>	<u>1,095,880</u>	<u>1,304,784</u>	<u>7,447</u>	<u>6,684,526</u>
<b>Total comprehensive income for the year:</b>						
Profit for the year	-	-	-	1,015,690	-	1,015,690
<b>Other comprehensive income/(loss):</b>						
Fair value adjustment on available-for-sale investment	-	-	( 3,413)	-	-	( 3,413)
Deferred taxation on revalued property, plant and equipment	-	16,542	-	-	-	16,542
Change in unrecognised employee benefit asset	-	-	-	( 151,000)	-	( 151,000)
Deferred taxation on employee benefit asset/obligation	-	-	-	( 6,333)	-	( 6,333)
Actuarial gains recognised in equity	-	-	-	170,000	-	170,000
Total other comprehensive income	-	<u>16,542</u>	<u>( 3,413)</u>	<u>12,667</u>	-	<u>25,796</u>
Total comprehensive income	-	<u>16,542</u>	<u>( 3,413)</u>	<u>1,028,357</u>	-	<u>1,041,486</u>
<b>Movement between reserves:</b>						
Transfer of depreciation charge on revaluation surplus of property, plant and equipment	-	( 23,603)	-	23,603	-	-
Transfer to pension equalisation reserve	-	-	16,000	(16,000)	-	-
Transfer of realized gain on disposal of property plant and equipment	-	( 40,235)	-	40,235	-	-
Balances at June 30, 2011	<u>2,174,980</u>	<u>2,054,139</u>	<u>1,108,467</u>	<u>2,380,979</u>	<u>7,447</u>	<u>7,726,012</u>

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

**DESNOES & GEDDES LIMITED**Company Statement of Cash Flows  
Year ended June 30, 2011

	<u>2011</u> \$'000	<u>2010</u> \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the year	1,015,690	789,398
Adjustments for:		
Items not involving cash:		
Interest income	( 6,102)	( 8,536)
Interest expense	43,302	60,659
Depreciation	635,660	607,408
Revaluation surplus on investment properties	( 56,150)	-
Write off of investment	50	500
Gain on disposal of property, plant and equipment	( 15,086)	-
Deferred taxation	( 14,819)	82,293
Income tax charge	446,070	310,683
Decrease/(increase) in employee benefit asset and obligation	<u>10,000</u>	<u>( 186,000)</u>
	2,058,615	1,656,405
Changes in working capital:		
Accounts receivable	( 105,210)	( 44,998)
Due from fellow subsidiaries	( 86,713)	( 280,951)
Inventories	( 212,580)	( 78,344)
Accounts payable	7,770	449,960
Due to fellow subsidiaries	<u>( 265,373)</u>	<u>( 77,195)</u>
Cash generated from operations	1,396,509	1,624,877
Pension contribution	( 15,000)	( 14,000)
Interest paid	( 44,450)	( 61,298)
Income taxes paid	<u>( 287,325)</u>	<u>( 455,022)</u>
Net cash provided by operating activities	<u>1,049,734</u>	<u>1,094,557</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	( 629,238)	( 590,291)
Proceeds from disposal of property, plant and equipment	116,548	-
Interest received	<u>6,102</u>	<u>8,536</u>
Net cash used by investing activities	<u>( 506,588)</u>	<u>( 581,755)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Short - term loans	( 700,000)	( 33,608)
Dividend payments	<u>-</u>	<u>( 702,293)</u>
Net cash used by financing activities	<u>( 700,000)</u>	<u>( 735,901)</u>
Net decrease in cash and cash equivalents	( 156,854)	( 223,099)
Cash and cash equivalents at beginning of year	<u>429,153</u>	<u>652,252</u>
Cash and cash equivalents at end of year	<u><u>272,299</u></u>	<u><u>429,153</u></u>
Comprised of –		
Cash and bank balances	270,216	411,070
Short-term deposits	<u>2,083</u>	<u>18,083</u>
	<u><u>272,299</u></u>	<u><u>429,153</u></u>

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

**DESNOES & GEDDES LIMITED**Group Statement of Cash Flows  
Year ended June 30, 2011

	<u>2011</u> \$'000	<u>2010</u> \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the year	1,015,690	789,398
Adjustments for:		
Items not involving cash:		
Interest income	( 6,102)	( 8,536)
Interest expense	43,302	60,659
Depreciation	635,660	607,408
Revaluation surplus on investment property	( 56,150)	-
Write off of investment	50	500
Gain on disposal of property, plant and equipment	( 15,086)	-
Deferred taxation	( 14,819)	82,293
Income tax charge	446,070	310,683
Decrease/(increase) in employee benefit asset and (obligation)	<u>10,000</u>	<u>( 186,000)</u>
	2,058,615	1,656,405
Changes in working capital:		
Accounts receivable	( 105,210)	( 44,998)
Due from fellow subsidiaries	( 86,713)	( 280,951)
Inventories	( 212,580)	( 78,344)
Accounts payable	7,770	449,960
Due to fellow subsidiaries	<u>( 265,373)</u>	<u>( 77,195)</u>
Cash generated from operations	1,396,509	1,624,877
Pension contribution	( 15,000)	( 14,000)
Interest paid	( 44,450)	( 61,298)
Income taxes paid	<u>( 287,325)</u>	<u>( 455,022)</u>
Net cash provided by operating activities	<u>1,049,734</u>	<u>1,094,557</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	( 629,238)	( 590,291)
Proceeds from disposal of property, plant and equipment	116,548	-
Interest received	<u>6,102</u>	<u>8,536</u>
Net cash used by investing activities	<u>( 506,588)</u>	<u>( 581,755)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Short-term loans	( 700,000)	( 33,608)
Dividend payments	<u>-</u>	<u>( 702,293)</u>
Net cash used by financing activities	<u>( 700,000)</u>	<u>( 735,901)</u>
Net decrease in cash and cash equivalents	( 156,854)	( 223,099)
Cash and cash equivalents at beginning of year	<u>430,909</u>	<u>654,008</u>
Cash and cash equivalents at end of year	<u>274,055</u>	<u>430,909</u>
Comprised of –		
Cash and bank balances	271,972	412,826
Short-term deposits	<u>2,083</u>	<u>18,083</u>
	<u>274,055</u>	<u>430,909</u>

