

DESNOES & GEDDES LIMITED
UNAUDITED OPERATING RESULTS
FOR THE PERIOD ENDED DECEMBER 31, 2013

The Directors of Desnoes & 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 period ended December 31, 2013.

(Results in J\$ millions)	Profit and Loss Summary					
	6-months ended December 31			3-months ended December 31		
	FY14	FY13	% change	FY14	FY13	change
	J\$m	J\$m	%	J\$m	J\$m	%
Net sales value	5,942	5,294	12 %	3,250	2,730	19 %
Trading profit	1,471	1,218	21 %	932	707	32 %
Profit before tax	2,449	1,213	102 %	1,890	703	169 %
Profit after tax	1,947	808	141 %	1,579	468	238 %
Earnings per stock unit (cents)	69.31	28.76	141 %	56.22	16.66	238 %

Performance Highlights

Profit after tax for the half year ended December 31, 2013 increased by 141% (Quarter 238%) when compared to the same period last year. This had a corresponding impact on the increase in earning per stock to 69.31 cents versus 28.76 cents the previous year. In addition to a robust organic business performance, our profit before tax was buoyed by capital gains from the disposal of shareholdings in breweries in Haiti and St. Lucia in the amount of J\$974m, which contributed 34.69 cents to EPS.

Net Sales Value (NSV) for the half year was \$5,942 million, representing a 12% increase compared to the same period last year. The domestic portfolio performance continued to grow, increasing by 23% due to growth in our brewed portfolio as well as improved pricing. Export sales declined by 28% due to the shift in production from Jamaica to the USA during the last financial year.

Cost of sales for the half year at \$3,478 million represented an increase of 16% versus the corresponding period for the previous year. Apart from the impact of the depreciating dollar on the foreign-denominated cost of inputs, the company incurred transition costs in the outsourcing of its selling and distribution to Celebration Brands Ltd. ('CBL'), including a brief period where it had to run parallel operations. Export cost however, was correspondingly lower by 39%, as a result of the new USA business model.

Marketing expenses of \$497 million for the half year decreased by \$49 million (9%) when compared to the previous year which featured higher than usual expenditure due to our participation in the Jamaica 50 independence celebrations as well as expenditure related to the 2012 Summer Olympic Games.

General, selling and administrative (GS&A) expenses for the half year were \$54m (9%) below last year largely due to cost containment initiatives as well as savings associated with our now outsourced selling and distributions activities.

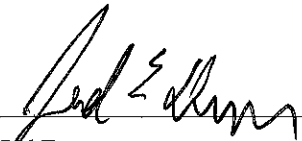
Our improved performance is reflected in our cash flow, which continues to be strong despite some adverse movements in working capital, primarily as a result of our changed route-to-market system that features 100% credit sales to CBL.

Enriched Communities

Red Stripe recently launched its four-pronged approach to responsible drinking on the lawns of Jamaica House, dubbed 'Drink Right'. Prime Minister, The Honorable Portia Simpson Miller lauded Red Stripe for its commitment and leadership to challenge the problem of irresponsible drinking. *Drink Right* is an effective strategy to address underage drinking, prevent excessive drinking and tackle driving under the influence. The campaign is a social movement that strives to create a culture and attitude of responsibility in the consumption of alcohol through the implementation of a variety of programmes that show the highest potential for impact. The campaign encompasses detailed plans in partnership with the Government, law-enforcement bodies, public-health communities and others to achieve the commitment to reducing underage drinking, drink driving and retailer improve retailer engagement.



