

The background of the entire page is a deep red color, densely covered with numerous small, glistening water droplets of varying sizes. The droplets are scattered across the surface, creating a textured, organic feel. The lighting highlights the rounded tops of the droplets, giving them a three-dimensional appearance.

**DESNOES
& GEDDES
LIMITED
ANNUAL
REPORT
2016**

HAVE A COLD RED STRIPE WITH FRIENDS



**I PLEDGE TO
DRINK
RIGHT**
Right Age. Right Amount. Right Way.



REDSTRIFEJAMAICA

18 YEARS AND OLDER

ENJOY RED STRIPE RESPONSIBLY

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#RATHERHAVEAREDSTRIPE

What's
GOOD.

Red Stripe®

PART OF THE  HEINEKEN COMPANY

Our Vision

Wow! The World with our brands,
people and performance

Our Values

Passion for quality
Brands that people love
Enjoyment of life
Respect for people and planet

Our Behaviours

Put safety first
Act as an entrepreneur
Collaborate through trust
Keep it simple
Learn to improve



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COMPANY PROFILE

ABOUT RED STRIPE

Red Stripe, a part of the HEINEKEN Company, is one of Jamaica's leading corporate entities, employing over 300 permanent staff members and producing the world-famous Red Stripe Beer. It manufactures an outstanding range of premium alcohol brands, spanning beers, stouts and ready-to-drinks and distributes some of the world's renowned premium spirit brands.

The company's legacy began in 1918 when Eugene Desnoes and Thomas Geddes merged their carbonated soft drinks business to form Desnoes and Geddes Limited. In the ensuing years, the company became a well-established manufacturer of popular sodas, including Pepsi-Cola™, 7Up™ and D&G™ soft drinks, and the distributor of the best imported spirits.

The award-winning Red Stripe Beer was first brewed in 1928 and later perfected to the golden lager we know today.

Internationally, Red Stripe Beer has received the prestigious Monde Selection Gold Medal 11 times for its fine quality and taste.

Locally, Red Stripe has been recognised as a major player in the manufacturing industry, having received the Jamaica Exporters Association Champion Exporter award in 2010, 2011, 2012 and 2013; The Jamaica Chamber of Commerce Best of Chamber Large Enterprise Award in 2015, and the Jamaica Manufacturers Association Manufacturer of the Year Award in 2014.

On October 7, 2015, HEINEKEN N.V. became the majority shareholder of Red Stripe. HEINEKEN owns more than 165 breweries in more than 70 countries and employs approximately 76,000 people. Besides the flagship Heineken beer, Heineken brews and sells more than 250 other international premium, regional, local and specialty beers.

Red Stripe is the trading name of Desnoes and Geddes Limited and is located at 214 Spanish Town Road, in Kingston.



RESULTS AT A GLANCE FOR DESNOES AND GEDDES LIMITED

AS AT 31 DECEMBER 2016

	December 2016	December 2015
Turnover	19,237,544	9,264,567
Profit before tax	4,078,762	1,944,119
Profit attributable to stockholders	3,350,827	1,581,032
Profit per stock unit (calculated on net profit attributable to stockholders)	119.28¢	56.28¢
Dividends per stock unit	52¢	33¢
STOCKHOLDERS' EQUITY		
Share Capital	2,174,980	2,174,980
Capital and other reserves	1,423,629	1,157,379
Revenue reserves	9,516,605	7,636,628
Total Equity	13,115,214	10,968,987

TEN-YEAR STATISTICAL SUMMARY

Financial Year	January to December 2016	December 2015 \$'000	2015 \$'000	2014 \$'000	2013 \$'000
OPERATING DATA					
Turnover	19,237,544	9,264,567	15,895,710	14,085,101	12,732,391
Profit Before Taxation	4,078,762	1,944,119	2,834,445	3,676,908	1,871,325
Provision For Taxation	(727,935)	(363,087)	(500,923)	(523,745)	(660,081)
PROFIT AFTER TAXATION	3,350,827	1,581,032	2,333,522	3,153,163	1,211,244
Dividend	1,461,100	927,026	1,123,668	1,404,586	846,752
Net Dividend Cover	2.29	1.71	2.08	2.24	1.43
BALANCE SHEET DATA					
Net Current Assets (Liabilities)	1,910,020	2,366,547	2,137,483	2,016,111	1,634,149
Property Plant and Equipment	8,102,995	6,930,164	6,631,278	5,495,994	4,553,635
Stockholders' Equity	13,115,214	10,968,987	10,333,881	9,010,627	7,670,794
No. of Stock units	2,809,171	2,809,171	2,809,171	2,809,171	2,809,171
PER ORDINARY STOCK UNIT					
Profit for the Year	119.28¢	56.28¢	83.07¢	112.25¢	43.12¢
Stockholders' Equity	\$4.67	\$3.90	\$3.68	\$3.21	\$2.73
Dividends					
Ordinary - Interims		33¢	27¢	25¢	10¢
Finals	52¢		13¢	25¢	20¢
OTHER					
Return on Equity	25.55%	14.41%	22.58%	34.99%	15.79%
Closing Stock Price		\$30.00	\$7.55	\$4.51	\$4.80
Number of Employees	371	305	322	322	455

* Restated due to change in Accounting treatment of returnable packaging

** Restated due to prior year adjustments

*** Restated due to the change in accounting treatment of certain items of PPE from Fair Value To Cost Measurement.

2012 \$'000	2011 \$'000	2010 \$'000	2009 \$'000	2008 \$'000	2007 \$'000
13,154,054	13,272,380	13,332,436	13,447,889	12,488,766	11,313,276
1,455,176	1,510,060***	1,206,388***	2,211,442	1,670,350	2,093,226**
(225,619)	(431,251)	(392,976)	(660,118)	(627,901)	(684,686)**
1,229,558	1,078,809***	813,412***	1,551,323	1,042,449	1,408,540**
561,834	-	702,293	983,208	1,123,668	1,488,860
2.19	-	1.16	1.58	0.93	0.95**
1,277,648	631,733	(415,922)***	(402,938)*	(753,650)	248,829
4,674,345	4,877,245***	4,922,009	6,661,480*	6,531,660*	5,682,522
7,235,015	6,631,458***	5,273,395***	6,246,636	6,332,871	6,537,303**
2,809,171	2,809,171	2,809,171	2,809,171	2,809,171	2,809,171
43.77¢	38.40¢***	28.96¢***	55.22¢	37.11¢	50.14¢**
\$2.58	\$2.36***	\$1.88***	\$2.22	\$2.25	\$2.33**
20¢	-	25¢	35¢	40¢	53¢
-	-	-	-	-	-
16.99%	16.96%***	15.42%***	24.83%	16.46%	\$7.05**
\$3.80	\$3.30	\$4.70	\$4.00	\$7.15	\$7.05
587	624	694	759	767	762

