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INDEPENDENT AUDITORS' REPORT

To the Members of
DESNOES & GEDDES LIMITED

Report on the financial statements

We have audited the separate 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 48, which comprise the company's and group's statements of financial position as at June 30, 2014, the company's and group's income statements, statements of profit or loss and other 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 of financial statements that give a true and fair view 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 of material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the 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 or not the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including our 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 control relevant to the entity's preparation of financial statements that give a true and fair view 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 control. 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.

INDEPENDENT AUDITORS' REPORT

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 position of the company and group as at June 30, 2014, and of the company's and group's financial performance 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, so far as appears from our examination of those records and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.

KPMG

Chartered Accountants
Kingston, Jamaica

August 26, 2014

DESNOES & GEDDES LIMITED

Company Statement of Financial Position
As at June 30, 2014

	Notes	2014 $'000	2013 $'000
Non-current assets			
Investments	4	-	960,654
Investment in joint venture	5	191,500	191,500
Investment properties	6	889,599	275,650
Property, plant and equipment	7	5,495,994	4,553,635
Employee benefits asset	8	1,046,000	679,000
Total non-current assets		**7,623,093**	**6,660,439**
Current assets			
Cash and cash equivalents		1,788,523	1,711,814
Accounts receivable	9	1,368,754	1,120,302
Due from fellow subsidiaries	10	407,208	317,990
Inventories	11	1,076,485	1,020,884
Total current assets		**4,640,970**	**4,170,990**
Current liabilities			
Accounts payable	12	2,014,807	2,016,570
Taxation payable		416,451	269,272
Due to fellow subsidiaries	10	193,601	248,886
Total current liabilities		**2,624,859**	**2,534,728**
Net current assets		**2,016,111**	**1,636,262**
Total assets less current liabilities		**9,639,204**	**8,296,701**
Equity			
Share capital	13	2,174,980	2,174,980
Capital reserves	14	378,129	67,755
Other reserves	15	678,000	1,365,465
Retained earnings		5,789,985	3,902,999
Total equity		**9,021,094**	**7,511,199**
Non-current liabilities			
Employee benefits obligation	8	142,000	92,000
Long-term liabilities	16	-	157,235
Deferred tax liabilities	17	476,110	536,267
Total non-current liabilities		**618,110**	**785,502**
Total equity and non-current liabilities		**9,639,204**	**8,296,701**

The financial statements on pages 3 to 48 were approved for issue by the Board of Directors on August 26, 2014 and signed on its behalf by:

_________________________ Director
Richard O. Byles

_________________________ Director
Cedric Blair

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

DESNOES & GEDDES LIMITED

Group Statement of Financial Position
As at June 30, 2014

	Notes	2014 $'000	2013 $'000
Non-current assets			
Investments	4	-	960,672
Investment in joint venture	5	181,033	203,402
Investment properties	6	889,599	275,650
Property, plant and equipment	7	5,495,994	4,553,635
Employee benefits asset	8	1,046,000	679,000
Total non-current assets		**7,612,626**	**6,672,359**
Current assets			
Cash and cash equivalents		1,788,523	1,713,570
Accounts receivable	9	1,368,754	1,120,302
Due from fellow subsidiaries	10	407,208	317,990
Inventories	11	1,076,485	1,020,884
Total current assets		**4,640,970**	**4,172,746**
Current liabilities			
Accounts payable	12	2,014,807	2,020,449
Taxation payable		416,451	269,262
Due to fellow subsidiaries	10	193,601	248,886
Total current liabilities		**2,624,859**	**2,538,597**
Net current assets		**2,016,111**	**1,634,149**
Total assets less current liabilities		**9,628,737**	**8,306,508**
Equity			
Share capital	13	2,174,980	2,174,980
Capital reserves	14	378,129	75,525
Other reserves	15	678,000	1,365,465
Retained earnings		5,779,518	4,054,824
Attributable to equity holders of the parent		**9,010,627**	**7,670,794**
Non-controlling interest		-	7,447
Total equity		**9,010,627**	**7,678,241**
Non-current liabilities			
Employee benefits obligation	8	142,000	92,000
Deferred tax liabilities	17	476,110	536,267
Total non-current liabilities		**618,110**	**628,267**
Total equity and non-current liabilities		**9,628,737**	**8,306,508**

The financial statements on pages 3 to 48 were approved for issue by the Board of Directors on August 26, 2014 and signed on its behalf by:

Director
Richard O. Byles

Director
Cedric Blair

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

DESNOES & GEDDES LIMITED

Company Income Statement
Year ended June 30, 2014

	Notes	2014 $'000	2013 $'000
Gross sales	18	14,085,101	12,732,391
Special Consumption Tax		(2,587,620)	(2,362,977)
Net sales		11,497,481	10,369,414
Cost of sales		(6,778,859)	(6,117,884)
Gross profit		4,718,622	4,251,530
Marketing costs		(1,003,439)	(926,091)
Contribution after marketing costs		3,715,183	3,325,439
General, selling and administration expenses		(1,222,601)	(1,336,424)
Other income/(expenses), net		387,066	(129,930)
Trading profit		2,879,648	1,859,085
Gain on disposal of investments	4	973,697	-
Pension and medical benefits expense, net	8(d)	(1,000)	(19,000)
Finance income – interest		23,953	27,811
Loss on disposal of property, plant and equipment		(21,881)	(8,473)
Profit before taxation	19	3,854,417	1,859,423
Taxation	20	(523,745)	(660,081)
Profit for the year		**3,330,672**	**1,199,342**

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

DENOES & GEDDES LIMITED

Group Income Statement
Year ended June 30, 2014

	Notes	2014 $'000	2013 $'000
Gross sales	18	14,085,101	12,732,391
Special Consumption Tax		(2,587,620)	(2,362,977)
Net sales		11,497,481	10,369,414
Cost of sales		(6,778,859)	(6,117,884)
Gross profit		4,718,622	4,251,530
Marketing costs		(1,003,439)	(926,091)
Contribution after marketing costs		3,715,183	3,325,439
General, selling and administration expenses		(1,222,601)	(1,336,424)
Other income/(expenses), net		231,926	(129,930)
Trading profit		2,724,508	1,859,085
Gain on disposal of investments	4	973,697	-
Pension and medical benefits expense, net	8(d)	(1,000)	(19,000)
Finance income – interest		23,953	27,811
Share of (loss)/profit in joint venture		(22,369)	11,902
Loss on disposal of property, plant and equipment		(21,881)	(8,473)
Profit before taxation	19	3,676,908	1,871,325
Taxation	20	(523,745)	(660,081)
Profit for the year		**3,153,163**	**1,211,244**
Earnings per stock unit	21	**112.25¢**	**43.12¢**

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

DESNOES & GEDDES LIMITED

Company and Group Statements of Profit or Loss and other Comprehensive Income
Year ended June 30, 2014