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

**DESNOES & GEDDES LIMITED**

Notes to the Financial Statements  
June 30, 2011

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**1. Identification**

Desnoes & Geddes Limited (“the company”), is incorporated and domiciled in Jamaica and is a 58% subsidiary of Udiam Holdings AB, a company incorporated in Sweden. The ultimate parent company is Diageo PLC, incorporated in the United Kingdom. The company’s registered office is located at 214 Spanish Town Road, Kingston 11. The principal activities of the company comprise the brewing, bottling and distribution of beers, stouts and spirits. The company’s subsidiaries 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, 2011 was 624 (2010: 694) 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.

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

As of July 1, 2010, the group has changed its accounting policies 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. This change had no impact on the group’s financial statements.
- 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. This change had no impact on the company’s and the group’s 2011 financial statements.

**DESNOES & GEDDES LIMITED**

Notes to the Financial Statements (Continued)

June 30, 2011

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

(a) Statement of compliance (continued):

**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:

- *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. The revised standard now includes guidance on classification and measurement of financial liabilities designated as fair value through profit or loss and incorporates certain existing requirements of IAS 39 *Financial Instruments: Recognition and Measurement* on the recognition and de-recognition of financial assets and financial liabilities. Management is assessing the impact that this standard would have on its 2014 financial statements.
- *IAS 24, Related Party Disclosure, revised* (effective January 1, 2011) introduces changes to the related party disclosure requirements for government-related entities and amends the definition of a related party. The standard also expands the list of transactions that require disclosure. The group is assessing the impact, if any, the amendment will have on the 2012 financial statements.
- *Disclosures – Transfer of Financial Assets (Amendments to IFRS 7)* is effective for accounting periods beginning on or after July 1, 2011. The amendment requires disclosure of information that enable users of financial statements to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities and to evaluate the nature of and risks associated with, the entity's continuing involvement in these derecognized assets. The group is assessing the impact, if any, the amendment will have on the 2012 financial statements.
- *IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* is effective for accounting periods beginning on or after January 1, 2011. It applies when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendments permit such an entity to treat the benefit of such an early payment as an asset. The group is assessing the impact that the standard will have on the 2012 financial statements.

**DESNOES & GEDDES LIMITED**

Notes to the Financial Statements (Continued)

June 30, 2011

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

(a) Statement of compliance (continued):

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

- *IFRS 7 Financial Instruments: Disclosures* is amended to add an explicit statement that the interaction between qualitative and quantitative disclosures better enables users to evaluate an entity's exposure to risks arising from financial statements. Existing disclosures relating to maximum exposure to credit risk, financial effect of collateral held as security and other enhancements in respect of a financial instrument have been amended. Certain disclosures relating to carrying amount of financial assets that are not past due or are not impaired as a result of their terms having been renegotiated and description of collateral held as security for financial assets that are past due have been removed. The amendment is effective for accounting periods beginning on or after January 1, 2011. The group is assessing the impact that the standard will have on its 2012 financial statements.
- *IAS 1 Presentation of Financial Statements* is amended to state that for each component of equity a reconciliation from opening to closing balances is required to be presented in the statement of changes in equity, showing separately changes arising from items recognized in profit or loss, in other comprehensive income and from transactions with owners acting in their capacity as owners. The amendment is effective for accounting periods beginning on or after January 1, 2011. The group is assessing the impact that the standard will have on its 2012 financial statements.
- *IAS 34 Interim Financial Reporting* – the amendment has resulted in the addition of a number of examples of events or transactions that require disclosure. The amendment is effective for accounting periods beginning on or after January 1, 2011. The group is assessing the impact that the standard will have on the 2012 financial year.
- *IFRIC 13 Customer Loyalty Programmes* – The terminology used in respect of the values of awards and award credits in a customer loyalty programme is amended. The interpretation has amended now state that the fair value of award credits takes into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. The amendment is effective for accounting periods beginning on or after January 1, 2011. The group is assessing the impact that the standard will have on the 2012 financial statements.
- *IAS 27 (2011), Separate Financial Statements*, is effective for annual periods beginning on or after January 1, 2013. The amended standard carries forward the existing accounting and disclosure requirements of *IAS 27 (2008)* for separate financial statements, with some minor clarifications. The requirements of *IAS 28 (2008)* and *IAS 31* for separate financial statements have been incorporated into *IAS 27*. The group is assessing the impact that the standard will have on the 2014 financial statements.

**DESNOES & GEDDES LIMITED**

Notes to the Financial Statements (Continued)

June 30, 2011

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

(a) Statement of compliance (continued):

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

- IFRS 10, *Consolidated Financial Statements*, is effective for annual periods beginning on or after January 1, 2013. IFRS 10 supersedes IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation Special Purpose Entities* and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when (1) it is exposed or has rights to variable returns from its involvement with that investee, (2) has the ability to affect those returns through its power over that investee and (3) there is a link between power and returns. The exposure to risks and rewards of an investee does not, on its own, determine that the investor has control over an investee. It is one of the factors of the control analysis. IFRS 10 clarifies that the investor always considers purpose and design of the investee when assessing control. The group is assessing the impact that the standard will have on the 2014 financial statements.