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN

That the Ninety-Eighth Annual General Meeting of Desnoes & Geddes Limited (the “Company”) will be held at 214 Spanish Town Road, Kingston 11 on Thursday, May 25, 2017 at 10:00 a.m. for the following purposes:

1. AUDITED ACCOUNTS FOR YEAR ENDED DECEMBER 31, 2016

To receive the Audited Financial Statements for the year ended December 31, 2016 together with the reports of the Directors and Auditors thereon. To consider and (if thought fit) to pass the following ordinary resolution:

“THAT the Audited Financial Statements for the year ended December 31, 2016 together with the reports of the Directors and the Auditors thereon, be and are hereby adopted.”

2. DECLARATION OF DIVIDEND

To declare the first interim dividends of \$0.52 paid as final for the year ended December 31, 2016.

To consider and (if thought fit) pass the following ordinary resolution:

“THAT as recommended by the Directors, the interim dividend of \$0.52 per stock units paid June 20, 2016 be and is hereby declared as final dividend for the year under review.

3. REMUNERATION OF DIRECTORS

To fix the remuneration of the Non-Executive Directors: To consider and (if thought fit) pass the following ordinary resolution:

“THAT Directors’ fees in the amount of \$5,980,000 payable to all Non-Executive Directors of the Company during the year, be and are hereby approved.”

4. ELECTION OF DIRECTORS

In accordance with Article 108 of the Company’s Articles of Incorporation, the directors retiring by rotation are Mrs. Carol Bourke and Mr. Hemmo Parson who, being eligible, offer themselves for re-election.

To consider and (if thought fit) pass the following ordinary resolutions:

4(a) “THAT the retiring director Mrs. Carol Bourke be and is hereby re-elected a Director of the Company.”

4(b) “THAT the retiring director Mr. Hemmo Parson be and is hereby re-elected a Director of the Company.”

In accordance with Article 106 of the Articles of Incorporation, Mr. Bruce Kidner and Richard Pandohie who were appointed to the Board of Directors since the last annual general meeting must retire at this Annual General Meeting, and being eligible offer themselves for election.

To consider and (if thought fit) pass the following ordinary resolutions:

4(c) “THAT the retiring director Mr. Bruce Kidner be and is hereby elected a Director of the Company.”

4(d) “THAT the retiring director Mr. Richard Pandohie be and is hereby elected a Director of the Company.”

5. REMUNERATION OF AUDITORS

To fix the remuneration of the Auditors or to determine the manner in which such remuneration is to be fixed.

To consider and (if thought fit) pass the following ordinary resolution:

“THAT KPMG, having signified their willingness to continue to serve, continue in office as the Auditors until the period ending with the conclusion of the next Annual General Meeting, at a remuneration to be agreed with the Directors.”

6. SPECIAL BUSINESS

Whereas the management of the Company has reviewed the existing Articles of Incorporation, and a recommendation has been made for the following changes to be made to the Articles of Incorporation.

To consider (and if thought fit) pass the following Special Resolution:

6(a) “THAT Article 93 of the Articles of Incorporation be amended by inserting the words “Save for the restriction in Article 93A” before the last sentence so that the Article reads “The business of the Company shall be managed by the Directors, who may pay all expenses incurred in the registration of these articles required to be exercised by the Company in general meeting, subject, nevertheless to the provisions of these articles and of the Act, and to such regulations not being inconsistent with the aforesaid provisions, as may be prescribed by the Company in general meeting; but no regulation made by the Company in general meeting shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made. Save for the restriction in Articles 93A, the general

powers conferred upon the Directors by this article shall not be deemed to be abridged or restricted by any specific power conferred upon the Directors by any other article.”

6(b) “THAT the Articles of Incorporation be amended by inserting the following text as a new Article 93A immediately after Article 93– “SIGNING AUTHORITY OF DIRECTORS. Except where the express written consent of the shareholder(s) of the Company holding not less than fifty-one per cent of the issued shares of the Company has been granted, a non-affiliate Director may not sign or otherwise enter into any contract on behalf of the Company unless such proposed contract has first been signed or otherwise approved in writing by a/the Managing Director. For the purposes of this paragraph, a ‘non-affiliate Director’ is a Director that is neither an employee of the Company nor an employee of any affiliate of the Company (such affiliate includes any shareholder of the Company holding not less than fifty-one per cent of the issued shares of the Company).”

6(c) “THAT the Articles of Incorporation be amended by deleting the 6th and 8th sentences respectively of Article 113 so that the Article reads: “The Directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings as they think fit, and determine the quorum necessary for the transaction of business. A director may participate in a meeting of directors by means of such telephone or other communicating facilities as permit all persons participating in the meeting to hear each other. Until otherwise determined two Directors shall constitute a quorum. A director who participates in a meeting of directors by such means as hereinbefore provided in this Article 113 is, for the purposes of these articles, present at the meeting, and shall count to constitute a quorum. Questions arising at any meeting shall be decided by a majority of votes. ~~In case of an equality of votes the Chairman shall have a second or casting vote.~~ A Director may, and the Secretary on the requisition of a Director shall, at any time summon a meeting of the Directors. ~~It shall not be necessary to give notice of a meeting of Directors to any Director for the time being absent from the Island.~~ For greater certainty and having regard to the provisions of this Article 113 permitting the participation of director(s) at meetings of directors by means of such telephone or other communicating facilities as permit all persons participating in the meeting to hear each other, the laws of Jamaica shall apply to any meeting of directors of the Company and the meeting shall be deemed to take place in Jamaica.”

Any member entitled to attend and vote is entitled to appoint a proxy to attend and on a poll, vote instead of the member. A proxy need not be a member of the Company. An appropriate form of proxy is enclosed.

The proxy form must be signed, stamped and deposited at the registered office of the Company situated at 214 Spanish Town Road, Kingston 11 addressed to “The Company Secretary” not less than 48 hours before the time of holding the meeting. The stamp duty is \$100.00 and may be paid by affixing a postage stamp to the proxy form.