		Company	
	Notes	2014 $'000	2013 $'000
Profit for the year		3,330,672	1,199,342
Other comprehensive income:			
Realised gains on disposal of available-for-sale investment transferred to profit		(954,565)	-
Fair value adjustment on available-for-sale investments		-	70,932
Revaluation surplus on property, plant and equipment		310,374	67,755
Actuarial losses on employee benefits assets obligation	8(e)	(796,000)	(220,000)
Change in unrecognised employee benefits asset	8(e)	1,100,000	118,000
Deferred taxation on employee benefits assets/obligation	17	(76,000)	30,600
		(416,191)	67,287
Total comprehensive income for the year		**2,914,481**	**1,266,629**

		Group	
	Notes	2014 $'000	2013 $'000
Profit for the year		3,153,163	1,211,244
Other comprehensive income:			
Realised gains on disposal of available-for-sale investment transferred to profit		(954,565)	-
Fair value adjustment on available-for-sale investments		-	70,932
Revaluation surplus on property, plant and equipment		310,374	67,755
Actuarial losses on employee benefits assets/ obligation	8(e)	(796,000)	(220,000)
Change in unrecognised employee benefits asset	8(e)	1,100,000	118,000
Deferred taxation on employee benefits asset/obligation	17	(76,000)	30,600
		(416,191)	67,287
Total comprehensive income for the year		**2,736,972**	**1,278,531**

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

DESNOES & GEDDES LIMITED

Company Statement of Changes in Equity
Year ended June 30, 2014

	Share capital $'000 (Note 13)	Capital reserves $'000 (Note 14)	Other reserves $'000 (Note 15)	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	-	-	-	1,199,342	1,199,342
Other comprehensive income:					
Items that may be reclassified to profit or loss					
Fair value adjustment on available-for-sale investments	-	-	70,932	-	70,932
Revaluation surplus on property, plant and equipment	-	67,755	-	-	67,755
Items that will never be reclassified to profit or loss					
Change in unrecognised employee benefits asset	-	-	-	118,000	118,000
Deferred taxation on employee benefits asset/ obligation	-	-	-	30,600	30,600
Actuarial losses recognised in equity	-	-	-	(220,000)	(220,000)
Total other comprehensive income	-	67,755	70,932	(71,400)	67,287
Total comprehensive income	-	67,755	70,932	1,127,942	1,266,629
Movement within equity:					
Transfer to pension equalisation reserve	-	-	(107,350)	107,350	-
Transactions with owners recorded directly in equity					
Dividends (note 22)	-	-	-	(842,752)	(842,752)
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	-	-	-	3,330,672	3,330,672
Other comprehensive income:					
Items that may be reclassified to profit or loss					
Fair value adjustment on available-for-sale investments	-	-	(954,565)	-	(954,565)
Revaluation surplus on property, plant and equipment	-	310,374	-	-	310,374
Items that will never be reclassified to profit or loss					
Change in unrecognised employee benefits asset	-	-	-	1,100,000	1,100,000
Deferred taxation on employee benefits asset/ obligation	-	-	-	(76,000)	(76,000)
Actuarial losses recognised in equity	-	-	-	(796,000)	(796,000)
Total other comprehensive income	-	310,374	(954,565)	228,000	(416,191)
Total comprehensive income	-	310,374	(954,565)	3,558,672	2,914,481
Movement within equity:					
Transfer to pension equalisation reserve	-	-	267,100	(267,100)	-
Transactions with owners recorded directly in equity					
Dividends (note 22)	-	-	-	(1,404,586)	(1,404,586)
Balances at June 30, 2014	2,174,980	378,129	678,000	5,789,985	9,021,094

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

DESNOES & GEDDES LIMITED

Group Statement of Changes in Equity
Year ended June 30, 2014

	Attributable to equity holders of the company					
	Share capital $'000 (Note 13)	Capital reserves $'000 (Note 14)	Other reserves $'000 (Note 15)	Retained earnings $'000	Non-controlling interest $'000	Total $'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	-	-	-	1,211,244	-	1,211,244
Other comprehensive income:						
Items that may be reclassified to profit or loss						
Fair value adjustment on available-for-sale investments	-	-	70,932	-	-	70,932
Revaluation surplus on property, plant and equipment	-	67,755	-	-	-	67,755
Items that will never be reclassified to profit or loss						
Change in unrecognised employee benefits asset	-	-	-	118,000	-	118,000
Deferred taxation on employee benefits asset/obligation	-	-	-	30,600	-	30,600
Actuarial losses recognised in equity	-	-	-	(220,000)	-	(220,000)
Total other comprehensive income	-	67,755	70,932	(71,400)	-	67,287
Total comprehensive income	-	67,755	70,932	1,139,844	-	1,278,531
Movements within equity:						
Transfer to pension equalisation reserve	-	-	(107,350)	107,350	-	-
Transactions with owners recorded directly in equity						
Dividends (note 22)	-	-	-	(842,752)	-	(842,752)
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	-	-	-	3,153,163	-	3,153,163
Other comprehensive income:						
Items that may be reclassified to profit or loss						
Fair value adjustment on available-for-sale investments	-	-	(954,565)	-	-	(954,565)
Revaluation surplus on property, plant and equipment	-	310,374	-	-	-	310,374
Items that will never be reclassified to profit or loss						
Change in unrecognised employee benefits asset	-	-	-	1,100,000	-	1,100,000
Deferred taxation on employee benefits asset/obligation	-	-	-	(76,000)	-	(76,000)
Actuarial losses recognised in equity	-	-	-	(796,000)	-	(796,000)
Total other comprehensive income	-	310,374	(954,565)	228,000	-	(416,191)
Total comprehensive income	-	310,374	(954,565)	3,381,163	-	2,736,972
Movements within equity:						
Transfer to pension equalisation reserve	-	-	267,100	(267,100)	-	-
Elimination of minority interest for subsidiaries dissolved	-	-	-	7,447	(7,447)	-
Transfer of capital reserves to retained earnings for subsidiaries dissolved	-	(7,770)	-	7,770	-	-
Total movements within equity	-	(7,770)	267,100	(251,883)	(7,447)	-
Transactions with owners recorded directly in equity						
Dividends	-	-	-	(1,404,586)	-	(1,404,586)
Balances at June 30, 2014	2,174,980	378,129	678,000	5,779,518	-	9,010,627