IFRS 11, *Joint Arrangements* and IAS 28 (2011) *Investments in Associates and Joint Ventures* are effective for annual periods beginning on or after 1 January 2013. The new IFRS carves out, from IAS 31, *Jointly Controlled Entities*, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations, and are now called joint operations. The remainder of IAS 31 is now called *Joint Ventures*, and removes the free choice of equity accounting or proportionate consolidation and mandates the use of the equity method. The group is assessing the impact that the standard will have on the 2014 financial statements.

- IFRS 12, *Disclosure of Interests in Other Entities*, effective for annual periods beginning on or after 1 January 2013 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The required disclosures aim to provide information in order to enable users to evaluate:
  - the nature of, and risks associated with, an entity's interests in other entities; and
  - the effects of those interests on the entity's financial position, financial performance and cash flows

Entities are encouraged to provide information required by IFRS 12 before the effective date, but this early disclosure would not compel the entity to apply either IFRS 12 in its entirety or the other new consolidation standards. The group is assessing the impact that the standard will have on the 2014 financial statements.

**DESNOES & GEDDES LIMITED**

Notes to the Financial Statements (Continued)

June 30, 2011

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

(a) Statement of compliance (continued):

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

- IFRS 13, *Fair Value Measurement*, effective for annual periods beginning on or after January 1, 2013 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains ‘how’ to measure fair value when it is required or permitted by other IFRSs. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. It defines *fair value* as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. The group is assessing the impact that the standard will have on the 2014 financial statements.
- IAS 19 *Employee Benefits*, has been amended to require all actuarial gains and losses will be recognized immediately in other comprehensive income. This change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss. It also requires the expected return on plan assets recognized in profit or loss is to be calculated based on the rate used to discount the defined benefit obligation. The amendment also includes changes to the definitions and disclosure requirements in the current standard. The amendment is effective for annual periods beginning on or after January 1, 2013. The group is currently assessing the impact the standard will have on its 2014 financial statements.
- IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income* has been amended to require an entity to present separately the items of other comprehensive income (OCI) that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. Consequently an entity that presents items of OCI before related tax effects will also have to allocate the aggregated tax amount between these sections. The existing option to present the profit or loss and other comprehensive income in two statements has not changed. The title of the statement has changed from Statement of Comprehensive Income to Statement of Profit or Loss and Other Comprehensive Income. However, an entity is still allowed to use other titles.

The amendment is effective July 1, 2012. The group is assessing the impact that the standard will have in its 2013 financial statements.



**DESNOES & GEDDES LIMITED**

Notes to the Financial Statements (Continued)

June 30, 2011

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**2. Basis of preparation (continued)****(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), and 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 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 areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are 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, income statement and statement of comprehensive income 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.

**DESNOES & GEDDES LIMITED**

Notes to the Financial Statements (Continued)

June 30, 2011

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

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

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.

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, 2011. 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 2011 and 2010. 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.

**DESNOES & GEDDES LIMITED**

Notes to the Financial Statements (Continued)

June 30, 2011

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

## (a) Basis of consolidation (continued):

## (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.

## (c) Property, plant and equipment:

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

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

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

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

The market value of freehold land and 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 are 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.

**DESNOES & GEDDES LIMITED**

Notes to the Financial Statements (Continued)

June 30, 2011

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

## (c) Property, plant and equipment (continued):

## (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.

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

## (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 other comprehensive income.

**DESNOES & GEDDES LIMITED**

Notes to the Financial Statements (Continued)

June 30, 2011

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**3. Significant accounting policies (continued)****(f) Taxation (continued):**

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.

**(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.

**DESNOES & GEDDES LIMITED**

Notes to the Financial Statements (Continued)

June 30, 2011

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**3. Significant accounting policies (continued)****(g) Employee benefits (continued):**

The company's net asset in respect of the defined-benefit pension plan is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that value is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is determined by reference to the yield at the reporting date on long-term government 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 plan assets exceeds the present value of the obligation, a pension asset is recorded to the extent of economic benefits which can be derived in the form of reduction in future contributions to the plan.

The company also provides post-retirement health benefits to employees upon retirement. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for the defined-benefit pension plan and the present value of future benefits at the 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 when the group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the group's contractual rights to the cash flows from the financial assets expire or when 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 when the group's obligations specified in the contract expire or are discharged or cancelled.

**DESNOES & GEDDES LIMITED**

Notes to the Financial Statements (Continued)

June 30, 2011

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**3. Significant accounting policies (continued)****(h) Financial instruments (continued):**

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 investments are classified as available-for-sale financial assets and 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 are 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 receivables and, after initial recognition, are measured at amortised cost, using the effective interest method, less impairment losses.
- (iii) Other non-derivative financial instruments, including cash and cash equivalents, short-term deposits, trade and other receivables, related party balances, 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.

**DESNOES & GEDDES LIMITED**

Notes to the Financial Statements (Continued)  
June 30, 2011

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**3. Significant accounting policies (continued)****(k) Impairment:****(i) Financial assets:**

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

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

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

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

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

**(ii) Non-financial assets:**

The carrying amounts of 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.



**DESNOES & GEDDES LIMITED**

Notes to the Financial Statements (Continued)

June 30, 2011

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

## (k) Impairment (continued):

## (ii) Non-financial assets (continued):

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 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.