BY ORDER OF THE BOARD



Gene M. Douglas
Corporate Secretary

Dated this 4th day of April 2017

CHAIRMAN'S STATEMENT

With an intense focus on delivering our strategy, Red Stripe closed 2016 with good results. Our relentless approach to transformation — to become more agile and more definitive in creating opportunities — has resulted in trading profit of \$3,977 million, an increase of 19% over the previous year. The profit after tax increased 21% over the corresponding period in 2015 to \$3,351 million in 2016.

ABOVE ALL, WE WORKED DILIGENTLY TO MANAGE SUPPLY AND TO CREATE ENGAGING BRAND EXPERIENCES THAT WOULD SERVE TO IGNITE AND SUSTAIN CONSUMER INTEREST IN OUR BRANDS. WE ARE ENCOURAGED BY THE RESULTS.

At the centre of the milestones we achieved last year is the repatriation of the production of Red Stripe Beer, back to Jamaica. While the obvious result has been an increase in domestically produced volumes, we recognise that the repatriation has served to strengthen an already powerful brand. With a 49% increase in exports, we are making ready for even greater global growth for Red Stripe Beer. In truth, we are proud about producing Red Stripe for consumers at home and for export markets.; proud about creating 80 new jobs; proud about the resulting linkages in the wider economy; and proud to reinforce the authenticity of Red Stripe wherever it is served, whether it's in a bar in Houston or a club in Brazil.

One of the most important initiatives the business undertook last year was Project Grow, our push to increase the value of local inputs in production. Project Grow will deliver locally grown cassava to replace the imported high maltose corn syrup used in the production of Red Stripe and Dragon Stout. This is a game-changing move for the business, and is a good opportunity for small farmers and cooperatives. This important backward linkage has added validity to our claim that when Red Stripe wins, Jamaica wins.

This is an exciting time for our Company. Success driven by a well-articulated strategy and increased production can only happen when our people make extraordinary contributions every day. Their ability to do so in many ways depends on their wellness, and in this regard, the human resources team continues apace to create the platform for an environment that is both health-positive and high performance.



For us at Red Stripe, Brewing a Better World means being purposefully connected with the community and our customers. The Learning for Life programme stands as one of the most impactful corporate programmes in Jamaica today. Last year we trained 1,438 young people in skills that will serve to improve their employability. Our responsible drinking agenda is one of the most powerful statements of our interest in our consumers, with three per cent of our advertising budget being set aside for the Drink Right Campaign. For us, the safe consumption of our brands reinforces our sustainability and engenders trust and respect from our consumers.

Successful transformation in any business requires that employees believe in the strategic vision and see themselves as critical to making that vision real. The resilience of everyone at Red Stripe is deeply appreciated by the Board and we thank them for their remarkable hard work over the past year.

As we calibrate for even stronger success in 2017, our mission is to deliver growth, refine and expand efficiency and nurture the creativity of our people so that we can take advantage of opportunities. This business stands to make even greater strides in the coming year, and our brands and our people are most certainly fit for the fight.



Richard O. Byles
(Chairman)

BOARD OF DIRECTORS

RICHARD BYLES

CHAIRMAN

Mr. Richard O. Byles is the President and Chief Executive Officer of both Sagicor Group Jamaica Limited and Sagicor Life Jamaica Limited (SLJ). His experience and expertise span across the financial industry to include Life, Health and General Insurance, Asset & Investment Management, Banking, Pension Administration and Re-Insurance Management. He is a member of the Executive Committee of Sagicor Financial Corporation, the parent company of SLJ. Richard is the Chairman of Desnoes & Geddes Limited, Sagicor Life of the Cayman Islands Ltd., Sagicor Bank Jamaica Limited and director of Sagicor Investments Jamaica Limited and PanJam Investment Limited. He is also the former Co-chairman of Jamaica's Economic Programme Oversight Committee (EPOC).

CAROL BOURKE

Carol Bourke has 28 years of experience in the Hospitality & Tourism industry and currently serves as the Managing Director of the Hilton Rose Hall Resort. She has a passion for delivering consistently high levels of guest experiences while optimizing revenue and profit opportunities. Carol is also driven by the success of her team members and puts focus on people development and their career advancement. Carol is a board member of the Jamaica Hotel and Tourist Association and the Tourism Product Development Company.

BRUCE KIDNER

Red Stripe's Finance Director since 2014, Bruce joined the HEINEKEN Group of Companies in 2016 after more than 17 years with Diageo. His experience includes working in the Diageo Africa region as Finance Director of Namibia Breweries and Finance Director of Guinness Ghana Breweries. He also held a number of other finance and commercial finance roles within Diageo. Bruce is a qualified Chartered Accountant gaining his qualification while working six years in a chartered accountancy practice based in London and he gained his Bachelor of Science with Honours in Economics & Business at Cardiff Business School, University of Wales.

RICARDO NUNCIO

Ricardo joined Red Stripe from HEINEKEN Mexico, the biggest operating company of HEINEKEN where he served as the Regional Sales Director. In that capacity he gained a wealth of experience in trade marketing, sales, project management and financial management. Ricardo holds a Global MBA for Latin American Managers, from the American Graduate School of International Management and a BSc in Chemical Engineering with a minor in Administration.

PETER MELHADO

Peter Melhado is the President and CEO of the ICD Group, a Jamaican-based conglomerate with interests in real estate, construction, property management, general insurance and business process outsourcing. Peter currently serves as Chairman of Sagicor Bank Jamaica, West Indies Home Contractors, Industrial Chemical Company, CGM Gallagher Group, Kingston Container Terminal and American International School of Kingston. His current directorships include British Caribbean Insurance Company, Red Stripe, Sagicor Investments Jamaica and Port Authority of Jamaica. He is a former Vice President of the Private Sector Organization of Jamaica. Peter holds a B.Sc. in Mechanical Engineering from McGill University and an MBA from Columbia University Graduate School of Business, with a concentration in Finance.

RICHARD PANDOHIE

Richard Pandohie is the current CEO of Seprod Limited, the largest food manufacturing entity in Jamaica. He is a graduate of the University of the West Indies with a Bachelor of Science degree in Chemical Engineering. As a Commonwealth Scholar, he completed a Master of Business Administration Degree in Corporate Finance and Operations from McGill University in Canada. He started his professional career in engineering at Alcan Limited and over the years has moved to management, and among his senior appointments were Country Manager for Coca-Cola (Jamaica) Limited, Managing Director at IGL Limited, Managing Director at Carreras Limited. He is the Deputy President of the Jamaica Manufacturers' Association.