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

DESNOES & GEDDES LIMITED

Company Statement of Cash Flows
Year ended June 30, 2014

	2014 $'000	2013 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	3,330,672	1,199,342
Adjustments for:		
Depreciation	631,679	667,803
Loss on disposal of property, plant and equipment	21,881	8,473
Employee benefits expense, net	1,000	19,000
Gain on disposal of investment	(973,697)	-
Revaluation of investment properties	(194,949)	-
Write back of long-term liabilities	(157,235)	-
Finance income - interest	(23,953)	(27,811)
Taxation	523,745	660,081
Investments written off	-	1,173
	3,159,143	2,528,061
Changes in:		
Accounts receivable	(248,452)	(513,773)
Due from fellow subsidiaries	(89,218)	218,321
Inventories	(42,492)	269,714
Accounts payable	(1,763)	233,662
Due to fellow subsidiaries	(55,285)	149,150
Cash generated from operations	2,721,933	2,885,135
Pension contributions	(14,000)	(17,000)
Income taxes paid	(489,212)	(475,235)
Net cash provided by operating activities	2,218,721	2,392,900
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(1,720,822)	(647,205)
Investment in joint venture	-	(191,500)
Proceeds from disposal of property, plant and equipment	3,166	1,423
Proceeds from disposal of investments	956,277	-
Interest received	23,953	27,811
Net cash used in investing activities	(737,426)	(809,471)
CASH FLOWS FROM FINANCING ACTIVITY		
Dividends paid, being net cash used in financing activity	(1,404,586)	(842,752)
Net increase in cash and cash equivalents	76,709	740,677
Cash and cash equivalents at beginning of year	1,711,814	971,137
Cash and cash equivalents at end of year	1,788,523	1,711,814

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

DESNOES & GEDDES LIMITED

Group Statement of Cash Flows
Year ended June 30, 2014

	2014 $'000	2013 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	3,153,163	1,211,244
Adjustments for:		
Depreciation	631,679	667,803
Loss on disposal of property, plant and equipment	21,881	8,473
Employee benefits expense, net	1,000	19,000
Share of profit in joint venture	22,369	(11,902)
Interest income	(23,953)	(27,811)
Gain on disposal of investment	(973,697)	-
Revaluation of investment properties	(194,949)	-
Investments written off	-	1,122
Taxation	523,745	660,081
	3,161,238	2,528,010
Changes in:		
Accounts receivable	(248,452)	(513,773)
Due from fellow subsidiaries	(89,218)	218,321
Inventories	(42,492)	269,714
Accounts payable	(5,642)	233,715
Due to fellow subsidiaries	(55,285)	149,151
Cash generated from operations	2,720,149	2,885,138
Pension contributions	(14,000)	(17,000)
Income taxes paid	(489,184)	(475,238)
Net cash provided by operating activities	2,216,965	2,392,900
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(1,720,822)	(647,205)
Investment in joint venture	-	(191,500)
Proceeds from disposal of property, plant and equipment	3,166	1,423
Proceeds from disposal of investments	956,277	-
Interest received	23,953	27,811
Net cash used in investing activities	(737,426)	(809,471)
CASH FLOWS FROM FINANCING ACTIVITY		
Dividends paid, being net cash used in financing activity	(1,404,586)	(842,752)
Net increase in cash and cash equivalents	74,953	740,677
Cash and cash equivalents at beginning of year	1,713,570	972,893
Cash and cash equivalents at end of year	1,788,523	1,713,570

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

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, 2014 was 322 (2013: 455) 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.

Certain new, revised and amended standards and interpretations became effective for the current financial year. The group has adopted the following new standards and amendments to the standards, including consequential amendments to other standards. The nature and effect of the changes are as follows:

(i) IFRS 13, *Fair Value Measurement*

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of 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. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. Consequently, the group has included additional disclosures in this regard (see note 27).

Notwithstanding the above, the change had no significant impact on the measurements of the group's assets and liabilities.

(ii) IAS 1, *Presentation of Financial Statements*

As a result of the amendments to IAS 1, items of other comprehensive income that may be reclassified to profit or loss in the future are presented separately from those that would never be reclassified to profit or loss. Also, the title of the statement has changed from *Statement of Comprehensive Income* to *Statement of Profit or Loss and Other Comprehensive Income.*

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

(iii) IAS 19, *Employee Benefits*

As a result of the adoption of the 2011 amendments to IAS 19, *Employee Benefits*, the Group has changed its accounting policy with respect to the basis for determining the income or expense relating to its post-employment defined benefit plans. The effect of this adjustment did not result in a restatement of the prior year financial statements, as the amount was not material.

As a consequence of the change, the group now determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the year to the net defined benefit liability at the beginning of the year. Net interest also takes into account any changes in the net defined benefit liability during the year as a result of contributions and benefit payments.

The group has assessed the relevance of new standards, amendments, and interpretations which are not yet effective and have not been early adopted, with respect to its operations and have concluded as follows:

(i) IFRS 9, *Financial Instruments*, which is effective for annual reporting periods beginning on or after January 1, 2018 (previously January 1, 2015), retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. It also includes guidance on classification and measurement of financial liabilities designated as at 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.

(ii) The amendment to IAS 32, *Financial Instruments: Presentation,* which is effective for annual reporting periods beginning on or after January 1, 2014, clarifies those conditions needed to meet the criteria specified for offsetting financial assets and liabilities. It requires the entity to prove that there is a legally enforceable right to set off the recognised amounts. Conditions such as whether the set off is contingent on a future event and the nature and right of set-off and laws applicable to the relationships between the parties involved should be examined. Additionally, to meet the criteria, an entity should intend to either settle on a net basis or to realise the asset and settle the liability simultaneously.

(iii) IAS 36, *Impairment of Assets*, was amended by the issue of *Recoverable Amount Disclosures for Non-financial Assets*, which is effective for accounting periods beginning on or after January 1, 2014. The amendment reverses the unintended requirement in IFRS 13, *Fair Value Measurement*, to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. The amendment requires the recoverable amount to be disclosed only when an impairment loss has been recognised or reversed.

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

(iv) *Improvements to IFRS, 2010-2012 and 2011-2013* cycles contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after July 1, 2014. The main amendments applicable to the company are as follows:

- *IFRS 13, Fair Value Measurement*, has been amended to clarify that issuing of the standard and consequential amendments to IAS 39 and IFRS 9 did not intend to prevent entities from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial.

- *IAS 24, Related Party Disclosures*, has been amended to extend the definition of 'related party' to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity. For related party transactions that arise when key management personnel services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the key management personnel services.

The group is assessing the impact that these improvements and the new standards will have on its 2015 financial statements.

(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 which are carried at fair value. In addition:

- the employee-benefit asset is recognised as plan assets, less the present value of the defined-benefit obligation, and is restricted as explained in note 3(e); and

- the defined-benefit liability is the present value of the funded obligation.

(c) Functional and presentation currency

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. 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.

2. Basis of preparation (continued)

(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, 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 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 disclosed below:

(i) Pension and other post-employment benefits

The amounts recognised in the statements of financial position and statement of profit or loss and other comprehensive income for pension and other post-employment benefits are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised include 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 discount rate is determined based on the estimated yield on long-term government securities that have maturity dates approximating the terms of the group's obligation. In the absence of such instruments in Jamaica, it has been necessary to estimate the rate by extrapolating from the longest-tenure security on the market. The estimate of expected rate of increase in medical costs is determined based on inflationary factors. Any changes in assumptions will impact the amounts recorded in the financial statements for these obligations.

