

DESNOES & GEDDES LIMITED
UNAUDITED OPERATING RESULTS
FOR THE PERIOD ENDED MARCH 31, 2014

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 March 31, 2014.

(Results in J\$ millions)	Profit and Loss Summary					
	9-months ended March 31			3-months ended March 31		
	FY14	FY13	% change	FY14	FY13	change
	J\$m	J\$m	%	J\$m	J\$m	%
Net sales value	8,418	7,688	9 %	2,475	2,394	3 %
Trading profit	1,809	1,519	19 %	338	301	12 %
Profit before tax	2,749	1,500	83 %	300	287	4 %
Profit after tax	2,143	1,050	104 %	196	243	(19)%
Earnings per stock unit (cents)	76.27	37.39	104 %	6.97	8.63	(19)%

Performance Highlights

Trading profit for the third quarter ended March 31, 2014 was \$338 million, up 12% versus the same period last year. Profit after tax of \$196 million was 19% below last year due to changes in the corporate income tax rate that resulted in a one-off tax credit in the March quarter of 2013. This had an impact on reported earning per stock of 6.97 cents for the quarter versus 8.63 cents for the previous year.

Net Sales Value (NSV) for the third quarter was \$2,475 million, representing a 3% increase compared to the same period last year. Year to date the domestic business with the brewed portfolio in particular continued to perform well resulting in net sales and trading profit growth of 9% and 19% respectively.

Cost of sales for the third quarter at \$1,577 million represented an increase of 9% versus the corresponding period for the previous year. Apart from the impact of the depreciating dollar on the foreign-denominated cost of inputs as well as local inflation, the company now incurs a direct distribution fee under the outsourced selling and distribution model involving its joint venture business to Celebration Brands Ltd. ('CBL').

Marketing expenses of \$241 million for the third quarter increased by \$51 million (27%) when compared to the previous year which is as a result of timing of promotional activities. However, year to date marketing expense remained flat on last year.

General, selling and administrative (GS&A) expenses for the third quarter were \$28 million (8%) below last year largely due to cost containment initiatives as well as savings associated with our outsourced selling and distributions activities.

Our improving performance is reflected in our closing cash balance for the period of \$1.76 billion, which continues to be strong despite some year on year adverse movements in working capital, primarily as a result of the changed distribution model involving CBL. During the quarter we also recorded increased capital expenditure linked to our strategic projects aimed at bringing improved efficiency and scale to our business.

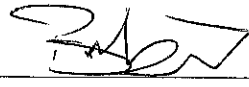
Enriched Communities

After months of planning and high anticipation, Red Stripe is further consolidating plans to becoming more energy efficient through the installation of a Combined Heat and Power (CHP) Plant. The newly acquired plant which came on line in April 2014 is part of the company's plans to reduce cost and lower its carbon footprint and environmental impact through a 50% reduction in greenhouse gas emissions levels by 2016. Modular in design and the first of its kind in Jamaica, this CHP plant will provide electrical power, steam and chilled water to the brewery.

Project Grow, which represents Red Stripe's commitment to using locally grown raw material as the pathway to innovation and growth, continued unabated with the planting of high yielding sweet cassava cultivars on the 36 acre pilot farm. Along with the farm, a formal training program under Diageo Learning for Life is being chartered to provide life-long skills for 160 Jamaican youth, ages 18 – 35 years who are interested in agricultural entrepreneurship. The training curriculum will include classroom and field exercises for a duration of 9 months. Upon successful completion participants will receive HEART Trust NTA certification. Together, the farm and training program will provide a blue print to further expand the program up to the next milestone of 300 and 2400 acres over the next 2 to 5 years respectively.