HEMMO PARSON

Hemmo Parson is of Dutch nationality and has worked at the head office of HEINEKEN in Amsterdam since 2003. He has general legal responsibility over the HEINEKEN operations in the Americas region and is a member of the Americas Leadership Team. He is also a board member of Surinaamse Brouwerij N.V. Before joining HEINEKEN, he worked as an attorney at Allen & Overy LLP and Loeff Claeys Verbeke in Amsterdam.

EUGENE UBALIJORO

Eugene Ubalijoro is a Rwandan national and has been with HEINEKEN for 25 years. He currently serves as the Managing Director, HEINEKEN Caribbean and Americas Exports and is based in Miami. Eugene has held several senior leadership positions with HEINEKEN in Rwanda, USA, France and The Netherlands. He has an MBA from the Universite de Sherbrooke in Quebec, Canada and is fluent in French, English and Kinyarwanda (mother tongue).

MANAGEMENT TEAM



Standing left to right:
David Ragot, Blandine JNPaul-Reid,
Melverine Hemmings,
Ricardo Nuncio, Bruce Kidner,
Diane Willis-Reid

Seated left to right:
Moses Williams,
Dianne Ashton-Smith

Not pictured
Jean Look Tong

RICARDO NUNCIO **MANAGING DIRECTOR**

Ricardo joined Red Stripe from HEINEKEN Mexico, the biggest operating company of HEINEKEN where he served as the Regional Sales Director. In that capacity he gained a wealth of experience in trade marketing, sales, project management and financial management. Ricardo holds a Global MBA for Latin American Managers, from the American Graduate School of International Management and a BSc in Chemical Engineering with a minor in Administration.

DIANNE ASHTON-SMITH **HEAD OF CORPORATE AFFAIRS**

Dianne is a corporate relations practitioner with close to 20 years' experience who joined Red Stripe in 2008 as Communications Manager. Under her leadership, the company has enrolled just under 12,000 Jamaicans in our award-winning Learning for Life programme, consistently exceeding our year-on-year targets. In 2013, Dianne joined the Red Stripe Executive team as Head of Corporate Relations, now Corporate Affairs. She holds a Bachelor of Arts (Honours) in Literature & Economics from the University of the West Indies and a Master of Science degree in Human Resources Management from the Milano School of International Affairs, Management, and Urban Policy at The New School. She is also a Board Member and Company Secretary for the D&G Foundation, a Director of the Jamaica Chamber of Commerce and an adjunct lecturer in Career Development at the Mona School of Business, U.W.I.

MELVERINE HEMMINGS **HEAD OF HUMAN RESOURCES**

Melverine joined Red Stripe in March 2001 and since then has held a number of senior roles within the HR function. In 2007 she was seconded to Diageo International as Resourcing Manager and in April 2013 she was seconded to Celebration Brands Ltd. as Human Resource and Communications Director. During that time she played a critical role in developing the newly formed joint venture. Her most significant achievements include the recruitment of over 400 staff members in an eight-month period and the selection of key third party suppliers for contract labour and employee benefits. Melverine also led the implementation of a number of key HR processes and procedures within the new organisation. In March 2014, Marie returned to Red Stripe as Head of Human Resources and a member of the Executive team. She holds a Master of Science (MSc.) in Human Resource Development (1999), University of the West Indies, Mona.

DIANE WILLIS-REID **ADMINISTRATIVE & SPECIAL PROJECTS MANAGER**

Diane joined Red Stripe in 1995 as an Administrative Assistant and a year later was appointed Executive Assistant to the President. Since then Diane has worked with successive Managing Directors and has been a key contributor to the Red Stripe Executive team through her expertise in business operations, culture transformation and project management. Due to her profound institutional knowledge, Diane brought rounded insights to the Executive Team and became an official member in 2010. She is credited with establishing the first-ever records and information management business unit and service centre within Diageo Latin America and Caribbean region. In 2014 Diane led major transformational projects, including the inaugural Employee Conference and phase one of Red Stripe's office rationalisation.

BLANDINE JNPAUL-REID **HEAD OF MARKETING & INNOVATION**

Blandine joined Red Stripe in October 2014 as Head of Marketing and Innovation. In her role, she shapes and leads strategic and tactical marketing, and global and regional brand positioning for Red Stripe, across all international markets including the Caribbean and Latin America. She drives the full spectrum of strategic marketing, including branding, pricing, share growth strategy and financial performance as well as develops activation mechanics for a six-brand portfolio of beers, RTDs and spirits, including Smirnoff™, Johnnie Walker™, Ciroc™, Guinness™, Heineken and Baileys™.

BRUCE KIDNER **FINANCE DIRECTOR**

Red Stripe's Finance Director since 2014, Bruce joined the HEINEKEN Group of Companies in 2016 after more than 17 years with Diageo. His experience includes working in the Diageo Africa region as Finance Director of Namibia Breweries and Finance Director of Guinness Ghana Breweries. He also held a number of other finance and commercial finance roles within Diageo. Bruce is a qualified Chartered Accountant gaining his qualification while working six years in a chartered accountancy practice based in London and he gained his Bachelor of Science with Honours in Economics & Business at Cardiff Business School, University of Wales.

MOSES WILLIAMS **HEAD OF SALES**

Moses joined Red Stripe in July 2006 and since then has held a number of senior roles within the Sales function. In 2013 he was seconded to Celebration Brands Ltd. as National Sales Manager – Modern Trade. During that time he played a critical role in the recruitment and leadership of the Modern Trade team while actively contributing to the implementation of the overall business strategy. In May 2015, Moses was appointed Head of Commercial Transformation and a member of the Executive team. He holds a Bachelor of Science (BSc.), Business Administration (2003) from Northern Caribbean University.

DAVID RAGOT **SUPPLY CHAIN DIRECTOR**

David joined Red Stripe in April 2016, from Brasseries de Bourbon, where he was Supply Chain Manager. He was instrumental in making a number of improvements within the Supply Chain Operations that has led to a greater focus on safety, productivity, efficiency, as well as a distinct shift in the performance culture. David joined HEINEKEN in 1997 and has built extensive experiences in several roles in brewing, logistics, innovations, technology and process development.

JEAN LOOK TONG **HEAD OF RED STRIPE INTERNATIONAL**

Jean joined Red Stripe in February 2014 and has over 10 years' senior leadership experience in areas such as business development, strategy, sales, marketing and corporate affairs in Jamaica and the wider Caribbean. Her career has spanned a variety of industry sectors, most notably telecommunications and cable television. Jean was a member of the team that created the telecommunications brand 'Flow' and was instrumental in launching and building the business. She holds a BSc. Degree with First Class Honours in Management Studies, an MBA with Distinction from the University of the West Indies and project management certification.