(ii) Fair value of available-for-sale investments

The carrying amount for available-for-sale investments is determined by a professional valuator using a relevant market-based approach. Certain assumptions are made in respect of profitability, future tax rates, applicable multiples and discount rates for a minority share in an unquoted investment as detailed in note 4.

(iii) Investment property

Investment property reflect fair value amounts, based on market valuations done by external independent valuers. On the instructions of management, the valuers have used valuation techniques such as the direct sales comparison approach, income approach and cost approach to determine fair value as detailed in note 6.

2. Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

(iv) Allowance for impairment losses on accounts receivable

In determining amounts recorded for impairment losses in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that there may be a measurable decrease in the estimated future cash flows from receivables, for example, due to default or adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired receivables as well as the timing of such cash flows.

(v) Net realizable value of inventories

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realize. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the reporting date to the extent that such events confirm conditions existing as at that date. Estimates of net realizable value also take into consideration the purpose for which the inventory is held.

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.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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 and interest in joint venture made up to June 30, 2014. The company'

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

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

These companies are currently inactive and the shareholdings are the same for 2014 and 2013. The carrying value of the company's interest in these subsidiaries was previously reduced to $Nil.

(ii) Joint arrangements

Joint arrangements are arrangements of which the group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns. They are classified and accounted for as follows:

- Joint operation – when the group has rights to the assets, and obligations for the liabilities, relating to an arrangement, it accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.
- Joint venture – when the group has rights only to the net assets of the arrangements, it accounts for its interest using the equity method, as for associates in (ii) above,

(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 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) 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 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.

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

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 that 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 in other comprehensive income. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. Fair value is estimated by a professional valuator using an appropriate valuation technique, maintainable earnings approach or by reference to recent bid price (note 4).

(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 and long-term liabilities, are measured at amortised cost using the effective interest method, less any impairment losses in respect of financial assets.

(c) Investment properties

Investment properties are measured at fair value determined annually by an independent registered valuator or the management using available market information (note 6). 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 profit or loss.

(d) Property, plant and equipment:

(i) Items of property, plant and equipment are measured at cost, less accumulated depreciation and impairment losses.

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 costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

3. Significant accounting policies (continued)

(d) 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.

(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.

(i) Short-term employee benefits

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 over the period that the employee becomes entitled to the leave.

(ii) Defined-benefit plan

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 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.

The group'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 instruments of terms approximating those of the group's obligation. The calculation is performed by a qualified actuary, using the projected unit credit method.

3. Significant accounting policies (continued)

(e) Employee benefits (continued)

(ii) Defined-benefit plan (continued)

Re-measurements of the net defined-benefit liability, which comprise actuarial gains and losses, are recognised immediately in other comprehensive income. The group determines the net interest expense on the net defined-benefit liability for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the year to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the year as a result of the contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of the plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

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 reductions in future contributions to the plan.

(iii) Other long-term employees benefits

The group 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. Re-measurements are recognised in profit or loss in the period in which they arise.

(iv) Termination benefits

Termination benefits are expected at the earlier of when the group can no longer withdraw the offer of those benefits and when the group recognises cost for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(f) 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.

3. Significant accounting policies (continued)

(g) 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 in other comprehensive income, 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 is provided 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.

(h) Provisions

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.

(i) 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.

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
June 30, 2014

3. Significant accounting policies (continued)

(i) Impairment (continued)

(i) Financial assets (continued)

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in other comprehensive income 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 in other comprehensive income.

(ii) Non-financial assets

The carrying amounts of the group's non-financial assets 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 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 in flows that are largely independent from other assets and groups. Impairment losses are recognised in profit or loss.

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.

(j) 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 tax. 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.

3. Significant accounting policies (continued)

(k) 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.

(l) 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 rates ruling at the reporting date. Foreign exchange differences arising from fluctuations in exchange rates are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rates 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.

(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 stock unit

The group presents basic earnings per stock unit (EPS) data for its ordinary stock. Basic EPS is calculated by dividing the profit or loss attributable to ordinary stockholders of the company by the weighted average number of ordinary stock units in issue during the year.

(o) Cash and cash equivalents

Cash equivalents comprise short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments (these investments include short-term deposits where the maturities do not exceed three months from acquisition date).

Cash and cash equivalents are measured at amortised cost.

3. Significant accounting policies (continued)

(o) Cash and cash equivalents (continued)

Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(p) Accounts receivable

Accounts receivable are carried at amortised cost less allowance for impairment losses. An allowance for impairment of receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the contract. The amount of the allowance is the difference between the carrying amount and the recoverable amount.

(q) Accounts payable

Accounts payable are stated at amortised cost.

(r) Fair value measurement

'Fair value' is 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 in the principal or, in its absence, the most advantageous market to which the group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price.

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

(r) Fair value measurement (continued)

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 – Quoted market price (unadjusted) in an active market for identical assets or liabilities.

- Level 2 – Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

- Level 3 – Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other factors used in estimating discount rates.

Considerable judgment is required in interpreting market data to arrive at estimates of fair values. Consequently, the estimates arrived at may be significantly different from the actual price of the instrument in an arm's length transaction.

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
June 30, 2014

4. Investments

	Company		Group	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Available-for-sale:				
Unquoted				
Brasserie Nationale d' Haiti (i)	-	487,925	-	487,925
Windward and Leeward Brewery Limited (WLBL)(ii)	-	472,729	-	472,729
Loans and receivables	-	-	-	18
	-	960,654	-	960,672

(i) This represents a 5% interest in the investee. The fair value of the investment was determined by a professional business valuator with reference to a recent bid made by a third party for the shares.

(ii) This represents a 10% interest in the investee. The investment in WLBL was carried at fair value determined by a professional business valuator, using a maintainable earnings approach.

Certain assumptions are made in respect of profitability, future tax rates, applicable multiples and discount rates for a minority share in an unquoted investment. Changes in the fair value of the investments are recognised in other comprehensive income.

All of the investments held in the prior period was disposed of during the year.

5. Investment in joint venture

The company jointly controls Celebration Brands Limited (CBL), in which it holds a 50% shareholding and is party to a shareholders' agreement, which requires unanimous agreement on significant strategic and operating decisions. CBL is engaged in the distribution of the products of the venturers in Jamaica. This involves taking orders, delivery and collection, management of credit risk, maintaining coolers and trade dispensing equipment.

CBL is structured as a separate vehicle and provides the group rights to the net assets of the entity, accounted for using the equity method.

In accordance with the agreement under which CBL is established, the group and the other investor may make additional capital contributions as determined by the Board of CBL to be reasonably necessary for the conduct of the company's business. If either party fails to meet the capital call, the other may advance the funds and treat such advance as a deficiency loan to the venture, which would be repayable before any distributions to the non-contributing party.