Cedric Blair
Managing Director
May 5, 2014



Bruce Kidner
Finance Director
May 5, 2014

DESNOES & GEDDES LIMITED
GROUP STATEMENT OF FINANCIAL POSITION
As at March 31, 2014

	Unaudited March 31, 2014 \$'000	Unaudited March 31, 2013 \$'000	Audited June 30, 2013 \$'000
ASSETS			
Investments	18	889,740	960,672
Investment in joint venture	157,215	-	203,402
Investment properties	277,671	152,650	275,650
Property, plant and equipment	4,879,488	4,463,333	4,553,635
Employee benefit asset	808,000	782,000	679,000
Total non-current assets	6,122,392	6,287,723	6,672,359
Cash resources	1,757,567	1,964,126	1,712,439
Short-term deposits	1,131	1,131	1,131
Accounts receivable	2,425,347	846,954	1,120,302
Due from fellow subsidiaries	221,217	220,854	317,990
Inventories	941,636	1,197,713	1,020,884
Total current assets	5,346,898	4,230,778	4,172,746
Accounts payable	1,748,629	1,693,368	2,020,449
Taxation payable	475,885	288,630	269,262
Due to fellow subsidiaries	332,494	261,488	248,886
Total current liabilities	2,557,008	2,243,486	2,538,597
Net current assets	2,789,890	1,987,291	1,634,149
Total assets less current liabilities	8,912,282	8,275,015	8,306,508
EQUITY			
Share capital	2,174,980	2,174,980	2,174,980
Capital reserves	72,918	7,770	75,525
Other reserves	490,400	1,389,133	1,365,465
Retained earnings	5,491,020	4,146,348	4,054,824
Shareholders' equity	8,229,318	7,718,231	7,670,794
Minority interest	7,447	7,447	7,447
Total equity	8,236,765	7,725,678	7,678,241
NON-CURRENT LIABILITIES			
Employee benefit obligation	115,000	108,167	92,000
Deferred tax liabilities	560,517	441,171	536,267
Total non-current liabilities	675,517	549,338	628,267
Total equity and non-current liabilities	8,912,282	8,275,015	8,306,508

DESNOES & GEDDES LIMITED
COMPANY STATEMENT OF FINANCIAL POSITION
As at March 31, 2014

	Unaudited March 31, 2014 \$'000	Unaudited March 31, 2013 \$'000	Audited June 30, 2013 \$'000
ASSETS			
Investments	-	890,895	960,654
Investment in joint venture	191,500	-	191,500
Investment properties	277,671	152,650	275,650
Property, plant and equipment	4,879,488	4,463,333	4,553,635
Employee benefit asset	808,000	782,000	679,000
Total non-current assets	6,156,659	6,288,878	6,660,439
Cash and bank	1,755,811	1,962,370	1,710,683
Short-term deposits	1,131	1,131	1,131
Accounts receivable	2,425,347	846,954	1,120,302
Due from fellow subsidiaries	221,217	220,854	317,990
Inventories	941,636	1,197,713	1,020,884
Total current assets	5,345,142	4,229,022	4,170,990
Accounts payable	1,744,751	1,690,661	2,016,570
Taxation payable	475,895	288,640	269,272
Due to fellow subsidiaries	332,494	261,488	248,886
Total current liabilities	2,553,140	2,240,789	2,534,728
Net current assets/(liabilities)	2,792,002	1,988,233	1,636,262
Total assets less current liabilities	8,948,661	8,277,111	8,296,701
EQUITY			
Share capital	2,174,980	2,174,980	2,174,980
Capital reserves	67,755	-	67,755
Other reserves	490,400	1,389,133	1,365,465
Retained earnings	5,481,602	4,006,425	3,902,999
Total equity	8,214,737	7,570,538	7,511,199
NON-CURRENT LIABILITIES			
Employee benefit obligation	115,000	108,167	92,000
Long-term liabilities	58,407	157,235	157,235
Deferred tax liabilities	560,517	441,171	536,267
Total non-current liabilities	733,924	706,573	785,502
Total equity and non-current liabilities	8,948,661	8,277,111	8,296,701