2016 HIGHLIGHTS



SEPTEMBER

'Historic moment' - The grounds of Red Stripe reverberate with cheers and excitement to commemorate the return of Red Stripe Beer's US production to home soil.



MAY

'Off they go' - Grand prize winners in the Red Stripe 'Go For Gold' campaign are all smiles as they are feted before making their way to the 2016 Olympic Games in Rio, Brazil.



OCTOBER

'Shades up, smiles out' - These beach bums are excited to welcome the arrival of Smirnoff Ice Guarana in Jamaica.



MAY

Guinness Street Football Eastern semifinal champions celebrate a well-earned victory.



DECEMBER

'Food, fun and frolic' - Adults and children alike partake in the festivities at the Red Stripe Christmas Family fun day.



AUGUST

Scores turn out to experience the grand launch of the Heineken House event series.



APRIL

Carnival fans chipping down di road to the sweet sounds of Soca music at Carnival Road March 2016.



MAY

Dancing sensation Ding Dong thrills patrons with a slew of hit songs and dance moves all night at the Red Stripe Beer Festival.



JULY

Reggae music fans gather on the grounds of Catherine Hall, Montego Bay to witness their favorite artistes deliver thrilling sets, at the Red Stripe-sponsored Reggae Sunfest.



SEPTEMBER

Team Red Stripe, representatives from The National Council on Drug Abuse, Rubis, HiLo and Social Media Influencers gather to commemorate Heineken 'Enjoy Responsibly Day'.

MANAGING DIRECTOR'S REPORT

Red Stripe turned in a solid performance in 2016 as we significantly exceeded our targets set at the start of the year. We successfully delivered on our objectives; accelerated domestic growth, bolstered Red Stripe as a key global player, and made a significant step change in our cost base through improvements in efficiency and productivity. We made steady progress towards becoming a high-performance organisation through leadership and people development. The adoption of new cultural behaviours and a recognition mindset serve as noteworthy indicators of our transformation. Developing our execution capabilities with a determined focus on consumer needs and expanding the footprint of our Brewing a Better World platform were among the key drivers of our strategic agenda, which together contributed to our stellar achievements.

The acquisition of Desnoes & Geddes Limited by HEINEKEN International N.V. on October 7, 2015 resulted in a change in our financial year to January - December. As a result the performance under review in this report is a full-year comparison between 2016 and 2015.

PERFORMANCE HIGHLIGHTS

(January – December 2015 vs 2016)

Trading Profit of \$3,977 million for the year ended 31 December 2016 grew by 19% over the same period last year, driven primarily by volume and selective price increases.

Profit after tax grew by 21% over the corresponding period in 2015 to \$3,351 million in 2016. The company recorded a \$105 million fair value gain on assets held as investment properties thereby contributing to the positive growth.

REVENUE

Net sales of \$15,911 million, representing an increase of 13% over the same period last year, was driven primarily by increased volumes of some products in our portfolio as well as price increases in 2016. The repatriation of US volumes, new innovations such as Smirnoff Ice Guarana, and Red Stripe flavours in cans, positively impacted revenues.

TRADING PROFIT



NET SALES



PROFIT AFTER TAX



EARNINGS PER SHARE



COST OF SALES

Cost of Sales for the year was \$9,020 million, a 13% increase compared to the previous year. Greater than before production volumes for both the domestic and export markets coupled with devaluation of the Jamaican dollar against the greenback, as well as increases in our headcount resulting from two additional shifts to our production schedule to serve the repatriated volumes from the US—accounted for this rise in our cost of sales.

MARKETING

Marketing cost increased by 10% to \$1,372 million over the same period last year due to amplified brand investments including Red Stripe’s “Life is just for living” TV campaign, Gong 71 (commemorating Bob Marley’s 71st birthday celebration), and Red Stripe’s ‘Go for Gold’ campaign during the summer Olympics. We also invested in our Certified Bar Programme, which is a mechanism to embed excellent outlet execution in our traditional trade outlets.

OVERHEADS

The 24% increase in General, Selling and Administrative expenses to \$1,635 million for the year under review was mainly driven by our headcount increase and inflation.

BALANCE SHEET AND CASH FLOW

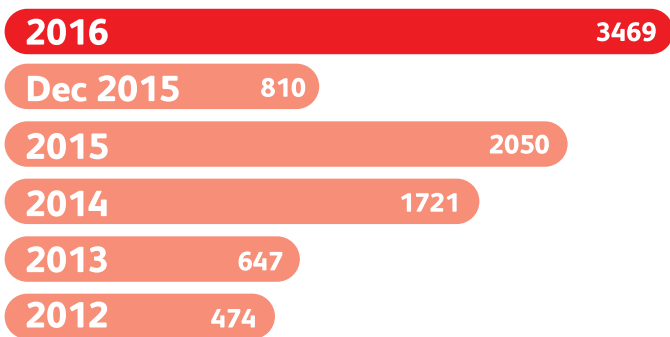
Balance sheet closed with a cash balance of \$912 million, representing an \$878 million decrease from last year. The increased outflow was attributable to capital investment of \$3,469 million and dividend payout of \$1,461 million at 52 cents per share.

The full-year shareholders’ equity of \$13,115 million for the year ended December 31, 2016 grew by 20%, resulting in a shareholders’ equity per stock unit of \$4.67.

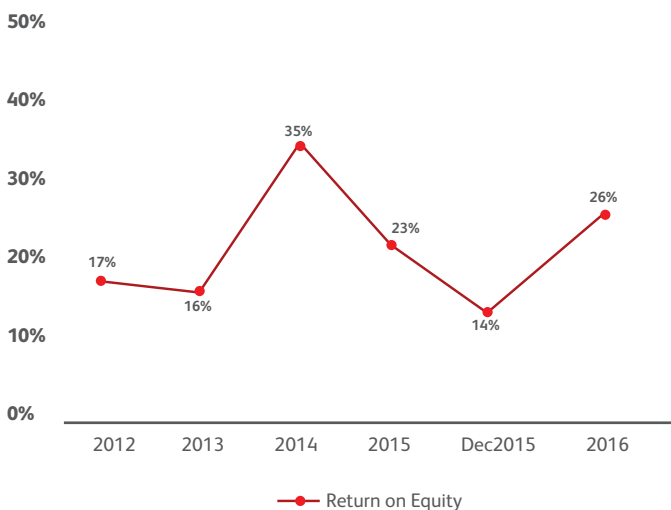
DIVIDEND PER SHARE



CAPITAL INVESTMENT



RETURN ON EQUITY



OUTLOOK

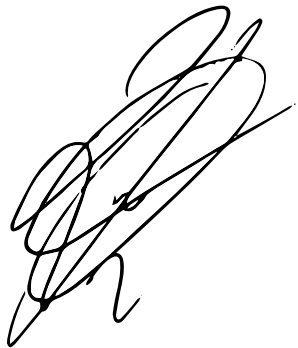
Our continued momentum is the result of the extraordinary contributions of our employees, the insights of the board and the commitment of our business partners. Against the background of these stellar achievements for 2016, we are optimistic about our performance going forward into 2017.

