

DESNOES AND GEDDES LIMITED
UNAUDITED OPERATING RESULTS
FOR THE PERIOD ENDED MARCH 31, 2012

The Directors of Desnoes and Geddes Limited, producers of Jamaica's beer, Red Stripe, and distributors of leading spirits Johnnie Walker and Smirnoff, wish to present the unaudited results of the Group for the quarter ended March 31, 2012.

Profit after tax for the nine months to March 31st, 2012 was \$757 million, up 70% versus the same period last year.

	Profit and Loss Summary					
	9-months ended March 31			3-months ended March 31		
	2012	2011	change	2012	2011	change
	J\$m	J\$m	%	J\$m	J\$m	%
Net sales value	8,201	8,155	1 %	2,783	2,455	13 %
Trading profit	1,155	645	79 %	409	189	117 %
Profit before tax	1,122	663	69 %	404	182	122 %
Profit after tax	757	445	70 %	274	126	118 %
Earnings per stock unit (cents)	26.96	15.86	70 %	9.76	4.49	118 %

Performance Highlights

Net Sales Value for the third quarter was \$2,783 million representing a 13% increase versus the same period last year (1% increase YTD versus last year). The third quarter domestic brewed portfolio performance improved resulting in a 6% overall increase in domestic net sales value. This was partially offset by a 15% decline in export sales.

Cost of sales for the quarter at \$1,823 million increased by 4.2% versus the prior year, driven by higher volumes with the sales performances noted above. The gross margin also improved as a result of a combination of stronger revenues and a continued focus on managing our cost base.

Marketing expenses of \$227.5 million for the quarter decreased by \$33 million (12.8%) when compared to the same period last year. This is primarily due to reduced expenditure on marketing in the export business, specifically the USA, as there was a reduction in advertising in anticipation of an upcoming new marketing campaign. The launch of the new Red Stripe domestic campaign and the sponsorship of the Red Stripe Premier League represented significant domestic marketing expenditures while the total remained flat Year on Year as the Company achieved increased efficiencies on commercial executions.

General, selling and administrative (GS&A) expenses for the quarter increased by \$49.6 million (18%) compared to last year. This increase was largely as a result of timing. Year to date GS&A expenses are \$7m (1%) lower than last year.

The stronger revenues and lower costs resulted in a trading profit for the nine months to March 31st 2012 of \$1,155 million, a 79% increase on the same period last year.

Year to date profit after tax was up \$312 million (70%) on last year translating directly to earnings per stock unit of 26.96 cents (2011: 15.86 cents).

Enriched Communities

Red Stripe's title sponsorship of the National Premier Football League Competition is aimed at having a positive impact on the development of the nation's football programme and specifically in the communities that are represented in the league. Red Stripe's involvement in the competition has resulted in local football being televised live during prime time on local TV for the first time.

Through the Diageo Learning for Life Programme, seventy five students are now well on their way to becoming certified in the field of merchandising under the Diageo Learning for Life Project Retailer Curriculum. Launched on Monday, March 12, 2012, the programme is the first in a two cohort series which will train 150 students in FY12 alone. The programme will culminate in a two week internship with some of Red Stripe's major Supermarket Customers. Upon successful completion students will be issued the HEART Trust NTA NVQJ Level 1 certificate.