## (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.

**DESNOES & GEDDES LIMITED**

Notes to the Financial Statements (Continued)

June 30, 2011

**4. Investments**

(a) Investments comprise:

	<u>Company</u>		<u>Group</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Available-for-sale:				
Unquoted				
Windward and Leeward				
Brewery Limited (WLBL)	401,797	405,210	401,797	405,210
Other	1,265	1,315	92	142
Loans and receivables	<u>-</u>	<u>-</u>	<u>18</u>	<u>18</u>
	<u>403,062</u>	<u>406,525</u>	<u>401,907</u>	<u>405,370</u>

Investment in WLBL is carried at fair value determined by a professional business valuator using a maintainable earnings approach applied based on projected after tax earnings for 2011. The multiple applied was determined based on an average of the company's multiple, discounted for lack of marketability; and an assumed multiple for WLBL.

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

	<u>Group's percentage</u>	
	<u>2011</u>	<u>2010</u>
	<u>%</u>	<u>%</u>
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)	<u>50.0</u>	<u>50.0</u>

These companies are inactive.

**5. Investment properties**

	<u>Company and Group</u>	
	<u>2011</u>	<u>2010</u>
	<u>\$'000</u>	<u>\$'000</u>
Balance as at beginning of year	96,500	96,500
Net gains from fair value adjustments	<u>56,150</u>	<u>-</u>
Balance as at end of year	<u>152,650</u>	<u>96,500</u>

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.

**DESNOES & GEDDES LIMITED**

Notes to the Financial Statements (Continued)  
June 30, 2011

**5. Investment properties (continued)**

In the previous 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 these properties. Expenses of \$587,875 were incurred in relation to these properties.

**6. Property, plant and equipment**

	Company and Group					
	Freehold land and buildings \$'000	Plant and equipment \$'000	Furniture, fixtures and computer equipment \$'000	Construction in progress (CIP) \$'000	Returnable packaging \$'000	Total \$'000
Cost or valuation:						
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	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
Additions	16,484	24,361	54,118	297,379	236,896	629,238
Transfers	32,532	109,634	5,087	(147,253)	-	-
Disposals/write-off	(106,848)	(3,188)	(195,983)	-	-	(306,019)
June 30, 2011	<u>3,010,165</u>	<u>6,172,450</u>	<u>611,918</u>	<u>386,348</u>	<u>1,683,277</u>	<u>11,864,158</u>
At cost	685,760	1,619,135	611,918	386,348	1,683,277	4,986,438
At valuation	<u>2,324,405</u>	<u>4,553,315</u>	-	-	-	<u>6,877,720</u>
	<u>3,010,165</u>	<u>6,172,450</u>	<u>611,918</u>	<u>386,348</u>	<u>1,683,277</u>	<u>11,864,158</u>
Depreciation and impairment losses:						
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
Charge for the year	60,150	301,610	84,597	-	189,303	635,660
Eliminated on disposals/write-off	(6,977)	(2,470)	(195,110)	-	-	(204,557)
June 30, 2011	<u>207,958</u>	<u>3,708,864</u>	<u>330,436</u>	<u>-</u>	<u>1,080,422</u>	<u>5,327,680</u>
Carrying amounts:						
June 30, 2011	<u>2,802,207</u>	<u>2,463,586</u>	<u>281,482</u>	<u>386,348</u>	<u>602,855</u>	<u>6,536,478</u>
June 30, 2010	<u>2,913,212</u>	<u>2,631,919</u>	<u>307,747</u>	<u>236,222</u>	<u>555,262</u>	<u>6,644,362</u>
June 30, 2009	<u>2,909,528</u>	<u>2,678,456</u>	<u>145,763</u>	<u>333,283</u>	<u>594,449</u>	<u>6,661,479</u>

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

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 valuers.

Had the assets not been revalued, the carrying amounts at the reporting date would be \$1,162,651,376 (2010: \$1,221,010,875) for freehold land and buildings and \$2,443,575,029 (2010: \$2,909,511,651) for plant and equipment.

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

**DESNOES & GEDDES LIMITED**

Notes to the Financial Statements (Continued)

June 30, 2011

**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	
	<u>2011</u> \$'000	<u>2010</u> \$'000	<u>2011</u> \$'000	<u>2010</u> \$'000
Present value of funded obligation	(3,605,000)	(3,357,000)	(128,000)	(86,000)
Fair value of plan assets	5,387,000	4,922,000	-	-
Asset not recognised due to limitation	( 585,000)	( 434,000)	-	-
Net asset/(obligation) at end of year	<u>1,197,000</u>	<u>1,131,000</u>	<u>(128,000)</u>	<u>(86,000)</u>

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

	Company and Group Pension asset		Company and Group Obligation	
	<u>2011</u> \$'000	<u>2010</u> \$'000	<u>2011</u> \$'000	<u>2010</u> \$'000
Balance at beginning of year	(3,357,000)	(2,261,000)	( 86,000)	(69,000)
Benefits	200,000	190,000	4,000	3,000
Service and interest costs	( 457,000)	( 439,000)	( 16,000)	(17,000)
Contributions	( 86,000)	( 82,000)	-	-
Actuarial gain/(loss)	<u>95,000</u>	<u>( 765,000)</u>	<u>( 30,000)</u>	<u>( 3,000)</u>
Balance at end of year	<u>3,605,000</u>	<u>(3,357,000)</u>	<u>(128,000)</u>	<u>(86,000)</u>