Cedric Blair
Managing Director
February 7, 2014



Jed Dryer
Director
February 7, 2014

DESNOES & GEDDES LIMITED
GROUP STATEMENT OF FINANCIAL POSITION

As at December 31, 2013

	Unaudited December 31, 2013 \$'000	Unaudited December 31, 2012 \$'000	Audited June 30, 2013 \$'000
ASSETS			
Investments	18	889,740	960,672
Investment in joint venture	203,819	-	203,402
Investment properties	275,650	152,650	275,650
Property, plant and equipment	4,652,194	4,612,443	4,553,635
Employee benefit asset	639,000	786,000	679,000
Total non-current assets	<u>5,770,681</u>	<u>6,440,833</u>	<u>6,672,359</u>
Cash resources	1,708,822	1,174,078	1,712,439
Short-term deposits	1,131	1,948	1,131
Accounts receivable	2,950,926	1,004,140	1,120,302
Due from fellow subsidiaries	210,058	570,521	317,990
Inventories	952,460	1,248,981	1,020,884
Total current assets	<u>5,823,397</u>	<u>3,999,668</u>	<u>4,172,746</u>
Accounts payable	2,092,749	1,751,042	2,020,449
Taxation payable	527,678	403,273	269,262
Due to fellow subsidiaries	419,079	253,842	248,886
Total current liabilities	<u>3,039,506</u>	<u>2,408,157</u>	<u>2,538,597</u>
Net current assets	<u>2,783,891</u>	<u>1,591,511</u>	<u>1,634,149</u>
Total assets less current liabilities	<u>8,554,572</u>	<u>8,032,344</u>	<u>8,306,508</u>
EQUITY			
Share capital	2,174,980	2,174,980	2,174,980
Capital reserves	72,918	7,770	75,525
Other reserves	384,300	1,392,883	1,365,465
Retained earnings	5,300,660	3,900,843	4,054,824
Shareholders' equity	<u>7,932,858</u>	<u>7,476,476</u>	<u>7,670,794</u>
Minority interest	7,447	7,447	7,447
Total equity	<u>7,940,305</u>	<u>7,483,923</u>	<u>7,678,241</u>
NON-CURRENT LIABILITIES			
Employee benefit obligation	90,000	107,000	92,000
Deferred tax liabilities	524,267	441,421	536,267
Total non-current liabilities	<u>614,267</u>	<u>548,421</u>	<u>628,267</u>
Total equity and non-current liabilities	<u>8,554,572</u>	<u>8,032,344</u>	<u>8,306,508</u>

DESNOES & GEDDES LIMITED
COMPANY STATEMENT OF FINANCIAL POSITION
As at December 31, 2013

	Unaudited December 31, 2013 \$'000	Unaudited December 31, 2012 \$'000	Audited June 30, 2013 \$'000
ASSETS			
Investments	-	890,895	960,654
Investment in joint venture	191,500	-	191,500
Investment properties	275,650	152,650	275,650
Property, plant and equipment	4,652,194	4,612,443	4,553,635
Employee benefit asset	639,000	786,000	679,000
Total non-current assets	5,758,344	6,441,988	6,660,439
Cash and bank	1,707,066	1,172,322	1,710,683
Short-term deposits	1,131	1,948	1,131
Accounts receivable	2,950,926	1,004,140	1,120,302
Due from fellow subsidiaries	210,058	570,521	317,990
Inventories	952,460	1,248,981	1,020,884
Total current assets	5,821,641	3,997,912	4,170,990
Accounts payable	2,088,871	1,748,334	2,016,570
Taxation payable	527,688	403,285	269,272
Due to fellow subsidiaries	419,079	253,842	248,886
Total current liabilities	3,035,638	2,405,461	2,534,728
Net current assets/(liabilities)	2,786,003	1,592,451	1,636,262
Total assets less current liabilities	8,544,347	8,034,439	8,296,701
EQUITY			
Share capital	2,174,980	2,174,980	2,174,980
Capital reserves	67,755	-	67,755
Other reserves	384,300	1,392,883	1,365,465
Retained earnings	5,244,638	3,760,920	3,902,999
Total equity	7,871,673	7,328,783	7,511,199
NON-CURRENT LIABILITIES			
Employee benefit obligation	90,000	107,000	92,000
Long-term liabilities	58,407	157,235	157,235
Deferred tax liabilities	524,267	441,421	536,267
Total non-current liabilities	672,674	705,656	785,502
Total equity and non-current liabilities	8,544,347	8,034,439	8,296,701