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



Richard Byles
Chairman
May 2, 2012



Renato Gonzalez
Managing Director
May 2, 2012

DESNOES AND GEDDES LIMITED
COMPANY STATEMENT OF FINANCIAL POSITION
As at March 31, 2012

	Unaudited March 31, 2012 \$'000	Unaudited March 31, 2011 \$'000	Audited June 30, 2011 \$'000
ASSETS			
Investments	403,062	406,525	403,062
Investment properties	152,650	96,500	152,650
Property, plant and equipment	6,324,544	6,450,718	6,536,478
Employee benefit asset	1,155,000	1,135,000	1,197,000
Total non-current assets	8,035,256	8,088,743	8,289,190
Current Assets			
Cash and bank	228,464	337,432	270,216
Short-term deposits	1,948	18,083	2,083
Accounts receivable	811,303	573,595	559,516
Due from fellow subsidiaries	512,313	308,024	812,501
Inventories	1,492,270	1,340,770	1,372,089
Total current assets	3,046,298	2,577,904	3,016,405
Current Liabilities			
Accounts payable	1,518,067	1,481,472	1,816,617
Short-term loans	0	240,000	-
Taxation payable	212,140	195,677	267,243
Due to fellow subsidiaries	253,085	559,300	299,872
Total current liabilities	1,983,292	2,476,449	2,383,732
Net current assets/(liabilities)	1,063,006	101,455	632,673
Total assets less current liabilities	9,098,262	8,190,198	8,921,863
EQUITY			
Share capital	2,174,980	2,174,980	2,174,980
Capital reserves	2,002,124	2,042,868	2,046,369
Other reserves	1,078,467	1,095,880	1,108,467
Retained earnings	2,482,941	1,625,032	2,241,056
Total equity	7,738,512	6,938,760	7,570,872
NON-CURRENT LIABILITIES			
Employee benefit obligation	131,000	90,000	128,000
Long-term liabilities	157,235	157,235	157,235
Deferred tax liabilities	1,071,515	1,004,203	1,065,756
Total non-current liabilities	1,359,750	1,251,438	1,350,991
Total equity and non-current liabilities	9,098,262	8,190,198	8,921,863

DESNOES AND GEDDES LIMITED
GROUP STATEMENT OF FINANCIAL POSITION

As at March 31, 2012

	Unaudited March 31, 2012 \$'000	Unaudited March 31, 2011 \$'000	Audited June 30, 2011 \$'000
ASSETS			
Investments	401,907	405,370	401,907
Investment properties	152,650	96,500	152,650
Property, plant and equipment	6,324,544	6,450,718	6,536,478
Employee benefit asset	1,155,000	1,135,000	1,197,000
Total non-current assets	<u>8,034,101</u>	<u>8,087,588</u>	<u>8,288,035</u>
Current Assets			
Cash resources	230,220	339,188	271,972
Short-term deposits	1,948	18,083	2,083
Accounts receivable	811,303	573,595	559,516
Due from fellow subsidiaries	512,313	308,024	812,501
Inventories	1,492,270	1,340,770	1,372,089
Total current assets	<u>3,048,054</u>	<u>2,579,660</u>	<u>3,018,161</u>
Current Liabilities			
Accounts payable	1,520,775	1,484,178	1,819,323
Short-term loans	0	240,000	-
Taxation payable	212,128	195,667	267,233
Due to fellow subsidiaries	253,085	559,300	299,872
Total current liabilities	<u>1,985,988</u>	<u>2,479,145</u>	<u>2,386,428</u>
Net current assets/(liabilities)	<u>1,062,066</u>	<u>100,515</u>	<u>631,733</u>
Total assets less current liabilities	<u>9,096,167</u>	<u>8,188,103</u>	<u>8,919,768</u>
EQUITY			
Share capital	2,174,980	2,174,980	2,174,980
Capital reserves	2,009,894	2,050,638	2,054,139
Other reserves	1,078,467	1,095,880	1,108,467
Retained earnings	2,622,864	1,764,955	2,380,979
Shareholders' equity	<u>7,886,205</u>	<u>7,086,453</u>	<u>7,718,565</u>
Minority interest	7,447	7,447	7,447
Total equity	<u>7,893,652</u>	<u>7,093,900</u>	<u>7,726,012</u>
NON-CURRENT LIABILITIES			
Employee benefit obligation	131,000	90,000	128,000
Deferred tax liabilities	1,071,515	1,004,203	1,065,756
Total non-current liabilities	<u>1,202,515</u>	<u>1,094,203</u>	<u>1,193,756</u>
Total equity and non-current liabilities	<u>9,096,167</u>	<u>8,188,103</u>	<u>8,919,768</u>