Red Stripe will continue to build on the foundations set during the past year, with renewed focus on:

- Delivering topline growth
- Driving end to end efficiencies
- Building on our corporate brand recognition through our Brewing a Better World agenda
- Developing great people by way of targeted training interventions, inclusion and diversity

Capacity expansion will be a key focus in delivering our 2017 ambition as we invest in a new packaging line, expand our Cassava starch factory and modernize our existing facilities. This, coupled with upgraded systems and processes as well as growing the capabilities of our people will ensure that we build on our strengths, while staying agile and adaptable, to compete effectively and enhance our reputation in a more demanding world. We will seek to drive our must win battles supported by an economy that is still firmly in recovery mode, thanks to an improving business climate and continued international support with a forecasted estimate of GDP accelerating to around 2 percent in 2017.

We are honoured by the passion held for our brands and the company, and as we continue to calibrate the business for the future, we are confident that this passion will grow exponentially to deliver significant value for all stakeholders.



Ricardo Nuncio Arratia
Managing Director



GUINNESS



JOHNNIE WALKER.
KEEP WALKING.

**Project
Grow**
Local raw
materials sourced

300 acres
GOJ leased farm lands



100
farm workers
employed



10%
local starch in
Red Stripe Beer



Red Stripe
PART OF THE HEINEKEN COMPANY

1238
young people trained in
**LEARNING
FOR LIFE™**
HEINEKEN

5589
high school students
participated in
interactive anti-underage
drinking awareness campaign

62
employees took part in

**iPLEDGE TO
DRINK
RIGHT**
Right Age. Right Amount. Right Way.

293
key accounts in
We ID programme

DESNOES & GEDDES LIMITED

DIRECTORS' REPORT

The Directors are pleased to submit their Report and Audited Accounts for the year ended December 31, 2016.

	6 Months	
	Dec 2016	Dec 2015
	\$M	\$Million
The profit of the Company before tax was	4,079	1,944
Net Profit of the Company after tax was	3,351	1,581

DIVIDENDS

The Directors have recommended that the interim dividends of \$0.52 paid to stockholders on 20 June 2016 be declared as final dividend for the year ended 31 December 2016. No further dividend was recommended.

THE BOARD

Pursuant to Article 108 of the Articles of Incorporation of the Company, one-third of the Directors or the number nearest to one-third, where their number is not a multiple of three, shall retire from office each year. Mrs. Carol Bourke and Mr. Hemmo Parson will retire, and being eligible, offer themselves for re-election.

The Directors of the Board as at December 31, 2016 comprised:

Mr. Richard O. Byles	Chairman
Mr. Ricardo Nuncio Arratia	Managing Director
Mrs. Carol Bourke	
Mr. Bruce Kidner	
Mr. Peter K. Melhado	
Mr. Richard Pandohie	
Mr. Hemmo Parson	
Mr. Eugene Ubalijoro	

Pursuant to Article 106 of the Articles of Incorporation, Mr. Bruce Kidner and Mr. Richard Pandohie who were appointed since the last annual general meeting will retire at this annual general meeting and being eligible offer themselves for election.

AUDITORS

Messrs. KPMG, the present Auditors, have indicated their willingness to continue in office and offer themselves for re-election.

The Directors wish to express their appreciation to the management and staff for the work they have done during the year.

BY ORDER OF THE BOARD



Gene M. Douglas
Corporate Secretary

Dated this 4th day of April 2017

SHAREHOLDINGS

SHAREHOLDINGS OF DIRECTORS

Name	NO. of Units
Richard O. Byles (Chairman)	Nil
Ricardo Nuncio Arratia (Managing Director)	Nil
Carol Bourke	Nil
Bruce Kidner	Nil
Peter K. Melhado	Nil
Richard Pandohie	Nil
Hemmo Parson	Nil
Eugene Ubalijoro	Nil
Company Secretary	NO. of Units
Gene M Douglas	Nil

SHAREHOLDINGS OF SENIOR MANAGERS AS AT 31 MARCH 2017

Name	NO. of Units
Ricardo Nuncio Arratia	Nil
Dianne Ashton-Smith	Nil
Jean Look Tong	Nil
Bruce Kidner	Nil
Diane Willis Reid	Nil
Blandine JNPaul-Reid	Nil
Melverine Hemmings	Nil
David Ragot	Nil
Moses Williams	Nil

GM:sg
25-Apr-17

10 LARGEST SHAREHOLDERS AS AT 31 MARCH 2017

Name	Stocks	Ownership
		%
1. Heineken Beverages Switzerland AG*	2,690,535,087	95.78
2. Bardi Limited	84,255,986	3.00
3. Caribbean Development Company Ltd	2,550,430	0.09
4. Estate KL Davidson	1,262,240	0.04
5. Estate Egbert Comm Ser Chin YC Yee	1,051,843	0.04
6. Roy Johnston	934,942	0.03
7. Eunice A Browne (DEC'D)	841,448	0.03
8. Estate Altamont E Dacosta	631,051	0.02
9. Republic Bank Limited A/C 3240-01	307,800	0.01
10. Silburn Clarke	307,800	0.01
TOTAL TOP TEN SHAREHOLDINGS	2,782,678,627	99.06
REMAINING SHAREHOLDINGS	26,491,567	0.94
TOTAL ISSUED SHARES	2,809,170,194	100.00
TOTAL NUMBER OF SHAREHOLDERS	1,752	