DESNOES & GEDDES LIMITED

Group Income Statements

6 months period ended December 31, 2013

	Unaudited 6 months to December 31, 2013 \$'000	Unaudited 6 months to December 30, 2012 \$'000	Unaudited 3 months to Dec. 31, 2013 \$'000	Unaudited 3 months to Dec. 31, 2012 \$'000
Turnover	7,299,484	6,510,117	4,016,898	3,388,868
Special Consumption Tax (SCT)	(1,357,105)	(1,216,586)	(766,637)	(658,509)
Net sales	5,942,379	5,293,531	3,250,261	2,730,359
Cost of sales	(3,478,392)	(3,011,190)	(1,887,949)	(1,523,228)
Gross profit	2,463,987	2,282,341	1,362,312	1,207,131
Marketing costs	(496,938)	(545,888)	(230,821)	(232,975)
Contribution after marketing	1,967,049	1,736,453	1,131,491	974,156
General, selling and administration expenses	(541,546)	(596,499)	(253,312)	(286,355)
Other income/expense	45,618	77,950	53,521	18,852
Trading profit	1,471,121	1,217,904	931,699	706,653
Employee benefit expense	(6,000)	(15,000)	(3,000)	(10,000)
Non-operating (expenses)/income	1,975	(3,047)	1,288	(176)
Finance income - interest	11,458	14,633	5,100	8,473
Share of profit in joint venture	417	-	(18,790)	-
Gain/(Loss) on disposal of property, plant & equipment & investment	970,251	(1,527)	973,549	(1,527)
Profit before finance cost	2,449,221	1,212,963	1,889,846	703,422
Finance cost	-	-	0	0
Profit before taxation	2,449,221	1,212,963	1,889,846	703,422
Taxation	(502,299)	(405,166)	(310,601)	(235,319)
Profit for the period attributable to equity holders of the parent company, all dealt with in the financial statements of the company	1,946,923	807,797	1,579,246	468,103
Earnings per stock unit	<u>69.31</u> ¢	<u>28.76</u> ¢	<u>56.22</u> ¢	<u>16.66</u> ¢

DESNOES & GEDDES LIMITED

Company Income Statements

6 months period ended December 31, 2013

	Unaudited 6 months to December 31, 2013 \$'000	Unaudited 6 months to December 30, 2012 \$'000	Unaudited 3 months to Dec. 31, 2013 \$'000	Unaudited 3 months to Dec. 31, 2012 \$'000
Turnover	7,299,484	6,510,117	4,016,898	3,388,868
Special Consumption Tax (SCT)	(1,357,105)	(1,216,586)	(766,637)	(658,509)
Net sales	5,942,379	5,293,531	3,250,261	2,730,359
Cost of sales	(3,478,392)	(3,011,190)	(1,887,949)	(1,523,228)
Gross profit	2,463,987	2,282,341	1,362,312	1,207,131
Marketing costs	(496,938)	(545,888)	(230,821)	(232,975)
Contribution after marketing	1,967,049	1,736,453	1,131,491	974,156
General, selling and administration expenses	(541,546)	(596,499)	(253,312)	(286,355)
Other income/expense	144,445	77,950	53,521	18,852
Trading profit	1,569,947	1,217,904	931,699	706,653
Employee benefit expense	(6,000)	(15,000)	(3,000)	(10,000)
Non-operating (expenses)/income	1,975	(3,047)	1,288	(176)
Finance income - interest	11,458	14,633	5,100	8,473
Gain/(Loss) on disposal of property, plant & equipment & investment	970,251	(1,527)	973,549	(1,527)
Profit before finance cost	2,547,631	1,212,963	1,908,636	703,422
Finance cost	-	-	-	-
Profit before taxation	2,547,631	1,212,963	1,908,636	703,422
Taxation	(502,299)	(405,166)	(310,601)	(235,319)
Profit for the period attributable to equity holders of the parent company, all dealt with in the financial statements of the company	2,045,332	807,797	1,598,035	468,103
Earnings per stock unit	<u>72.81</u> ¢	<u>28.76</u> ¢	<u>56.89</u> ¢	<u>16.66</u> ¢