DESNOES & GEDDES LIMITED

Group Income Statements

9 months period ended March 31, 2014

	Unaudited 9 months to March 31, 2014 \$'000	Unaudited 9 months to March 31, 2013 \$'000	Unaudited 3 months to Mar. 31, 2014 \$'000	Unaudited 3 months to Mar. 31, 2013 \$'000
Turnover	10,346,286	9,459,034	3,046,802	2,948,917
Special Consumption Tax (SCT)	(1,928,637)	(1,771,513)	(571,532)	(554,926)
Net sales	8,417,649	7,687,521	2,475,270	2,393,991
Cost of sales	(5,054,918)	(4,451,964)	(1,576,526)	(1,440,774)
Gross profit	3,362,731	3,235,557	898,744	953,217
Marketing costs	(737,969)	(736,175)	(241,031)	(190,287)
Contribution after marketing	2,624,762	2,499,382	657,713	762,930
General, selling and administration expenses	(855,187)	(938,388)	(313,641)	(341,889)
Other income/expense	39,583	(42,355)	(6,036)	(120,306)
Trading profit	1,809,158	1,518,639	338,036	300,735
Employee benefit expense	(3,500)	(31,000)	2,500	(16,000)
Non-operating (expenses)/income	2,526	(6,011)	551	(2,964)
Finance income - interest	16,585	18,800	5,127	4,166
Share of loss in joint venture	(46,187)	-	(46,604)	-
Gain/(Loss) on disposal of property, plant & equipment & investment	970,239	-	(12)	1,527
Profit before finance cost	2,748,820	1,500,429	299,598	287,464
Finance cost	-	-	-	-
Profit before taxation	2,748,820	1,500,429	299,598	287,464
Taxation	(606,188)	(450,128)	(103,889)	(44,962)
Profit for the period attributable to equity holders of the parent company, all dealt with in the financial statements of the company	2,142,632	1,050,300	195,708	242,502
Earnings per stock unit	<u>76.27</u> ¢	<u>37.39</u> ¢	<u>6.97</u> ¢	<u>8.63</u> ¢

DESNOS & GEDDES LIMITED

Company Income Statements

9 months period ended March 31, 2014

	Unaudited 9 months to March 31, 2014 \$'000	Unaudited 9 months to March 31, 2013 \$'000	Unaudited 3 months to Mar. 31, 2014 \$'000	Unaudited 3 months to Mar. 31, 2013 \$'000
Turnover	10,346,286	9,459,034	3,046,802	2,948,917
Special Consumption Tax (SCT)	(1,928,637)	(1,771,513)	(571,532)	(554,926)
Net sales	8,417,649	7,687,521	2,475,270	2,393,991
Cost of sales	(5,054,918)	(4,451,964)	(1,576,526)	(1,440,774)
Gross profit	3,362,731	3,235,557	898,744	953,217
Marketing costs	(737,969)	(736,175)	(241,031)	(190,287)
Contribution after marketing	2,624,762	2,499,382	657,713	762,930
General, selling and administration expenses	(855,187)	(938,388)	(313,641)	(341,889)
Other income/expense	138,409	(42,355)	(6,036)	(120,306)
Trading profit	1,907,984	1,518,639	338,036	300,735
Employee benefit expense	(3,500)	(31,000)	2,500	(16,000)
Non-operating (expenses)/income	2,526	(6,011)	551	(2,964)
Finance income - interest	16,585	18,800	5,127	4,166
Gain/(Loss) on disposal of property, plant & equipment & investment	970,239	0	(12)	1,527
Profit before finance cost	2,893,834	1,500,428	346,202	287,464
Finance cost	-	-	-	-
Profit before taxation	2,893,834	1,500,428	346,202	287,464
Taxation	(606,188)	(450,128)	(103,889)	(44,962)
Profit for the period attributable to equity holders of the parent company, all dealt with in the financial statements of the company	2,287,646	1,050,300	242,313	242,502
Earnings per stock unit	<u>81.43</u> ¢	<u>37.39</u> ¢	<u>8.63</u> ¢	<u>8.63</u> ¢