## (c) Movement in pension plan assets:

	Company and Group Pension asset	
	<u>2011</u> \$'000	<u>2010</u> \$'000
Fair value of plan assets at July 1	4,922,000	4,636,000
Contributions paid	97,000	93,000
Expected return on plan assets	463,000	642,000
Benefits paid	( 200,000)	( 190,000)
Actuarial gain/(loss)	<u>105,000</u>	<u>( 259,000)</u>
Fair value of plan assets on June 30	<u>5,387,000</u>	<u>4,922,000</u>

**DESNOES & GEDDES LIMITED**

Notes to the Financial Statements (Continued)

June 30, 2011

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

## (c) Movement in pension plan assets (continued):

Plan assets consist of the following:

	<u>Company and Group Pension asset</u>	
	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Plan assets consist of the following:		
Equities	2,015,000	2,181,000
Foreign currency	456,000	351,000
Fixed income securities	1,552,000	1,083,000
Money market securities	180,000	16,000
Real estate	<u>1,184,000</u>	<u>1,291,000</u>
	<u>5,387,000</u>	<u>4,922,000</u>

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

	<u>Pension asset</u>		<u>Obligation</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
Current service costs	98,000	38,000	7,000	4,000
Interest on obligation	359,000	401,000	9,000	13,000
Expected return on plan assets	<u>(463,000)</u>	<u>(642,000)</u>	<u>-</u>	<u>-</u>
	<u>( 6,000)</u>	<u>(203,000)</u>	<u>16,000</u>	<u>17,000</u>
Actual return on plan assets	<u>12.0%</u>	<u>8.3%</u>		

## (e) Actuarial gains and losses recognised in other comprehensive income:

	<u>Company and Group Pension asset</u>		<u>Company and Group Obligation</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
Cumulative amount at the beginning of the year	576,000	( 448,000)	(26,000)	(29,000)
Recognised during the year	<u>(200,000)</u>	<u>1,024,000</u>	<u>30,000</u>	<u>3,000</u>
Cumulative amount at the end of the year	<u>376,000</u>	<u>576,000</u>	<u>4,000</u>	<u>(26,000)</u>

**DESNOES & GEDDES LIMITED**

Notes to the Financial Statements (Continued)  
June 30, 2011

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

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

	<u>2011</u> %	<u>2010</u> %
Discount rate	10.5	11.5
Expected return on plan assets	8.5	9.5
Future salary increases	6.5	7.5
Future pension increases	5.5	6.5
Medical claims growth	<u>10.0</u>	<u>10.5</u>

(i) The expected long-term rate of return is based on market expectation of inflation of 6.5% 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 \$104,000,000.

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

	One percentage <u>point increase</u> \$	One percentage <u>point decrease</u> \$
Effect on the aggregate service and interest cost	22,000,000	13,000,000
Effect on the defined-benefit obligation	<u>158,000,000</u>	<u>107,000,000</u>

The company expects to contribute approximately \$4,200,000 to the plan for year ending June 30, 2012 in respect of health benefits.

(h) Historical information

(i) Defined benefit pension plan:

	<u>2011</u> \$'000	<u>2010</u> \$'000	<u>2009</u> \$'000	<u>2008</u> \$'000	<u>2007</u> \$'000
Present value of defined benefit obligation	(3,605,000)	(3,357,000)	(2,261,000)	(2,573,000)	(2,462,000)
Fair value of plan assets	<u>5,387,000</u>	<u>4,922,000</u>	<u>4,636,000</u>	<u>4,901,000</u>	<u>3,970,000</u>
Surplus	<u>1,782,000</u>	<u>1,565,000</u>	<u>2,375,000</u>	<u>2,328,000</u>	<u>1,508,000</u>
Experience adjustments on plan liabilities	( 95,000)	765,000	( 645,000)	( 206,000)	291,000
Experience adjustments on plan assets	<u>(105,000)</u>	<u>259,000</u>	<u>837,000</u>	<u>(499,000)</u>	<u>(308,000)</u>

**DESNOES & GEDDES LIMITED**

Notes to the Financial Statements (Continued)

June 30, 2011

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

(h) Historical information (continued)

(ii) Post-employment medical benefits:

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
Present value of defined benefit obligation	128,000	86,000	69,000	74,000	59,000
Experience adjustments on plan liabilities	<u>30,000</u>	<u>3,000</u>	<u>(19,000)</u>	<u>6,000</u>	<u>(12,000)</u>

**8. (a) Accounts receivable**

	<u>Company and Group</u>	
	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Trade	491,399	419,676
Other	<u>103,758</u>	<u>80,857</u>
	595,157	500,533
Less: allowance for doubtful debts	<u>( 35,641)</u>	<u>( 46,227)</u>
	<u>559,516</u>	<u>454,306</u>

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

	<u>Company and Group</u>	
	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Balance at July 1, 2010	46,227	52,996
Debts recovered	(13,993)	(15,980)
Debts written-off – trade receivable	(13,142)	( 8,050)
– exports	( 1,789)	( 987)
Charge for the year – trade receivable	<u>18,338</u>	<u>18,248</u>
Balance at June 30, 2011	<u>35,641</u>	<u>46,227</u>

**(b) Due from fellow subsidiaries**

	<u>Company and Group</u>	
	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Exports to related companies	<u>812,501</u>	<u>725,788</u>

**DESNOES & GEDDES LIMITED**

Notes to the Financial Statements (Continued)  
June 30, 2011

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**9. Inventories**

	<u>Company and Group</u>	
	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Raw materials	101,118	108,167
Work-in-progress	158,701	148,853
Finished goods	498,373	342,673
Consumables	435,076	395,599
Plant and equipment spares	<u>178,821</u>	<u>164,217</u>
	<u>1,372,089</u>	<u>1,159,509</u>