DESNOES & GEDDES LIMITED
Group Statement of Comprehensive Income
6 months period ended December 31, 2013

	Unaudited December 31, 2013 \$'000	Unaudited December 30, 2012 \$'000
Profit for the period	<u>1,946,923</u>	<u>807,797</u>
Other comprehensive income/ (loss):		
Realised gains transferred to profit on available-for-sale investment:	(954,565)	-
Change in unrecognised employee benefit asset	(8,000)	69,000
Deferred taxation on employee benefit asset	12,000	1,500
Actuarial (loss)/gain recognised in equity	(32,000)	(75,000)
Total other comprehensive loss	<u>(982,565)</u>	<u>(4,500)</u>
Total comprehensive income for the period	<u>964,358</u>	<u>803,297</u>

DESNOES & GEDDES LIMITED
Company Statement of Comprehensive Income
6 months period ended December 31, 2013

	Unaudited December 31, 2013	Unaudited December 30, 2012
	\$'000	\$'000
Profit for the period	<u>2,045,332</u>	<u>807,797</u>
Other comprehensive income/ (loss):		
Realised gains transferred to profit on available-for-sale investment:	(954,565)	-
Change in unrecognised employee benefit asset	(8,000)	69,000
Deferred taxation on employee benefit asset	12,000	1,500
Actuarial (loss)/gain recognised in equity	(32,000)	(75,000)
Total other comprehensive loss	<u>(982,565)</u>	<u>(4,500)</u>
Total comprehensive income for the period	<u>1,062,767</u>	<u>803,297</u>

DESNOES & GEDDES LIMITED
Unaudited Group Statement of Changes in Equity
6 months period ended December 31, 2013

	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, 2012	2,174,980	7,770	1,401,883	3,650,382	7,447	7,242,462
Total comprehensive income for the year:	-	-	-	803,297	-	803,297
Movement between reserves:						
Transfer to pension equalisation reserve	-	-	(9,000)	9,000	-	-
Dividends	-	-	-	(561,834)	-	(561,834)
Balances at December 31, 2012	<u>2,174,980</u>	<u>7,770</u>	<u>1,392,883</u>	<u>3,900,845</u>	<u>7,447</u>	<u>7,483,925</u>
Balances at June 30, 2013	2,174,980	75,525	1,365,465	4,054,824	7,447	7,678,241
Total comprehensive income for the year:	-	-	-	1,946,923	-	1,946,923
Other comprehensive income:						
Realised gains transferred to profit on available-for-sale investments	-	-	(954,565)	-	-	(954,565)
Revaluation surplus on property, plant and equipment	-	-	-	-	-	-
Change in unrecognised employee benefit asset	-	-	-	(8,000)	-	(8,000)
Deferred taxes on employee benefit asset/obligation	-	-	-	12,000	-	12,000
Actuarial gains recognised in equity	-	-	-	(32,000)	-	(32,000)
Total other comprehensive income/ (loss)	-	-	(954,565)	(28,000)	-	(982,565)
Movement between reserves:						
Transfer to pension equalisation reserve	-	-	(26,600)	26,600	-	-
Elimination of capital reserves for companies dissolved to retain earning	-	(2,607)	-	2,607	-	-
Transactions with owners recorded directly in equity:						
Dividends	-	-	-	(702,294)	-	(702,294)
Balances at December 31, 2013	<u>2,174,980</u>	<u>72,918</u>	<u>384,300</u>	<u>5,300,660</u>	<u>7,447</u>	<u>7,940,305</u>

DESNOES & GEDDES LIMITED
Unaudited Company Statement of Changes in Equity
6 months period ended December 31, 2013