*Connected Parties

GMD:sg
25-Apr-17

CORPORATE DATA

CORPORATE DATA 31 December 2016	
Board of Directors:	Richard O. Byles – Chairman Ricardo Nuncio Arratia – Managing Director Carol M. Bourke Bruce Kidner Peter K Melhado Richard Pandohie Hemmo Parson Eugene Ubalijoro
Company Secretary:	Gene M. Douglas, F.C.I.S.; M.B.A.
Registrar & Transfer Agent:	Sagicor Bank Jamaica Limited Group Legal, Trust & Corporate Services, 28-48 Barbados Avenue, Kingston 5
Auditors:	KPMG 6 Duke Street, Kingston
Bankers:	Bank of Nova Scotia Jamaica Ltd. Corner Duke & Port Royal Streets, Kingston Citibank NA 19 Hillcrest Avenue, Kingston 6 National Commercial Bank Jamaica Ltd 37 Duke Street, Kingston
Attorneys-at-law:	Patterson Mair Hamilton Temple Court 85 Hope Road, Kingston 6 Myers Fletcher & Gordon 21 East Street, Kingston
Registered Office:	214 Spanish Town Road Kingston 11

DIRECTORS' ATTENDANCE REGISTER

Seven meetings were held during the year – 4 regular meetings and 3 special meetings plus the AGM

Number of Meetings held	Board (7)	AGM (1)
Richard O. Byles	7/7	1
Ricardo Nuncio	7/7	1
Bruce Kidner	5/5	1
Carol Bourke	7/7	1
Hemmo Parson	5/7	1
Richard Pandohie	2/2	0
Eugene Ubalijoro	6/7	1
Peter Melhado	6/7	1

The background of the entire page is a deep red color, densely covered with numerous small, glistening water droplets of varying sizes. The droplets are scattered across the surface, creating a textured, organic feel. The lighting on the droplets gives them a three-dimensional appearance, with highlights and shadows. In the center of this background, the text 'AUDITED FINANCIAL STATEMENTS' is written in a clean, white, sans-serif font. The text is arranged in three lines: 'AUDITED' on the top line, 'FINANCIAL' on the middle line, and 'STATEMENTS' on the bottom line. The font is bold and clear, standing out sharply against the red background.

**AUDITED
FINANCIAL
STATEMENTS**



KPMG
Chartered Accountants
P.O. Box 76
6 Duke Street
Kingston
Jamaica, W.I.
+1 (876) 922 6640
firmmail@kpmg.com.jm

INDEPENDENT AUDITORS' REPORT

To the Members of
DESNOES & GEDDES LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Desnoes & Geddes Limited ("the company"), set out on pages 5 to 40, which comprise the statement of financial position as at December 31, 2016, the income statement, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at December 31, 2016 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG, a Jamaican partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

R. Tarun Handa
Cynthia L. Lawrence
Rajan Trehan
Norman O. Rainford
Nigel R. Chambers

W. Ghan C. de Mel
Nyssa A. Johnson
Wilbert A. Spence
Rochelle N. Stephenson



INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
DESNOES & GEDDES LIMITED

Report on the Audit of the Financial Statements (continued)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
DESNOES & GEDDES LIMITED

Report on the Audit of the Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

- Obtain an understanding of internal control relevant to the audit 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
DESNOES & GEDDES LIMITED

Report on additional matters as required by the Jamaican Companies Act

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

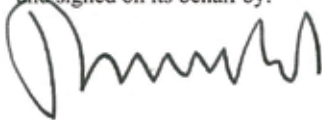

Chartered Accountants
Kingston, Jamaica

April 12, 2017

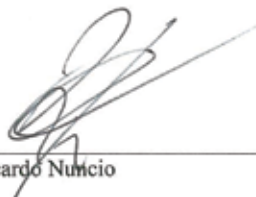
Statement of Financial Position
December 31, 2016

	Notes	2016 \$'000	2015 \$'000
Non-current assets			
Investment in joint venture	4	173,167	103,994
Investment properties	5	1,048,449	943,299
Property, plant and equipment	6	8,102,995	6,930,164
Intangible asset	7	969,117	-
Employee benefits asset	8	<u>1,540,000</u>	<u>1,224,000</u>
Total non-current assets		<u>11,833,728</u>	<u>9,201,457</u>
Current assets			
Cash and cash equivalents		911,888	1,789,633
Accounts receivable	9	3,664,424	3,033,630
Due from related entities	10	1,827,538	13,549
Inventories	11	<u>1,494,833</u>	<u>1,192,388</u>
Total current assets		<u>7,898,683</u>	<u>6,029,200</u>
Current liabilities			
Accounts payable	12	4,395,801	3,014,360
Taxation payable		209,405	544,527
Due to related entities	10	<u>1,383,457</u>	<u>103,766</u>
Total current liabilities		<u>5,988,663</u>	<u>3,662,653</u>
Net current assets		<u>1,910,020</u>	<u>2,366,547</u>
Total assets less current liabilities		<u>13,743,748</u>	<u>11,568,004</u>
Equity			
Share capital	13	2,174,980	2,174,980
Capital reserves	14	378,129	378,129
Other reserves	15	1,045,500	779,250
Retained earnings		<u>9,516,605</u>	<u>7,636,628</u>
Total equity		<u>13,115,214</u>	<u>10,968,987</u>
Non-current liabilities			
Employee benefits obligation	8	146,000	185,000
Deferred tax liabilities	16	<u>482,534</u>	<u>414,017</u>
Total non-current liabilities		<u>628,534</u>	<u>599,017</u>
Total equity and non-current liabilities		<u>13,743,748</u>	<u>11,568,004</u>

The financial statements on pages 5 to 40 were approved for issue by the Board of Directors on April 12, 2017 and signed on its behalf by:



Richard Byles Director



Ricardo Nuncio Director

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

Income Statement

December 31, 2016

(with comparatives for the six months period ended December 31, 2015)

	<u>Notes</u>	<u>2016</u> S'000	<u>2015</u> S'000
Gross sales	17	19,237,544	9,264,567
Special Consumption Tax		<u>(3,326,044)</u>	<u>(1,643,169)</u>
Net sales		15,911,500	7,621,398
Cost of sales	18(a)	<u>(9,020,375)</u>	<u>(4,145,001)</u>
Gross profit		6,891,125	3,476,397
Marketing costs	18(a)	<u>(1,372,238)</u>	<u>(815,110)</u>
Contribution after marketing costs		5,518,887	2,661,287
General, selling and administration expenses	18(a)	<u>(1,635,004)</u>	<u>(656,036)</u>
Other income/(expense), net		<u>93,227</u>	<u>(26,102)</u>
Trading profit		3,977,110	1,979,149
Finance income – interest		15,317	9,908
Share of profit in joint venture	4	69,173	17,283
Fair value gain on investment property	5	105,150	-
Loss on disposal of property, plant and equipment		<u>(75,988)</u>	<u>(56,821)</u>
Pension and medical benefits expense, net	8(d)	<u>(12,000)</u>	<u>(5,400)</u>
Profit before taxation	19(b)	4,078,762	1,944,119
Taxation	19	<u>(727,935)</u>	<u>(363,087)</u>
Profit for the year/period		<u>3,350,827</u>	<u>1,581,032</u>