DESNOES & GEDDES LIMITED
Group Statement of Comprehensive Income
9 months period ended March 31, 2014

	Unaudited March 31, 2014 \$'000	Unaudited March 31, 2013 \$'000
Profit for the period	<u>2,142,632</u>	<u>1,050,300</u>
Other comprehensive income/ (loss):		
Realised gains transferred to profit on available-for-sale investments	(954,565)	-
Change in unrecognised employee benefit asset	550,000	(321,000)
Deferred taxation on employee benefit asset	(24,250)	1,750
Actuarial (loss)/gain recognised in equity	(453,000)	314,000
Total other comprehensive loss	<u>(881,815)</u>	<u>(5,250)</u>
Total comprehensive income for the period	<u>1,260,817</u>	<u>1,045,050</u>

DESNOES & GEDDES LIMITED
Company Statement of Comprehensive Income
9 months period ended March 31, 2014

	Unaudited March 31, 2014 \$'000	Unaudited March 31, 2013 \$'000
Profit for the period	<u>2,287,646</u>	<u>1,050,300</u>
Other comprehensive income/ (loss):		
Realised gains transferred to profit on available-for-sale investment	(954,565)	-
Change in unrecognised employee benefit asset	550,000	(321,000)
Deferred taxation on employee benefit asset	(24,250)	1,750
Actuarial (loss)/gain recognised in equity	(453,000)	314,000
Total other comprehensive loss	<u>(881,815)</u>	<u>(5,250)</u>
Total comprehensive income for the period	<u>1,405,831</u>	<u>1,045,050</u>

DESNOES & GEDDES LIMITED
Unaudited Group Statement of Changes in Equity
9 months period ended March 31, 2014

	Attributable to equity holders of the parent company				Minority interest	Total
	Share capital	Capital reserves	Other reserves	Retained earnings		
	\$'000	\$'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:						
Profit for the year	-	-	-	1,050,300	-	1,050,300
Other comprehensive income:						
Change in unrecognised employee benefit asset	-	-	-	(321,000)	-	(321,000)
Deferred taxes on employee benefit asset/obligation	-	-	-	1,750	-	1,750
Actuarial gains recognised in equity	-	-	-	314,000	-	314,000
Total other comprehensive income/ (loss)	-	-	-	(5,250)	-	(5,250)
Total comprehensive income/ (loss)	-	-	-	1,045,050	-	1,045,050
Movement between reserves:						
Transfer to pension equalisation reserve	-	-	(12,750)	12,750	-	-
Dividends	-	-	-	(561,834)	-	(561,834)
Balances at March 31, 2013	2,174,980	7,770	1,389,133	4,146,348	7,447	7,725,678
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:						
Profit for the year	-	-	-	2,142,632	-	2,142,632
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	-	-	-	550,000	-	550,000
Deferred taxes on employee benefit asset/obligation	-	-	-	(24,250)	-	(24,250)
Actuarial gains recognised in equity	-	-	-	(453,000)	-	(453,000)
Total other comprehensive income/ (loss)	-	-	(954,565)	72,750	-	(881,815)
Total comprehensive income/ (loss)	-	-	(954,565)	2,215,382	-	1,260,817
Movement between reserves:						
Transfer to pension equalisation reserve	-	-	79,500	(79,500)	-	-
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 March 31, 2014	2,174,980	72,918	490,400	5,491,020	7,447	8,236,765

DESNOES & GEDDES LIMITED
Unaudited Company Statement of Changes in Equity
9 months period ended March 31, 2014