	Share capital \$'000	Capital reserves \$'000	Other reserves \$'000	Retained earnings \$'000	Total \$'000
Balances at June 30, 2012	2,174,980	-	1,401,883	3,510,459	7,087,322
Total comprehensive income for the year:				803,297	803,297
Movement between reserves:					
Transfer to pension equalisation reserve	-	-	(9,000)	9,000	-
Dividends	-	-	-	(561,834)	(561,834)
Balances at December 31, 2012	2,174,980	-	1,392,883	3,760,922	7,328,785
Balances at June 30, 2013	2,174,980	67,755	1,365,465	3,902,999	7,511,199
Total comprehensive income for the year:				2,045,332	2,045,332
Other comprehensive income:					
Realised gains transferred to profit on available-for-sale investment	-	-	(954,565)	-	(954,565)
Change in unrecognised employee benefit asset	-	-	-	(8,000)	(8,000)
Deferred taxes on employee benefit	-	-	-	12,000	12,000
Actuarial gains and losses	-	-	-	(32,000)	(32,000)
Total comprehensive income	-	-	(954,565)	(28,000)	(982,565)
Movement between reserves:					
Transfer to pension equalisation reserve	-	-	(26,600)	26,600	-
Transactions with owners recorded directly in equity:					
Dividends	-	-	-	(702,294)	(702,294)
Balances at December 31, 2013	2,174,980	67,755	384,300	5,244,638	7,871,673

DESNOES & GEDDES LIMITED**Group Statement of Cash Flows****6 months period ended December 31, 2013**

	Unaudited December 31, 2013 \$'000	Unaudited December 31, 2012 \$'000
CASHFLOWS FROM OPERATING ACTIVITIES		
Profit for the period	1,946,923	807,797
Adjustments for:		
Items not involving cash:		
Interest income	(11,459)	(14,633)
Depreciation	373,072	345,148
Loss on disposal of property, plant and equipment	3,447	1,527
Gain on disposal of investment	(973,698)	-
Legal fees - disposal of investments	(847)	-
Deferred taxation	-	1,500
Income tax charge	502,299	405,166
Increase in employee benefit asset and obligation	6,000	15,000
Share of profit in Joint Venture	(417)	-
	<u>1,845,319</u>	<u>1,561,505</u>
Changes in working capital		
Accounts receivable	(1,830,624)	(397,913)
Due from fellow subsidiary	107,932	(34,209)
Inventories	81,534	6,646
Accounts payable	72,300	(34,573)
Due to fellow subsidiaries	170,192	154,107
Cash generated from operations	<u>446,653</u>	<u>1,255,563</u>
Pension contribution	(8,000)	(10,000)
Income taxes paid	(219,525)	(210,153)
Net cash provided by operating activities	<u>219,128</u>	<u>1,035,409</u>
CASHFLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(490,100)	(284,773)
Proceeds from disposal of property, plant and equipment	1,911	-
Proceeds from disposal of investments	956,277	-
Interest received	11,459	14,331
Net cash provided/used by investing activities	<u>479,548</u>	<u>(270,442)</u>
CASHFLOWS FROM FINANCING ACTIVITY		
Dividend payments	(702,293)	(561,834)
Net decrease/increase in cash and cash equivalents	(3,617)	203,133
Cash and cash equivalents at beginning of period	<u>1,713,570</u>	<u>972,893</u>
Cash and cash equivalent at end of period	<u>1,709,953</u>	<u>1,176,026</u>
Comprised of:-		
Cash and bank balances	1,708,822	1,174,078
Short-term deposits	1,131	1,948
	<u>1,709,953</u>	<u>1,176,026</u>