	The company		The group	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Shares, at cost	191,500	191,500	191,500	191,500
Share of accumulated profits	-	-	(10,467)	11,902
	191,500	191,500	181,033	203,402

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
June 30, 2014

5. Investment in joint venture (continued)

The following tables summarise the financial information of CBL.

	2014 $'000	2013 $'000
Non-current assets	311,208	52,101
Current assets	3,435,503	1,542,524
Current liabilities	(3,384,644)	(1,187,821)
Net assets	362,067	406,804

	2014 $'000	2013 $'000
Revenue	18,873,358	1,816,482
Profit for the period	(44,738)	23,804

6. Investment properties

	Company and Group	
	2014 $'000	2013 $'000
Balance as at beginning of year	275,650	152,650
Revaluation gains	194,949	-
Transfer from property, plant & equipment (note 7)	419,000	123,000
Balance as at end of year	889,599	275,650

The carrying amount of investment properties is the fair value of the properties as determined in the current and prior years by Property Consultants Limited and Breakenridge & Associates, registered independent valuators having an appropriate recognised professional qualification and recent experience in the locations and category of the properties being valued. In estimating the fair values of the properties at the reporting date, management has used the independent valuations as a point of reference.

The transfer during the year represents the value of four (4) distribution centers which are leased to the joint venture (see note 5).

Income amounting to $45,613,908 (2013: Nil) was earned from these properties during the year. Expenses of $1,053,625 (2013: $349,000) were incurred in relation to these properties.

The fair value measurement for investment properties is classified as Level 3.

6. Investment properties (continued)

Investment properties revalued during the year were valued at open market values in accordance with IFRS 13. The valuation techniques used in arriving at the market value, along with the significant assumptions, are described below:

Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Direct sales comparison approach: The approach is based on the principle of substitution whereby the purchaser with perfect knowledge of the property market pays no more for the subject property than the cost of acquiring an existing comparable property, assuming no cost delay in making the substitution. The approach requires comparison of the subject property with others of similar design and utility, inter alia, which were sold in the recent past. However as no two properties are exactly alike, adjustment is made for the difference between the properties subject to valuation and comparable properties.	• Details of the sales of comparable properties based an estimated rental income potential. • Conditions influencing the sale of the comparable properties. • Comparability adjustment.	The estimated fair value would increase/(decrease) if: • Value of comparable properties were higher/(lower). • Comparability adjustment were higher/(lower).

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
June 30, 2014

6. Investment properties (continued)

Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Income approach: The approach is based on income/utility expected to be derived from the ownership of the property. Actual or estimated net income and /reversions for comparable alternative investments of similar quality and durability as the subject property are adopted and capitalized/discounted to obtain the present market rates.	• Net annual income	The estimated fair value would increase/(decrease) if: • Annual net income was higher/(lower).
Cost approach: The approach is based on the principle of substitution whereby the purchaser with perfect knowledge of the property market pays no more for the subject property than the cost of constructing a similar facility of similar size and design. The approach requires the estimated replacement cost of improvements similar to those of the subject property and the deduction of accrued depreciation. The resulting depreciated amount is then added to the current estimated value of the unimproved land.	• Details of the cost of constructing a similar facility of similar size and design. • Estimated replacement cost of improvements similar to those of subject properties. • Depreciation rates.	The estimated fair value would increase/(decrease) if: • Cost of constructing comparable properties were higher/(lower). • Estimated replacement costs of improvements of comparable properties were higher/(lower). • Depreciation rates were higher/(lower).

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
June 30, 2014

7. 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:						
June 30, 2012	1,708,542	5,360,128	620,720	143,692	1,949,208	9,782,290
Additions	4,368	40,325	3,997	291,216	307,299	647,205
Revaluation of buildings reclassified to investment property	67,755	-	-	-	-	67,755
Offset of accumulated depreciation on building reclassified to investment property	(23,687)	-	-	-	-	(23,687)
Reclassified to investment property	(114,472)	-	-	(8,528)	-	(123,000)
Transfers	-	127,946	6,224	(134,170)		-
Disposals/write- off	-	-	(19,227)	-	(39,716)	(58,943)
June 30, 2013	1,642,506	5,528,399	611,714	292,210	2,216,791	10,291,620
Additions	13,730	19,356	-	1,234,693	453,043	1,720,822
Revaluation of buildings reclassified to investment property	310,374	-	-	-	-	310,374
Offset of accumulated depreciation on building reclassified to investment property	(85,421)	(3,807)	-	-	-	(89,228)
Reclassified to investment property	(416,239)	(2,761)	-	-	-	(419,000)
Transfers	16,268	24,745	3,655	(44,668)		-
Disposals/write- off	(58,138)	(75)	(19,707)	-	(20,801)	(98,721)
June 30, 2014	1,423,080	5,565,857	595,662	1,482,235	2,649,033	11,715,867
Depreciation and impairment losses:						
June 30, 2012	123,770	3,296,319	397,990	-	1,289,866	5,107,945
Charge for the year	41,548	326,903	71,572	-	227,780	667,803
Eliminated on disposals/write-off	(23,687)	-	(9,331)	-	(4,745)	(37,763)
June 30, 2013	141,631	3,623,222	460,231	-	1,512,901	5,737,985
Charge for the year	34,867	291,890	55,193	-	249,729	631,679
Eliminated on disposals/write-off	(132,550)	(3,839)	(11,162)	-	(2,240)	(149,791)
June 30, 2014	43,948	3,911,273	504,262	-	1,760,390	6,219,873
Carrying amounts:						
June 30, 2014	1,379,132	1,654,584	91,400	1,482,235	888,643	5,495,994
June 30, 2013	1,500,875	1,905,177	151,483	292,210	703,890	4,553,635
June 30, 2012	1,584,772	2,063,809	222,730	143,692	659,342	4,674,345

8. Employee benefits asset/obligation

The company operates a defined-benefit pension scheme which is open to all permanent employees and is managed by an independent fund manager. 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.

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
June 30, 2014

8. Employee benefits asset/obligation (continued)

(a) Employee benefit asset/(obligation)

	Company and Group			
	Pension asset		Medical obligation	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Present value of funded obligation	(4,730,000)	(3,889,000)	(142,000)	(92,000)
Fair value of plan assets	6,126,000	5,892,000	-	-
Asset not recognised due to limitation	(350,000)	(1,324,000)	-	-
Net asset/(obligation) at end of year	1,046,000	679,000	(142,000)	(92,000)

(b) Movements in the present value of funded and unfunded obligations

	Company and Group			
	Pension asset		Medical obligation	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Balance at beginning of year	(3,889,000)	(3,559,000)	(92,000)	(104,000)
Benefits	373,000	219,000	4,000	4,000
Service and interest costs	(409,000)	(405,000)	(13,000)	(18,000)
Contributions	(83,000)	(102,000)	-	-
Curtailment	-	43,000	-	29,000
Re-measurements	(722,000)	(85,000)	(41,000)	(3,000)
Balance at end of year	(4,730,000)	(3,889,000)	(142,000)	(92,000)