	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:					
Profit for the year	-	-	-	1,050,300	1,050,300
Other comprehensive income:					
Change in unrecognised employee benefit asset	-	-	-	(321,000)	(321,000)
Deferred taxes on employee benefit	-	-	-	1,750	1,750
Actuarial gains and losses	-	-	-	314,000	314,000
Total other comprehensive income	-	-	-	(5,250)	(5,250)
Total comprehensive income	-	-	-	1,045,050	1,045,050
Movement between reserves:					
Transfer to pension equalisation reserve	-	-	(12,750)	12,750	-
Dividends	-	-	-	(561,834)	(561,834)
Balances at March 31, 2013	2,174,980	-	1,389,133	4,006,425	7,570,538
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:					
Profit for the year				2,287,646	2,287,646
Other comprehensive income:					
Realised gains transferred to profit on available-for-sale investments	-	-	(954,565)	-	(954,565)
Change in unrecognised employee benefit asset	-	-	-	550,000	550,000
Deferred taxes on employee benefit	-	-	-	(24,250)	(24,250)
Actuarial gains and losses	-	-	-	(453,000)	(453,000)
Total other comprehensive income	-	-	-	72,750	(881,815)
Total comprehensive income/ (loss)	-	-	(954,565)	2,360,396	1,405,831
Movement between reserves:					
Transfer to pension equalisation reserve	-	-	79,500	(79,500)	-
Transactions with owners recorded directly in equity:					
Dividends	-	-	-	(702,294)	(702,294)
Balances at March 31, 2014	2,174,980	67,755	490,400	7,769,247	8,214,737

DESNOES & GEDDES LIMITED**Group Statement of Cash Flows****9 months period ended March 31, 2014**

	Unaudited March 31, 2014 \$'000	Unaudited March 31, 2013 \$'000
CASHFLOWS FROM OPERATING ACTIVITIES		
Profit for the period	2,142,632	1,050,300
Adjustments for:		
Items not involving cash:		
Interest income	(16,585)	(18,800)
Depreciation	527,431	508,278
Loss on disposal of property, plant and equipment	3,459	34,972
Gain on disposal of investment	(973,698)	-
Legal fees - disposal of investments	(847)	-
Deferred taxation	-	-
Income tax charge	606,188	450,128
Increase in employee benefit asset and obligation	3,500	31,000
Share of profit in Joint Venture	46,187	-
	<u>2,338,267</u>	<u>2,055,878</u>
Changes in working capital		
Accounts receivable	(1,305,045)	(240,425)
Due from fellow subsidiary	96,773	315,457
Inventories	92,356	57,914
Accounts payable	(271,820)	(92,246)
Due to fellow subsidiaries	83,610	161,754
Cash generated from operations	<u>1,034,141</u>	<u>2,258,333</u>
Pension contribution	(12,500)	(20,833)
Income taxes paid	(375,208)	(369,863)
Net cash provided by operating activities	<u>646,433</u>	<u>1,867,637</u>
CASHFLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(875,040)	(332,239)
Proceeds from disposal of property, plant and equipment	3,166	-
Proceeds from disposal of investments	956,277	-
Interest received	16,585	18,800
Net cash provided/used by investing activities	<u>100,988</u>	<u>(313,439)</u>
CASHFLOWS FROM FINANCING ACTIVITY		
Dividend payments	(702,293)	(561,834)
Net decrease/increase in cash and cash equivalents	45,128	992,363
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>1,758,698</u>	<u>1,965,256</u>
Comprised of:-		
Cash and bank balances	1,757,567	1,964,125
Short-term deposits	<u>1,131</u>	<u>1,131</u>
	<u>1,758,698</u>	<u>1,965,256</u>

DESNOES & GEDDES LIMITED**Company Statement of Cash Flows****9 months period ended March 31, 2014**