DESNOES & GEDDES LIMITED

Company Statement of Cash Flows

6 months period ended December 31, 2013

	Unaudited December 31, 2013 \$'000	Unaudited December 31, 2012 \$'000
CASHFLOWS FROM OPERATING ACTIVITIES		
Profit for the period	2,045,332	807,797
Adjustments for:		
Items not involving cash:		
Interest income	(11,459)	(14,633)
Depreciation	373,072	345,148
Loss on disposal of property, plant and equipment	3,447	1,527
Gain on disposal of investment	(973,698)	-
Legal fees - disposal of investments	(847)	-
Deferred taxation	-	1,500
Income tax charge	502,299	405,166
Increase in employee benefit asset and obligation	6,000	15,000
Companies dissolved - D&G Wines & FOJ	(98,826)	-
	<u>1,845,320</u>	<u>1,561,505</u>
Changes in working capital		
Securities purchased under agreements to resell		
Accounts receivable	(1,830,625)	(397,913)
Due from fellow subsidiaries	107,932	(34,209)
Inventories	81,534	6,646
Accounts payable	72,300	(34,573)
Due to fellow subsidiaries	170,193	154,107
Cash generated from operations	446,654	1,255,563
Pension contribution	(8,000)	(10,000)
Income taxes paid	(219,525)	(210,154)
Net cash provided by operating activities	<u>219,129</u>	<u>1,035,409</u>
CASHFLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(490,100)	(284,773)
Proceeds from disposal of property, plant and equipment	1,911	-
Proceeds from disposal of investments	956,277	14,331
Interest received	11,459	-
Net cash provided/used by investing activities	<u>479,548</u>	<u>(270,442)</u>
CASHFLOWS FROM FINANCING ACTIVITY		
Dividend paid	(702,293)	(561,834)
Net decrease/increase in cash and cash equivalents	(3,617)	203,133
Cash and cash equivalents at beginning of period	1,711,814	971,137
Cash and cash equivalent at end of period	<u>1,708,197</u>	<u>1,174,270</u>
Comprised of:-		
Cash and bank balances	1,707,066	1,172,322
Short-term deposits	1,131	1,948
	<u>1,708,197</u>	<u>1,174,270</u>

DESNOES & GEDDES LIMITED
Financial Information by Geographical Segment
6 months period ended December 31, 2013

	Domestic		Export		Group	
	Unaudited Dec 31, 2013 \$'000	Unaudited Dec 31, 2012 \$'000	Unaudited Dec 31, 2013 \$'000	Unaudited Dec 31, 2012 \$'000	Unaudited Dec 31, 2013 \$'000	Unaudited Dec 31, 2012 \$'000
	Turnover	6,473,763	5,362,780	825,721	1,147,337	7,299,484
Special consumption tax	(1,357,105)	(1,216,586)	-	-	(1,357,105)	(1,216,586)
Net external revenue	5,116,658	4,146,193	825,721	1,147,337	5,942,379	5,293,531
Cost of sales	(3,078,824)	(2,351,449)	(399,568)	(659,741)	(3,478,392)	(3,011,190)
Gross profit	2,037,833	1,794,744	426,153	487,596	2,463,987	2,282,341
Marketing costs	(473,027)	(526,773)	(23,911)	(19,115)	(496,938)	(545,888)
Segment profit	1,564,806	1,267,971	402,243	468,481	1,967,049	1,736,453
General, selling & administration expenses					(541,546)	(596,499)
Other income					45,618	77,950
Trading profit					1,471,121	1,217,904
Employee benefit expense					(6,000)	(15,000)
Non-operating (expenses)/income					1,975	(3,047)
Finance income - interest					11,458	14,633
Share of profit in joint venture					417	-
Gain/(Loss) on disposal of property, plant & equipment & investment					970,251	(1,527)
Profit before finance cost					2,449,221	1,212,963
Finance cost					-	-
Profit before taxation					2,449,221	1,212,963
Taxation					(502,299)	(405,166)
Profit after taxation					1,946,923	807,797
Segment assets					11,594,078	10,440,501
Segment liabilities					3,653,773	2,956,578
Depreciation					373,072	345,148
Capital expenditure					490,100	284,773

DESNOES & GEDDES LIMITED

Notes to the Financial Statements
December 31, 2013

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). The accounting policies followed in these interim financial statements are consistent with those used in the audited financial statements for the year ended June 30, 2013.

(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.

(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)
December 31, 2013

2. Basis of preparation (cont'd)

(e) 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)
December 31, 2013

3. Significant accounting policies (cont'd)

(b) Property, plant and equipment:

(i) Items of property, plant and equipment are measured at cost, 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 other comprehensive income.

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 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 realization 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)
December 31, 2013

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 MD 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.