(c) Movement in pension plan assets

	Company and Group	
	2014	2013
	$'000	$'000
Fair value of plan assets at July 1	5,892,000	5,796,000
Contributions paid	93,000	115,000
Interest income on plan assets	547,000	546,000
Benefits paid	(373,000)	(219,000)
Re-measurements	(33,000)	(346,000)
Fair value of plan assets on June 30	6,126,000	5,892,000
Plan assets consist of the following:		
Equities	1,554,000	1,966,000
Foreign currency	1,118,000	949,000
Fixed income securities	1,960,000	1,631,000
Money market securities	45,000	39,000
Real estate	1,449,000	1,307,000
	6,126,000	5,892,000

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
June 30, 2014

8. Employee benefit asset/obligation (continued)

(d) Expense recognised for the year

	Company and Group			
	Pension asset		Medical obligation	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Current service costs	57,000	67,000	4,000	8,000
Net interest cost:				
Interest on obligation	352,000	338,000	9,000	10,000
Interest income on plan asset	(547,000)	(546,000)	-	-
Interest on effect of asset ceiling	126,000	142,000	-	-
	(12,000)	1,000	13,000	18,000
Actual return on plan assets	9.0%	9.0%		

(e) Re-measurement effects recognised in other comprehensive income

	Company and Group			
	Pension asset		Medical obligation	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Change in demographic assumptions	238,000	-	11,000	-
Change in financial assumptions	184,000	-	9,000	-
Experience adjustment	333,000	431,000	21,000	3,000
Impact of curtailment	-	355,000	-	(29,000)
Change in effect of the asset ceiling	(1,100,000)	(660,000)	-	-
	(343,000)	126,000	41,000	(26,000)

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

	2014	2013
	%	%
Inflation rate	5.5	5.5
Discount rate	9.5	10
Future salary increases	5.5	5.5
Future pension increases	4.5	4.5
Medical claims growth	8.5	8.5

(i) The expected long-term rate of return is based on market expectation of inflation of 5.5% (2013: 5.5%) 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.

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
June 30, 2014

8. Employee benefit asset/obligation (continued)

(g) As mortality continues to improve, estimates of life expectancy are expected to increase. The effect on the projected benefit obligation of an increase of one year in the life expectancy is approximately $93 million.

(h) Sensitivity analysis on projected benefit obligation

The calculation of the projected benefit obligation is sensitive to the assumptions used. The table below summarizes how the projected benefit obligation measured at the end of the reporting period would have increased/(decreased) as a result of a change in the respective assumptions by one percentage point. In preparing the analyses for each assumption, all others were held constant. The economic assumptions are somewhat linked as they are all related to inflation. Hence, for example, a 1% reduction in the long-term discount rate would cause some reduction in the medical trend rate.

	2014	
	1 % decrease	1 % increase
Discount rate	632	(493)
Future salary increases	(155)	176
Future pension increases	(339)	392

(i) Liability duration

	2014	2013
Active members and all participants	30 years	32 years

(j) Resulting from the change in IAS 19 [see note 2(a)] which became effective in the current year, a credit of $72,000,000 would have been reclassified from other comprehensive income to profit for the prior year. The financial statements have not been restated for the effect of this amount, as it is not considered material.

9. Accounts receivable

	Company and Group	
	2014	2013
	$'000	$'000
Trade	1,208,539	1,037,191
Other	218,307	126,529
	1,426,846	1,163,720
Less: allowance for impairment	(58,092)	(43,418)
	1,368,754	1,120,302

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
June 30, 2014

9. Accounts receivable (continued)

The maximum exposure to credit risk for trade receivables, less allowance for impairment, at the reporting date by type of customer was:

	Company and group	
	2014	2013
	$'000	$'000
On-trade	42,098	96,407
Off-trade	970,335	833,507
Export	85,656	54,127
Other	52,358	9,732
	1,150,447	993,773

The ageing of trade receivables at the reporting date was:

	2014		2013	
	Gross	Impairment	Gross	Impairment
	$'000	$'000	$'000	$'000
Not past due	1,150,447	-	988,429	(3,648)
Past due 31-60 days	-	-	16,718	(7,726)
Past due 61-90 days	-	-	4,190	(4,190)
More than 90 days	58,092	(58,092)	27,854	(27,854)
Total	1,208,539	(58,092)	1,037,191	(43,418)

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

	Company and Group	
	2014	2013
	$'000	$'000
Balance at July 1, 2013	43,418	31,616
Debts recovered	(6,105)	(2,533)
Debts written-off – trade receivables	(3,415)	(7,412)
Charge for the year – trade receivables	24,194	21,747
Balance at June 30, 2014	58,092	43,418

10. Due from/to fellow subsidiaries

Due from:

This represents balances due on exports to related companies within the Diageo group.

Due to:

This represents balances with Diageo group companies arising in the ordinary course of business. The balances are unsecured and interest-free.

11. Inventories

	Company and Group	
	2014	2013
	$'000	$'000
Raw materials	133,412	140,296
Work-in-progress	185,823	159,918
Finished goods	244,710	262,319
Consumables	318,886	267,609
Plant and equipment spares	193,654	190,742
	1,076,485	1,020,884

12. Accounts payable

	Company		Group	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Trade	959,419	610,204	959,419	610,204
Staff accruals	380,911	660,832	380,911	660,832
Deposits – returnables	277,885	167,558	277,885	167,558
Accrued charges	234,015	443,262	234,015	443,262
Other	162,577	134,714	162,577	138,593
	2,014,807	2,016,570	2,014,807	2,020,449

13. Share capital

	Company and Group	
Authorised: 2,810,500,000 ordinary shares of no par value		
	2014	2013
	$'000	$'000
Issued and fully paid: 2,809,170,386 ordinary stocks of no par value	2,174,980	2,174,980

14. Capital reserves

	Company		Group	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Realised gain on disposal of property, plant and equipment	-	-	-	7,770
Revaluation surplus on property, plant and equipment	378,129	67,755	378,129	67,755
	378,129	67,755	378,129	75,525

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
June 30, 2014

15. Other reserves

	Company and Group	
	2014	2013
	$'000	$'000
Investment revaluation reserve [see (a) below]	-	954,565
Pension equalisation reserve [see (b) below]	678,000	410,900
	678,000	1,365,465

(a) This represents the unrealised gains on the revaluation of available-for-sale investments, held in the prior year. The investments were disposed of during the current period.

(b) This represents the net employee benefits asset of $904,000,000 (2013: $587,000,000), less deferred tax of $226,000,000 (2013: $176,100,000), arising on the actuarial valuation, under IAS 19, of the group's pension scheme.

16. Long-term liabilities

This represented loans from subsidiaries that were unsecured, bore no interest for and had no fixed repayment date.