	Unaudited March 31, 2014 \$'000	Unaudited March 31, 2013 \$'000
CASHFLOWS FROM OPERATING ACTIVITIES		
Profit for the period	2,287,646	1,050,300
Adjustments for:		
Items not involving cash:		
Interest income	(16,585)	(18,800)
Depreciation	527,431	508,278
Loss on disposal of property, plant and equipment	3,459	34,972
Gain on disposal of investment	(973,698)	-
Legal fees - disposal of investments	(847)	-
Deferred taxation	-	-
Income tax charge	606,188	450,128
Increase in employee benefit asset and obligation	3,500	31,000
Companies dissolved - D&G Wines & FOJ	(98,826)	-
	<u>2,338,268</u>	<u>2,055,878</u>
Changes in working capital		
Securities purchased under agreements to resell		
Accounts receivable	(1,305,046)	(240,425)
Due from fellow subsidiaries	96,773	315,457
Inventories	92,356	57,914
Accounts payable	(271,820)	(92,246)
Due to fellow subsidiaries	83,611	161,754
Cash generated from operations	<u>1,034,142</u>	<u>2,258,333</u>
Pension contribution	(12,500)	(20,833)
Income taxes paid	(375,208)	(369,863)
Net cash provided by operating activities	<u>646,434</u>	<u>1,867,637</u>
CASHFLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(875,040)	(332,239)
Proceeds from disposal of property, plant and equipment	3,166	-
Proceeds from disposal of investments	956,277	-
Interest received	16,585	18,800
Net cash provided/used by investing activities	<u>100,988</u>	<u>(313,439)</u>
CASHFLOWS FROM FINANCING ACTIVITY		
Dividend paid	(702,293)	(561,834)
Net decrease/increase in cash and cash equivalents	45,128	992,363
Cash and cash equivalents at beginning of period	<u>1,711,814</u>	<u>971,137</u>
Cash and cash equivalent at end of period	<u>1,756,942</u>	<u>1,963,500</u>
Comprised of:-		
Cash and bank balances	1,755,811	1,962,369
Short-term deposits	1,131	1,131
	<u>1,756,942</u>	<u>1,963,500</u>

DESNOES & GEDDES LIMITED
Financial Information by Geographical Segment
9 months period ended March 31, 2014

	Domestic		Export		Group	
	Unaudited Mar 31, 2014 \$'000	Unaudited Mar 31, 2013 \$'000	Unaudited Mar 31, 2014 \$'000	Unaudited Mar 31, 2013 \$'000	Unaudited Mar 31, 2014 \$'000	Unaudited Mar 31, 2013 \$'000
Turnover	9,156,416	8,091,189	1,189,870	1,367,845	10,346,286	9,459,034
Special consumption tax	(1,928,637)	(1,771,513)	-	-	(1,928,637)	(1,771,513)
Net external revenue	7,227,779	6,319,676	1,189,870	1,367,845	8,417,649	7,687,521
Cost of sales	(4,472,116)	(3,648,041)	(582,802)	(803,923)	(5,054,918)	(4,451,964)
Gross profit	2,755,663	2,671,635	607,068	563,922	3,362,731	3,235,557
Marketing costs	(708,374)	(702,205)	(29,595)	(33,970)	(737,969)	(736,175)
Segment profit	2,047,290	1,969,430	577,472	529,952	2,624,762	2,499,383
General, selling & administration expenses					(855,187)	(938,388)
Other income					39,583	(42,355)
Trading profit					1,809,158	1,518,640
Employee benefit expense					(3,500)	(31,000)
Non-operating (expenses)/income					2,526	(6,011)
Finance income - interest					16,585	18,800
Share of profit in joint venture					(46,187)	-
Gain/(Loss) on disposal of property, plant & equipment & investment					970,239	-
Profit before finance cost					2,748,820	1,500,429
Finance cost					-	-
Profit before taxation					2,748,820	1,500,429
Taxation					(606,188)	(450,128)
Profit after taxation					2,142,632	1,050,300
Segment assets					14,451,543	10,518,501
Segment liabilities					6,214,778	2,792,824
Depreciation					527,431	508,278
Capital expenditure					875,040	332,239

DESNOES & GEDDES LIMITED

Notes to the Financial Statements
March 31, 2014

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)
March 31, 2014

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)
March 31, 2014

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)

March 31, 2014

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.