**10. Accounts payable**

	<u>Company</u>		<u>Group</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
Trade	879,967	663,862	879,967	663,862
Staff accruals	238,256	229,708	238,256	229,708
Other	<u>698,394</u>	<u>916,425</u>	<u>701,100</u>	<u>919,131</u>
	<u>1,816,617</u>	<u>1,809,995</u>	<u>1,819,323</u>	<u>1,812,701</u>

**11. Short-term loans**

	<u>Company and Group</u>	
	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
The Bank of Nova Scotia Jamaica Limited – 11.00 to 11.45%	-	350,000
Citibank N.A. (Jamaica Branch) – 11.50%	<u>-</u>	<u>350,000</u>
	<u>-</u>	<u>700,000</u>

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



**DESNOES & GEDDES LIMITED**

Notes to the Financial Statements (Continued)  
June 30, 2011

**12. Share capital**

	<u>Company and Group</u>	
	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Authorised:		
2,810,500,000 ordinary shares of no par value		
Issued and fully paid:		
2,809,170,386 ordinary stocks of no par value	<u>2,174,980</u>	<u>2,174,980</u>

**13. Capital reserves**

	<u>Company</u>		<u>Group</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'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	( 278,537)	( 254,934)	( 278,537)	( 254,934)
Deferred taxation on revalued property, plant and equipment	( 646,758)	( 663,300)	( 646,758)	( 663,300)
Realised gain on disposal of property, plant and equipment	( <u>102,420</u> )	( <u>62,185</u> )	( <u>102,420</u> )	( <u>62,185</u> )
	<u>2,046,369</u>	<u>2,093,665</u>	<u>2,054,139</u>	<u>2,101,435</u>

**14. Other reserves**

	<u>Company and Group</u>	
	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Investment revaluation reserve [see (a) below]	395,800	399,213
Pension equalisation reserve [see (b) below]	<u>712,667</u>	<u>696,667</u>
	<u>1,108,467</u>	<u>1,095,880</u>

- (a) This represents the unrealised gains on the revaluation of available-for-sale investments.
- (b) This represents the net employee benefit asset of \$1,069,000,000 (2010: \$1,045,000,000), less deferred tax of \$356,333,000,000 (2010: \$348,333,000), 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.

**DESNOES & GEDDES LIMITED**

Notes to the Financial Statements (Continued)  
June 30, 2011

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**15. Long-term liabilities**

	<u>Company</u>	
	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Subsidiaries [see below]	<u>157,235</u>	<u>157,235</u>

The loans from subsidiaries are unsecured, bore no interest for 2011 and 2010, and have no fixed repayment date.

**16. Deferred tax liabilities**

Deferred tax liabilities are attributable to the following:

	<u>Company and Group</u>	
	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Accrued vacation leave	( 8,534)	( 9,677)
Unrealised foreign exchange loss	( 4,336)	( 4,221)
Property, plant and equipment	722,503	756,941
Interest payable	( 210)	( 592)
Employee benefits asset	<u>356,333</u>	<u>348,333</u>
	<u>1,065,756</u>	<u>1,090,784</u>

Movement in temporary differences during the year:

	<u>Balance at</u>	<u>Recognised</u>	<u>Recognised</u>	<u>Balance at</u>
	<u>July 1</u>	<u>in income</u>	<u>in equity</u>	<u>June 30</u>
	\$'000	\$'000	\$'000	\$'000
		[Note 19(a) (ii)]		
Accrued vacation leave	( 9,677)	1,143	-	( 8,534)
Unrealised foreign exchange loss	( 4,221)	( 115)	-	( 4,336)
Property, plant and equipment	756,941	(17,896)	(16,542)	722,503
Interest payable	( 592)	382	-	( 210)
Employee benefits asset	<u>348,333</u>	<u>1,667</u>	<u>6,333</u>	<u>356,333</u>
	<u>1,090,784</u>	<u>(14,819)</u>	<u>(10,209)</u>	<u>1,065,756</u>

**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).

**DESNOES & GEDDES LIMITED**

Notes to the Financial Statements (Continued)  
June 30, 2011

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**18. Profit before taxation**

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

	<u>Company and Group</u>	
	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Auditors' remuneration	6,100	5,300
Depreciation	635,660	607,408
Directors' emoluments:		
Fees	5,436	4,200
Management remuneration	56,047	95,804
Staff costs	1,734,354	1,630,165
Redundancy payments	27,012	105,447
Foreign exchange losses	29,776	45,005
Dividends received on:		
Overseas investments	( 56,594)	( 57,548)
Royalties earned	( 129,046)	( 166,628)
Bad debts	4,342	2,451
Inventories written off	<u>48,853</u>	<u>126,088</u>

**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:

	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
(i) Current tax expense:		
Income tax at 33 $\frac{1}{3}$ %	446,070	310,683
(ii) Deferred taxation:		
Origination and reversal of temporary differences (note 16)	( 14,819)	<u>82,293</u>
Total taxation in income statement	<u>431,251</u>	<u>392,976</u>

**DESNOES & GEDDES LIMITED**

Notes to the Financial Statements (Continued)  
June 30, 2011

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**19. Taxation (continued)**

(b) Reconciliation of effective tax rate:

	<u>Company and Group</u>	
	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Profit before taxation	<u>1,446,941</u>	<u>1,182,374</u>
Computed "expected" tax charge at 33 $\frac{1}{3}$ %	482,314	394,125
Difference between profit for financial statements and tax reporting purposes on:		
Depreciation charge and capital allowances	( 17,786)	8,009
Dividend income	( 15,087)	( 20,228)
Gain on revaluation of investment property	( 18,717)	-
Other	<u>527</u>	<u>11,070</u>
Actual tax charge	<u>431,251</u>	<u>392,976</u>
	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
(c) Deferred tax recognised directly in equity relating to employee benefits and revaluation of property, plant and equipment (note 16)	<u>( 10,209)</u>	<u>159,662</u>

**20. Earnings per stock unit**

The calculation of earnings per stock unit is based on the group's profit for the year of \$1,015,690,000 (2010: \$789,398,000) 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**

	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Ordinary dividends:		
Interim dividends: Nil (2010: 25¢)		
per stock unit – gross	<u>-</u>	<u>702,293</u>

**DESNOES & GEDDES LIMITED**

Notes to the Financial Statements (Continued)  
June 30, 2011

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**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:

	<u>2011</u> \$'000	<u>2010</u> \$'000
Fellow subsidiaries:		
Sales	(3,276,076)	(3,364,015)
Royalties	96,999	106,304
Marketing cost	646,381	623,320
Purchases of raw materials and finished goods	431,098	288,567
Key management personnel compensation:		
Short-term employment benefits	128,061	143,393
Post-employment benefits	( 1,000)	( 10,000)

The statement of financial position includes balances arising in the ordinary course of business with related parties as follows:

	<u>2011</u> \$'000	<u>2010</u> \$'000
Key management personnel:		
Accounts receivable	<u>1,128</u>	<u>332</u>

**DESNOES & GEDDES LIMITED**

Notes to the Financial Statements (Continued)  
June 30, 2011

**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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Turnover	9,224,439	9,400,189	4,047,941	3,932,247	13,272,380	13,332,436
SCT	(2,116,181)	(2,227,725)	-	-	(2,116,181)	(2,227,725)
Net external revenue	<u>7,108,258</u>	<u>7,172,464</u>	<u>4,047,941</u>	<u>3,932,247</u>	<u>11,156,199</u>	<u>11,104,711</u>
Segment profit	<u>2,401,513</u>	<u>2,066,343</u>	<u>202,369</u>	<u>198,475</u>	2,603,882	2,204,818
General, selling and administration expenses					(1,253,285)	(1,142,988)
Other income/ expenses					72,308	(13,333)
Trading profit					1,422,905	1,048,497
Employee benefits (expense)/income					(10,000)	186,000
Interest income					6,102	8,536
Gain on revaluation of investment properties					56,150	-
Gain on disposal of property, plant and equipment					15,086	-
Profit before finance cost					1,490,243	1,243,033
Finance cost					(43,302)	(60,659)
Profit before taxation					1,446,941	1,182,374
Taxation					(431,251)	(392,976)
Profit for the year					<u>1,015,690</u>	<u>789,398</u>
Segment assets					<u>11,306,196</u>	<u>11,047,744</u>
Segment liabilities					<u>3,580,184</u>	<u>4,363,218</u>
Depreciation					<u>635,660</u>	<u>(607,408)</u>
Capital expenditure					<u>629,238</u>	<u>590,291</u>

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.

	2011 \$'000	2010 \$'000
Jamaica		
United States	7,266,951	7,172,464
Canada	2,862,660	3,029,770
Europe	332,407	216,851
Caribbean	488,226	506,973
Other	204,472	170,492
	<u>1,483</u>	<u>8,161</u>
	<u>11,156,199</u>	<u>11,104,711</u>

**DESNOES & GEDDES LIMITED**

Notes to the Financial Statements (Continued)  
June 30, 2011

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**23. Segment reporting (continued)**

All non-current assets are located in Jamaica.

Revenues from one customer in the export segment represents approximately \$2,790,534 (2010: \$2,968,926) 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 \$33,500,000 (2010: \$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 \$27.9 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 group's objectives, policies and processes for measuring and managing risk, and the 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 Group 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.

**DESNOES & GEDDES LIMITED**

Notes to the Financial Statements (Continued)  
June 30, 2011

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**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 the 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	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Investments	403,062	406,525	401,907	405,370
Cash and bank	270,216	411,070	271,972	412,826
Short-term deposits	2,083	18,083	2,083	18,083
Accounts receivable	559,516	454,306	559,516	454,306
Due from fellow subsidiaries	812,501	725,788	812,501	725,788
	2,047,378	2,015,772	2,047,979	2,016,373



**DESNOES & GEDDES LIMITED**

Notes to the Financial Statements (Continued)  
June 30, 2011

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**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 allowance for doubtful debts, at the reporting date by type of customer was:

	<u>Company and group</u>	
	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
On-trade	77,708	121,392
Off-trade	247,857	174,906
Export	111,265	71,547
Other	<u>18,928</u>	<u>5,604</u>
	<u>455,758</u>	<u>373,449</u>

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

	<u>2011</u>		<u>2010</u>	
	<u>Gross</u>	<u>Impairment</u>	<u>Gross</u>	<u>Impairment</u>
	\$'000	\$'000	\$'000	\$'000
Not past due	447,472	-	367,496	-
Past due 31-60 days	5,086	-	3,760	-
Past due 61-90 days	1,090	-	1,713	-
More than 90 days	<u>37,751</u>	<u>35,641</u>	<u>46,707</u>	<u>46,227</u>
Total	<u>491,399</u>	<u>35,641</u>	<u>419,676</u>	<u>46,227</u>

Based on past experience, management believes that no doubtful debt allowance is necessary in respect of trade receivables past due for less than ninety days. A significant percentage of the balance relates to customers that have a good track record.