17. Deferred tax liabilities

	Company and group			
	2014			
	Balance at beginning of year	Recognised in income	Recognised in equity	Balance at end of year
	$'000	$'000 [Note 20(a) (ii)]	$'000	$'000
Accrued vacation leave	(11,776)	4,138	-	(7,638)
Unrealised foreign exchange (loss)/gain	3,601	(5,020)	-	(1,419)
Property, plant and equipment	368,342	(109,175)	-	259,167
Employee benefits asset	176,100	(26,100)	76,000	226,000
	536,267	(136,157)	76,000	476,110

	2013			
	Balance at beginning of year	Recognised in income	Recognised in equity	Balance at end of year
	$'000	$'000 [Note 20(a) (ii)]	$'000	$'000
Accrued vacation leave	(7,929)	(3,847)	-	(11,776)
Unrealised foreign exchange (loss)/gain	(212)	3,813	-	3,601
Property, plant and equipment	278,312	90,030	-	368,342
Employee benefits asset	172,750	33,950	(30,600)	176,100
	442,921	123,946	(30,600)	536,267

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
June 30, 2014

18. Gross sales

Gross sales represents the invoiced value of goods and services, including Special Consumption Tax (SCT) and royalties but excluding General Consumption Tax (GCT).

19. Profit before taxation

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

	Company and Group	
	2014	2013
	$'000	$'000
Auditors' remuneration	6,600	6,600
Depreciation	631,679	667,803
Directors' emoluments:		
Fees	7,918	6,774
Key management personnel	71,884	101,275
Staff costs	1,743,234	2,246,865
Redundancy expenses	40,306	311,941
Foreign exchange gains	(43,650)	(30,343)
Dividends received on overseas investments	(34,007)	(184,132)
Royalties earned	(525,392)	(556,193)
Bad debts	18,090	19,214
Inventories written off	60,313	28,117

20. Taxation

(a) The taxation charge is based on the company's and group's results for the year, as adjusted for taxation purposes, and comprises:

	Company and Group	
	2014	2013
	$'000	$'000
(i) Current tax expense:		
Income tax at 25% (2013: 30%)	637,039	544,174
Prior year over-provision	(22,674)	(8,039)
Capital gain tax on sale of overseas investments	45,537	-
	659,902	536,135
(ii) Deferred taxation:		
Origination and reversal of temporary differences (note 17)	(136,157)	123,946
Taxation	523,745	660,081

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
June 30, 2014

20. Taxation (continued)

(b) Reconciliation of actual taxation charge:

	Company	
	2014	2013
	$'000	$'000
Profit before taxation	3,854,417	1,859,423
Computed "expected" tax charge at 25% (2013: 30%)	963,604	557,827
Difference between profit for financial statements and tax reporting purposes on:		
Effect of change in tax rates	(89,378)	88,584
Gain on disposal of investments	(237,954)	-
Depreciation charge and capital allowances	(111,223)	38,592
Dividend income	(8,501)	(24,271)
Revaluation gain on investments properties	(48,737)	-
Capital gain tax on sale of overseas investment	45,537	-
Other	33,071	7,388
Prior year over-provision	(22,674)	(8,039)
Actual taxation charge	523,745	660,081

	Group	
	2014	2013
	$'000	$'000
Profit before taxation	3,676,908	1,871,325
Computed "expected" tax charge at 25% (2013: 30%)	919,227	561,398
Difference between profit for financial statements and tax reporting purposes on:		
Effect of change in tax rates	(89,378)	88,584
Gain on disposal of investment	(237,954)	-
Depreciation charge and capital allowances	(111,223)	38,592
Dividend income	(8,501)	(24,271)
Revaluation gain on investment, properties	(48,737)	-
Capital gain tax on sale of		-
overseas investment	45,537	-
Other	77,448	3,817
Prior year overprovision	(22,674)	(8,039)
Actual taxation charge	523,745	660,081

21. Earnings per stock unit

The calculation of earnings per stock unit is based on the group's profit for the year of $3,153,163,000 (2013: $1,211,244,000) and 2,809,170,386 stock units, being the number of stock units in issue for the year.

22. Dividends

	2014 $'000	2013 $'000
Ordinary dividends:		
First interim dividend: 25¢ (2013: 20¢) per stock unit – gross	702,293	561,834
Second interim dividend: 25¢ (2013:10¢) per stock unit – gross	702,293	280,918
	1,404,586	842,752

23. Related party balances and transactions

(A) Definition of related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

A party is related to a reporting entity, if:

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled, or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent 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.

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
June 30, 2014

23. Related party balances and transactions (continued)

(B) Identity of related parties

The company has related party relationships with the parent company, fellow subsidiaries and directors.

(C) During the year, the (income)/expenses, arising in the ordinary course of business with related parties, were as follows:

	2014	2013
	$'000	$'000
Fellow subsidiaries:		
Sales	(795,580)	(1,035,875)
Royalty income	(501,608)	(468,217)
Royalty expense	195,608	125,361
Marketing cost	33,276	37,440
Purchases of raw materials and finished goods	336,332	227,143
Joint venture:		
Sales	(11,152,685)	(1,254,345)
Cost of sales	1,065,180	88,101
Share of (losses)/profits	(22,369)	11,902
Key management personnel compensation:		
Short-term employment benefits	(165,212)	166,217
Post-employment benefits	(155)	(835)

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

	2014	2013
	$'000	$'000
Key management personnel:		
Accounts receivable	150	222
Joint venture:		
Accounts receivable	999,241	614,432
Accounts payable	(26,490)	(24,409)

24. 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.

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
June 30, 2014

24. Segment reporting (continued)

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	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Gross sales	12,289,265	10,803,071	1,795,836	1,929,320	14,085,101	12,732,391
Special Consumption Tax	(2,587,620)	(2,362,977)	-	-	(2,587,620)	(2,362,977)
Net external revenue	9,701,645	8,440,094	1,795,836	1,929,320	11,497,481	10,369,414
Segment profit	2,916,125	2,491,593	795,058	833,846	3,715,183	3,325,439
General, selling and administration expenses					(1,222,601)	(1,336,424)
Gain on disposal of investments					973,697	-
Other income/(expenses)					231,926	(129,930)
Employee benefits expense					(1,000)	(19,000)
Interest income					23,953	27,811
Share of profit in joint ventre					(22,369)	11,902
Loss on disposal of property, plant and equipment					(21,881)	(8,473)
Profit before taxation					3,676,908	1,871,325
Taxation					(523,745)	(660,081)
Profit for the year					3,153,163	1,211,244
Segment assets					12,253,596	10,845,105
Segment liabilities					3,242,969	3,166,864
Depreciation					631,679	667,803
Capital expenditure					1,720,822	647,205

Segment information below represents segment revenue based on the country receiving the benefit of our products.

	2014 $'000	2013 $'000
Jamaica	9,701,645	8,440,094
United States	300,114	565,720
Canada	369,342	404,438
Europe	166,321	108,974
Great Britain	461,412	424,959
Caribbean	337,007	288,403
Other	161,640	136,826
	11,497,481	10,369,414

All material non-current assets are geographically located in Jamaica.