DESNOES AND GEDDES LIMITED

Company and Group Income Statements

9 month period ended March 31, 2012

	Unaudited 9 months to Mar. 31, 2012 \$'000	Unaudited 9 months to Mar. 31, 2011 \$'000	Unaudited 3 months to Mar. 31, 2012 \$'000	Unaudited 3 months to Mar. 31, 2011 \$'000
Turnover	9,779,918	9,758,107	3,286,292	2,866,399
Special Consumption Tax (SCT)	(1,578,814)	(1,602,985)	(503,777)	(411,824)
Net sales	8,201,104	8,155,122	2,782,515	2,454,575
Cost of sales	(5,188,262)	(5,399,492)	(1,822,846)	(1,748,703)
Gross profit	3,012,842	2,755,630	959,669	705,872
Marketing costs	(969,580)	(1,221,470)	(227,501)	(260,807)
Contribution after marketing	2,043,262	1,534,160	732,168	445,065
General, selling and administration expenses	(923,798)	(930,897)	(320,022)	(270,443)
Other income / (expenses), net	35,826	41,980	(3,079)	14,056
Trading profit	1,155,291	645,243	409,068	188,678
Employee benefit (expense)/ income, net	(16,000)	(6,000)	(5,500)	(1,000)
Non-operating (expenses)/income	3,735	-	195	0
Finance income - interest	5,698	4,772	1,635	1,823
(Loss)/Profit on disposal of property, plant & equipment	(24,697)	55,199	0	(718)
Profit before finance cost	1,124,027	699,214	405,398	188,783
Finance cost	(1,979)	(36,238)	(1,102)	(6,689)
Profit before taxation	1,122,048	662,976	404,296	182,094
Taxation	(364,574)	(217,483)	(130,228)	(55,942)
Profit for the period attributable to equity holders of the parent company, all dealt with in the financial statements of the company	757,474	445,493	274,068	126,152
Earnings per stock unit	<u>26.96</u> ¢	<u>15.86</u> ¢	<u>9.76</u> ¢	<u>4.49</u> ¢

DESNOES AND GEDDES LIMITED
Company and Group Statement of Comprehensive Income
9 month period ended March 31, 2012

	Unaudited March 31, 2012	Unaudited March 31, 2011
	\$'000	\$'000
Profit for the period	<u>757,474</u>	<u>445,493</u>
Other comprehensive income/ (loss):		
Sale of revalued property, plant and equipment	-	(38,790)
Deferred taxation on revalued property, plant and equipment	-	6,004
Change in unrecognised employee benefit asset	(336,000)	(109,000)
Deferred taxation on employee benefit asset	14,000	1,667
Actuarial losses recognised in equity	294,000	104,000
Total other comprehensive (loss)	<u>(28,000)</u>	<u>(36,119)</u>
Total comprehensive income for the period	<u>729,474</u>	<u>409,374</u>

DESNOES & GEDDES LIMITED
Unaudited Company Statement of Changes in Equity
9 month period ended March 31, 2012

	Share capital \$'000	Capital reserves \$'000	Other reserves \$'000	Retained earnings \$'000	Total \$'000
Balances at June 30, 2010	2,174,980	2,093,665	1,095,880	1,164,861	6,529,386
Total comprehensive income for the period	-	(32,786)	-	442,160	409,374
Movement between reserves:					
Transfer of depreciation charge on revaluation surplus of property, plant and equipment	-	(18,011)	-	18,011	-
Transfer to pension equalisation reserve	-	-	-	-	-
Transactions with owners recorded directly in equity:					
Dividends	-	-	-	-	-
Balances at March 31, 2011	2,174,980	2,042,868	1,095,880	1,625,032	6,938,760
Balances at June 30, 2011	2,174,980	2,046,369	1,108,467	2,241,056	7,570,872
Total comprehensive income for the period:	-	-	-	729,474	729,474
Movement between reserves:					
Transfer of depreciation charge on revaluation surplus of property, plant and equipment	-	(17,436)	-	17,436	-
Transfer to pension equalisation reserve	-	-	(30,000)	30,000	-
Transfer of realized gain of disposal of property plant and equipment	-	(26,809)	-	26,809	-
Transactions with owners recorded directly in equity:					
Dividends	-	-	-	(561,834)	(561,834)
Balances at March 31, 2012	2,174,980	2,002,124	1,078,467	2,482,941	7,738,512

DESNOES & GEDDES LIMITED
Unaudited Group Statement of Changes in Equity
9 month ended March 31, 2012