During 2011, 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.

**DESNOES & GEDDES LIMITED**

Notes to the Financial Statements (Continued)  
June 30, 2011

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**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 obligations.

- (a) A \$765,000,000 facility with The Bank of Nova Scotia Jamaica Limited which attracts interest at a rate equivalent to the six (6) months weighted average Treasury Bill rate plus 2.5% (2010: 2.5%).
- (b) A US\$9,000,000 line of credit with Citibank N.A. (Jamaica Branch). The rate of interest per annum is determined at the time the funds are accessed.

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

**(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\$).

**DESNOES & GEDDES LIMITED**

Notes to the Financial Statements (Continued)  
June 30, 2011

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

(iii) Market risk (continued):

(a) Foreign currency risk (continued):

Exposure to currency risk:

At June 30, 2011, the company and the group had net foreign currency assets/(liabilities) as follows:

	<u>2011</u> \$'000	<u>2010</u> \$'000
<u>Currency</u>		
United States dollars	308,890	174,836
Canadian dollars	11,942	56,975
Pounds sterling	( 74,549)	( 49,498)
Euro	<u>12,421</u>	<u>2,715</u>

Sensitivity analysis:

The following table details the group's sensitivity to a 1% (2010: 10%) strengthening and 1% (2010: 2%) weakening of the relevant currencies against the Jamaica dollar based on the effect that such changes would have on the reported profits for the year. This analysis assumes that all other variables, in particular interest rates, remain constant.

	<u>2011</u>		<u>2010</u>	
	<u>1% strengthening</u> \$'000	<u>1% weakening</u> \$'000	<u>10% strengthening</u> \$'000	<u>2% weakening</u> \$'000
<u>Currency</u>				
United States dollars	3,120	(3,058)	19,426	(3,428)
Canadian dollars	118	( 115)	6,330	(1,117)
Pounds sterling	( 753)	738	( 5,499)	970
Euro	<u>126</u>	<u>(123)</u>	<u>302</u>	<u>(53)</u>

(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 with appropriate notice by the lender. At June 30, 2011 the long-term loans were interest-free.

**DESNOES & GEDDES LIMITED**

Notes to the Financial Statements (Continued)  
June 30, 2011

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**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 a 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.

DESNOES & GEDDES LIMITED

Group Results at a Glance  
Year ended and as at June 30, 2011

	<u>2011</u> \$'000	<u>2010</u> \$'000
Turnover	13,272,380	13,332,436
Profit before taxation	1,446,941	1,182,374
Profit attributable to stockholders	1,015,690	789,398
Stockholders' equity:		
Share capital	2,174,980	2,174,980
Capital and other reserves	3,162,606	3,197,315
Revenue reserves	<u>2,380,979</u>	<u>1,304,784</u>
	<u>7,718,565</u>	<u>6,677,079</u>
Profit per stock unit calculated		
on net profit attributable to stockholders	36.16¢	28.10¢
Dividends per stock unit	<u>-</u>	<u>25.00¢</u>

DESNOES & GEDDES LIMITED  
Seven-Year Statistical Summary

Financial Year	<u>2011</u> \$'000	<u>2010</u> \$'000	<u>2009</u> \$'000	<u>2008</u> \$'000	<u>2007</u> \$'000	<u>2006</u> \$'000	<u>2005</u> \$'000
<b>OPERATING DATA</b>							
Turnover	13,272,380	13,332,436	13,447,889	12,488,766	11,313,276	10,114,372	9,135,115
Profit before taxation	1,446,941	1,182,374	2,211,441	1,670,350	2,093,226	2,324,401	2,503,442
Provision for taxation	( 431,251)	( 392,976)	( 660,118)	( 627,901)	( 684,686)	( 112,554)	( 150,388)
<b>PROFIT AFTER TAXATION</b>	<b>1,051,690</b>	<b>789,398</b>	<b>1,551,323</b>	<b>1,042,449</b>	<b>1,408,540</b>	<b>2,211,847</b>	<b>2,353,054</b>
Dividends	-	702,293	983,208	1,123,668	1,488,860	1,601,227	2,163,061
Net dividend cover	-	1.12	1.58	0.93	0.95	1.38	1.09
<b>BALANCE SHEET DATA</b>							
Net current assets/(liabilities)	631,733	( 415,922)	( 402,938)*	( 753,650)*	248,829	940,008	745,412
Property, plant and equipment	6,536,478	6,644,362	6,661,480*	6,531,660*	5,682,522	3,550,418	3,379,297
Stockholders' equity	7,718,565	6,677,079	6,246,636	6,332,871	6,537,303	4,784,763	4,147,944
No. of stock units in issue	2,809,171	2,809,171	2,809,171	2,809,171	2,809,171	2,809,171	2,809,171
<b>PER ORDINARY STOCK UNIT</b>							
Profit for the year	36.16¢	28.10¢	55.22¢	37.11¢	50.14¢	78.74¢	83.76¢
Stockholders' equity	-	\$2.38	\$2.22	\$2.25	\$2.33	\$1.70	\$1.48
Dividends							
Ordinary - interims	-	25¢	35¢	40¢	53¢	57¢	77¢
<b>OTHER</b>							
Return on equity	13.62%	11.82%	24.83%	16.46%	21.52%	46.23%	56.73%
Closing stock price	\$3.30	4.70	\$4.00	\$7.15	\$7.05	\$7.79	\$9.50
Number of employees	624	694	759	767	762	734	750

\* Reclassified