25. 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 $47,500,000 (2013: $47,500,000), in the ordinary course of business.

(ii) Claims amounting to $13.5 million 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 management expects the defence to be successful.

26. Financial risk management

The company has exposure to credit risk, liquidity risk, and market risk from its use of financial instruments and its operations. This note presents information about the 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 group's risk management framework. The Board has established a Risk Management Committee, which is responsible for developing and monitoring the group's risk management policies. The group, 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 group'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.

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.

26. Financial risk management (continued)

(i) Credit risk (continued)

Cash and cash equivalents

The group maintains cash resources with reputable financial institutions. The credit risk is considered to be low. No allowance for impairment is deemed necessary.

Exposure to credit risk

The carrying amount of financial assets on the statement of financial position represents the maximum exposure to credit risk at the reporting date.

Management makes specific impairment allowance, irrespective of ageing for certain trade receivables, after assessing the circumstances relating to those receivables. The majority of the overall trade receivable balance relates to customers that have a good record of payment. The balance with the joint venture company, Celebration Brands Limited, accounts for approximately 73% of the trade receivables balance.

During 2014, the 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 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.

There was no change to the group's exposure to credit risk or the manner in which it measures and manages this risk during the year.

(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 has sufficient funds 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 obligation, these are as follows:

(a) $600,000,000 facility with The Bank of Nova Scotia Jamaica Limited. Interest is negotiated or determined at the time the funds are accessed.

(b) 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.

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
June 30, 2014

26. Financial risk management (continued)

(ii) Liquidity risk (continued)

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.

There was no change to the group's exposure to liquidity risk or the manner in which it measures and manages this risk during the year.

(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 Jamaica dollar, the functional currency of the company.

Exposure to currency risk

At June 30, 2014 the group had net foreign currency assets/(liabilities) as follows:

	Jamaican dollar equivalent	
	2014	2013
	$'000	$'000
Currency		
United States dollars	(138,856)	629,201
Canadian dollars	57,224	23,317
Pounds sterling	(38,751)	(176)
Euro	(34,987)	(3,620)

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
June 30, 2014

26. Financial risk management (continued)

(iii) Market risk (continued)

(a) Foreign currency risk (continued)

Sensitivity analysis

The following table details the group's sensitivity to a 1% (2013:10%) strengthening and 15% (2013: 1%) 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 and were performed on the same basis as 2013.

	2014		2013	
	1% strengthening	15% weakening	10% strengthening	1%weakening
	$'000	$'000	$'000	$'000
Currency				
United States dollars	1,389	(20,828)	62,920	(6,292)
Canadian dollars	(572)	8,584	2,331	(233)
Pounds sterling	388	(5,813)	(20)	2
Euro	(350)	(5,248)	(362)	36

(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, 2014 the long-term liabilities were interest-free.

There was no change to the group's exposure to market risk or the manner in which it measures and manages this risk during the year.

(iv) Capital management

Neither the company nor any of its subsidiaries is subject to externally imposed capital requirements. 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.

27. Fair values

(a) Accounting classfications and fair values

The following table shows the carrying amounts and classification of financial assets and liabilities. It does not include fair value information for financial assets and liabilities not measured at fair value, as the carrying amounts are a reasonable approximations of fair value.

	The Company			
	Carrying amount			
	2014			
	Loans and receivables $'000	Available-for-sale* $'000	Other financial liabilities $'000	Total $'000
Financial assets measured at fair value:				
Investment properties	-	889,599	-	889,599
Financial assets not measured at fair value:				
Cash and cash equivalents	1,788,523	-	-	1,788,523
Accounts receivable	1,368,754	-	-	1,368,754
Due from fellow subsidiaries	407,208	-	-	407,208
	3,564,485	-	-	3,564,485
Financial liabilities not measured at fair value:				
Accounts payable	-	-	2,014,807	2,014,807
Due to fellow subsidiaries	-	-	193,601	193,601
	-	-	2,208,408	2,208,408

	The Company			
	Carrying amount			
	2013			
	Loans and receivables $'000	Available-for-sale* $'000	Other financial liabilities $'000	Total $'000
Financial assets measured at fair value:				
Investments	-	960,654	-	960,654
Investment properties	-	275,650	-	275,650
	-	1,236,304	-	1,236,304
Financial assets not measured at fair value:				
Cash and cash equivalents	1,711,814	-	-	1,711,814
Accounts receivable	1,120,302	-	-	1,120,302
Due from fellow subsidiaries	317,990	-	-	317,990
	3,150,106	-	-	3,150,106
Financial liabilities not measured at fair value:				
Accounts payable	-	-	2,016,570	2,016,570
Due to fellow subsidiaries	-	-	248,886	248,886
Long term liabilities	-	-	157,235	157,235
	-	-	2,422,691	2,422,691

*Investments and investment properties are classified as level 3 in the fair value hierachy.

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
June 30, 2014

27. Fair values (continued)

(a) Accounting classfications and fair values (continued)

	The Group			
	Carrying amount			
	2014			
	Loans and receivables $'000	Available-for-sale* $'000	Other financial liabilities $'000	Total $'000
Financial assets measured at fair value:				
Investment properties	-	889,599	-	889,599
Financial assets not measured at fair value:				
Cash and cash equivalents	1,788,523	-	-	1,788,523
Accounts receivable	1,368,754	-	-	1,368,754
Due from fellow subsidiaries	407,208	-	-	407,208
	3,564,485	-	-	3,564,485
Financial liabilities not measured at fair value:				
Accounts payable	-	-	2,014,807	2,014,807
Due to fellow subsidiaries	-	-	193,601	193,601
	-	-	2,208,408	2,208,408

	The Group			
	Carrying amount			
	2013			
	Loans and receivables $'000	Available-for-sale* $'000	Other financial liabilities $'000	Total $'000
Financial assets measured at fair value:				
Investment	-	960,672		960,672
Investment properties	-	275,650	-	275,650
	-	1,236,322	-	1,236,322
Financial assets not measured at fair value:				
Cash and cash equivalents	1,713,570	-	-	1,713,570
Accounts receivable	1,120,302	-	-	1,120,302
Due from fellow subsidiaries	317,990	-	-	317,990
	3,151,862	-	-	3,151,862
Financial liabilities not measured at fair value:				
Accounts payable	-	-	2,020,449	2,020,449
Due to fellow subsidiaries	-	-	248,886	248,886
	-	-	2,269,335	2,269,335

*Investments and investment properties are classified as level 3 in the fair value hierarchy.

27. Fair values (continued)

(a) Accounting classfications and fair values (continued)

The fair value of certain short-term financial instruments such as cash and cash equivalents, accounts receivable, due from and to fellow subsidiaries, accounts payable and long-term liabilities was determined to approximate their carrying value.

There were no transfers between levels during the year ended June 30, 2014 (2013: No transfers).