	Attributable to equity holders of the parent company					Total
	Share capital	Capital reserves	Other reserves	Retained earnings	Minority interest	
	\$'000	\$'000	\$'000	\$'000	\$'000	
Balances at June 30, 2010	2,174,980	2,101,435	1,095,880	1,304,784	7,447	6,684,526
Total comprehensive income for the period	-	(32,786)	-	442,160	-	409,374
Movement between reserves:						
Transfer of depreciation charge on revaluation surplus of property, plant and equipment	-	(18,011)	-	18,011	-	-
Transfer to pension equalisation reserve	-	-	-	-	-	-
Transactions with owners recorded directly in equity:						
Dividends	-	-	-	-	-	-
Balances at March 31, 2011	2,174,980	2,050,638	1,095,880	1,764,955	7,447	7,093,900
Balances at June 30, 2011	2,174,980	2,054,139	1,108,467	2,380,979	7,447	7,726,012
Total comprehensive income for the period:	-	-	-	729,474	-	729,474
Movement between reserves:						
Transfer of depreciation charge on revaluation surplus of property, plant and equipment	-	(17,436)	-	17,436	-	-
Transfer to pension equalisation reserve	-	-	(30,000)	30,000	-	-
Transfer of realized gain of disposal of property plant and equipment	-	(26,809)	-	26,809	-	-
Transactions with owners recorded directly in equity:						
Dividends	-	-	-	(561,834)	-	(561,834)
Balances at March 31, 2012	2,174,980	2,009,894	1,078,467	2,622,864	7,447	7,893,652

DESNOES & GEDDES LIMITED

Company Statement of Cash Flows

9 month period ended March 31, 2012

	Unaudited March 31, 2012 \$'000	Unaudited March 31, 2011 \$'000
CASHFLOWS FROM OPERATING ACTIVITIES		
Profit for the year	757,474	445,493
Adjustments for:		
Items not involving cash:		
Interest income	(5,698)	(4,772)
Interest expense	1,979	36,238
Depreciation	506,010	581,521
Loss/(Gain) on disposal of property, plant and equipment	24,697	(55,199)
Deferred taxation	19,760	(79,459)
Income tax charge	344,814	296,942
Increase in employee benefit asset and obligation	16,000	6,000
	<u>1,665,036</u>	<u>1,226,764</u>
Changes in working capital		
Accounts receivable	(251,788)	(119,289)
Due from fellow subsidiaries	300,187	417,764
Inventories	(120,180)	(181,261)
Accounts payable	(297,921)	(326,746)
Due to fellow subsidiaries	(46,787)	(5,945)
Cash generated from operations	<u>1,248,548</u>	<u>1,011,287</u>
Pension contribution	(13,000)	(11,000)
Interest paid	(2,608)	(38,015)
Income taxes paid	<u>(399,918)</u>	<u>(209,761)</u>
Net cash provided by operating activities	<u>833,022</u>	<u>752,511</u>
CASHFLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(341,256)	(485,509)
Proceeds from disposal of property, plant and equipment	22,483	114,588
Interest received	5,698	4,772
Net cash used by investing activities	<u>(313,075)</u>	<u>(366,149)</u>
CASHFLOWS FROM FINANCING ACTIVITIES		
Short term loan	-	(460,000)
Dividend payments	(561,834)	-
Net cash used by financing activities	<u>(561,834)</u>	<u>(460,000)</u>
Net (decrease)/ increase in cash and cash equivalents	(41,887)	(73,638)
Cash and cash equivalents at beginning of year	<u>272,299</u>	<u>429,153</u>
Cash and cash equivalent at end of year	<u>230,412</u>	<u>355,515</u>
Comprised of:-		
Cash and bank balances	228,464	337,432
Short-term deposits	1,948	18,083
	<u>230,412</u>	<u>355,515</u>

DESNOES & GEDDES LIMITED

Group Statement of Cash Flows

9 month period ended March 31, 2012

	Unaudited March 31, 2012 \$'000	Unaudited March 31, 2011 \$'000
CASHFLOWS FROM OPERATING ACTIVITIES		
Profit for the year	757,474	445,493
Adjustments for:		
Items not involving cash:		
Interest income	(5,698)	(4,772)
Interest expense	1,979	36,238
Depreciation	506,010	581,521
Loss/(Gain) on disposal of property, plant and equipment	24,697	(55,199)
Deferred taxation	19,760	(79,459)
Income tax charge	344,814	296,942
Increase in employee benefit asset and obligation	16,000	6,000
	<u>1,665,036</u>	<u>1,226,764</u>
Changes in working capital		
Accounts receivable	(251,788)	(119,289)
Due from fellow subsidiary	300,188	417,764
Inventories	(120,180)	(181,261)
Accounts payable	(297,921)	(326,746)
Due to fellow subsidiaries	(46,787)	(5,945)
Cash generated from operations	<u>1,248,547</u>	<u>1,011,287</u>
Pension contribution	(13,000)	(11,000)
Interest paid	(2,608)	(38,015)
Income taxes paid	<u>(399,918)</u>	<u>(209,761)</u>
Net cash provided by operating activities	<u>833,021</u>	<u>752,511</u>
CASHFLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(341,256)	(485,509)
Proceeds from disposal of property, plant and equipment	22,483	114,588
Interest received	5,698	4,772
Net cash used by investing activities	<u>(313,075)</u>	<u>(366,149)</u>
CASHFLOWS FROM FINANCING ACTIVITIES		
Short term liabilities		(460,000)
Dividend payments	(561,834)	
Net cash used by financing activities	<u>(561,834)</u>	<u>(460,000)</u>
Net increase in cash and cash equivalents	(41,887)	(73,638)
Cash and cash equivalents at beginning of year	274,055	430,909
Cash and cash equivalent at end of year	<u>232,168</u>	<u>357,271</u>
Comprised of:-		
Cash and bank balances	230,220	339,188
Short-term deposits	1,948	18,083
	<u>232,168</u>	<u>357,271</u>

DESNOES AND GEDDES LIMITED
Financial Information by Geographical Segment
9 month period ended March 31, 2012

	Domestic		Export		Group	
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	Mar. 31, 2012	Mar. 31, 2011	Mar. 31, 2012	Mar. 31, 2011	Mar. 31, 2012	Mar. 31, 2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Turnover	7,341,603	6,902,430	2,438,315	2,855,677	9,779,918	9,758,107
Special consumption tax	(1,578,814)	(1,602,985)	-	-	(1,578,814)	(1,602,985)
Net external revenue	<u>5,762,789</u>	<u>5,299,445</u>	<u>2,438,315</u>	<u>2,855,677</u>	<u>8,201,104</u>	<u>8,155,122</u>
Cost of sales	<u>(3,200,016)</u>	<u>(2,888,000)</u>	<u>(1,988,245)</u>	<u>(2,511,492)</u>	<u>(5,188,262)</u>	<u>(5,399,492)</u>
Gross profit	2,562,773	2,411,445	450,069	344,185	3,012,842	2,755,630
Marketing costs	<u>(646,628)</u>	<u>(653,787)</u>	<u>(322,952)</u>	<u>(567,683)</u>	<u>(969,580)</u>	<u>(1,221,470)</u>
Segment profit	1,916,145	1,757,658	127,116	(223,498)	2,043,262	1,534,160
		updated		updated		
General, selling & administration expenses					(923,798)	(930,897)
Other income, net					35,826	41,980
Trading profit					1,155,291	645,243
Employee benefit expense, net					(16,000)	(6,000)
Non-operating income					3,735	-
Finance income - interest					5,698	4,772
(Loss) / profit on disposal of property, plant and equipment					(24,697)	55,199
Profit before finance cost					1,124,027	699,214
Finance cost					(1,979)	(36,238)
Profit before taxation					1,122,048	662,976
Taxation					(364,574)	(217,483)
Profit after taxation					<u>757,474</u>	<u>445,493</u>
Segment assets					<u>11,082,156</u>	<u>10,667,248</u>
Segment liabilities					<u>3,188,503</u>	<u>3,573,348</u>
Depreciation					<u>(506,010)</u>	<u>(581,521)</u>
Capital expenditure					<u>(341,256)</u>	<u>(485,509)</u>

DESNOES & GEDDES LIMITED

Notes to the Financial Statements

March 31, 2012

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.

2. Basis of preparation

(a) Statement of compliance:

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

(b) Basis of measurement:

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

(c) Functional and presentation currency:

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

(d) Use of estimates and judgments:

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

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

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

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)

March 31, 2012

2. Basis of preparation (cont'd)

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

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

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

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

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

3. Significant accounting policies

(a) Revenue:

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

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)

March 31, 2012

3. Significant accounting policies

(b) Property, plant and equipment:

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

(ii) Depreciation:

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

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

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

(c) Inventories:

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

(d) Taxation:

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

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

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

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)

March 31, 2012

3. Significant accounting policies (cont'd)

(e) Employee benefits:

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

(f) Segment reporting:

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

(g) Earnings per share:

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