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

Statement of Profit or Loss and Other Comprehensive Income
December 31, 2016
(With comparatives for the six months period ended December 31, 2015)

	<u>Notes</u>	<u>2016</u> \$'000	<u>2015</u> \$'000
Profit for the year/period		<u>3,350,827</u>	<u>1,581,032</u>
Other comprehensive income:			
Item that may not be reclassified to profit or loss:			
Remeasurement of employee benefits asset/obligation	8(e)	342,000	(25,200)
Deferred taxation on employee benefits asset/obligation	16	<u>(85,500)</u>	<u>6,300</u>
		<u>256,500</u>	<u>(18,900)</u>
Total comprehensive income for the year/period		<u>3,607,327</u>	<u>1,562,132</u>

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

Statement of Changes in Equity
December 31, 2016

(With comparatives for the six months period ended December 31, 2015)

	Share capital \$'000 (Note 13)	Capital reserves \$'000 (Note 14)	Other reserves \$'000 (Note 15)	Retained earnings \$'000	Total \$'000
Balances at June 30, 2015	2,174,980	378,129	796,575	6,984,197	10,333,881
Total comprehensive income for the period:					
Profit for the period	-	-	-	1,581,032	1,581,032
Other comprehensive income:					
Remeasurement of employee benefits asset/obligation	-	-	-	(25,200)	(25,200)
Deferred taxation on employee benefits asset/obligation	-	-	-	6,300	6,300
Total other comprehensive income	-	-	-	(18,900)	(18,900)
Total comprehensive income	-	-	-	1,562,132	1,562,132
Movement within equity:					
Transfer to pension equalisation reserve	-	-	(17,325)	17,325	-
Transactions with owners recorded directly in equity					
Dividends (note 20)	-	-	-	(927,026)	(927,026)
Balances at December 31, 2015	2,174,980	378,129	779,250	7,636,628	10,968,987
Total comprehensive income for the year:					
Profit for the year	-	-	-	3,350,827	3,350,827
Other comprehensive income:					
Remeasurement of employee benefits asset/obligation	-	-	-	342,000	342,000
Deferred taxation on employee benefits asset/obligation	-	-	-	(85,500)	(85,500)
Total other comprehensive income	-	-	-	256,500	256,500
Total comprehensive income	-	-	-	3,607,327	3,607,327
Movement within equity:					
Transfer to pension equalisation reserve	-	-	266,250	(266,250)	-
Transactions with owners recorded directly in equity					
Dividends (note 20)	-	-	-	(1,461,100)	(1,461,100)
Balances at December 31, 2016	2,174,980	378,129	1,045,500	9,516,605	13,115,214

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

Statement of Cash Flows

Year ended December 31, 2016

(With comparatives for the six months period ended December 31, 2015)

	Notes	2016 S'000	2015 S'000
Cash flows from operating activities			
Profit for the year/period		3,350,827	1,581,032
Adjustments for:			
Share of profit in joint venture	4	(69,173)	(17,283)
Fair value gain on investment properties	5	(105,150)	-
Depreciation	6	1,009,262	439,559
Amortisation	7	242,279	
Loss on disposal of property, plant and equipment		75,988	56,822
Pension and medical benefits expense, net	8(d)	12,000	5,400
Finance income - interest		(15,317)	(9,908)
Taxation	19	<u>727,935</u>	<u>363,087</u>
		5,228,651	2,418,709
Changes in:			
Accounts receivable		(629,713)	(1,291,274)
Due from related entities		(1,813,989)	464,262
Inventories		(302,445)	(30,913)
Accounts payable		1,381,441	901,265
Due to related entities		<u>1,279,691</u>	<u>(69,745)</u>
Cash generated from operations		5,143,636	2,392,304
Pension contributions and medical benefits paid		(25,000)	(7,500)
Income taxes paid		<u>(1,080,040)</u>	<u>(235,392)</u>
Net cash provided by operating activities		<u>4,038,596</u>	<u>2,149,412</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment	6	(2,258,081)	(809,809)
Acquisition of intangible assets	7	(1,211,396)	-
Proceeds from disposal of property, plant and equipment		-	85
Interest received		<u>14,236</u>	<u>9,908</u>
Net cash used in investing activities		<u>(3,455,241)</u>	<u>(799,816)</u>
Cash flows from financing activity			
Dividends paid, being net cash used in financing activity		<u>(1,461,100)</u>	<u>(927,026)</u>
Net (decrease)/increase in cash and cash equivalents		(877,745)	422,570
Cash and cash equivalents at beginning of year/period		<u>1,789,633</u>	<u>1,367,063</u>
Cash and cash equivalents at end of year/period		<u>911,888</u>	<u>1,789,633</u>

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

Notes to the Financial Statements

Year ended December 31, 2016

(With comparatives for the six months period ended December 31, 2015)

1. Identification

Desnoes & Geddes Limited (“the company”), is incorporated and domiciled in Jamaica and is a subsidiary of Heineken Beverages Switzerland AG. Effective October 7, 2015, the ultimate parent company is Heineken N.V, incorporated in the Netherlands. 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.

Effective October 7, 2015, Heineken Sweden AB (formerly Udium Holdings AB) , which held 58% of the company’s stock units, was acquired by Heineken International B.V., a subsidiary of Heineken N.V. In addition, the company’s stock units held directly by Diageo PLC were acquired by Heineken International B.V., thereby giving Heineken International B.V. control of 73.3% of the company’s stock units. Subsequent to the acquisition, a takeover bid offer was made by Heineken Sweden AB on January 21, 2016, which resulted in Heineken International B.V. having an increased control of 95.78%. On May 2, 2016, the ownership of the company was transferred from Heineken Sweden AB to Heineken Beverage Switzerland AG.

The number of employees at December 31, 2016 was 371 (2015: 305).

2. Statement of compliance and basis of preparation

(a) **Statement of compliance**

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Certain new and amended standards became effective for the current financial period. Their adoption did not result in any change in accounting policies and did not have any effect on the amounts recognised and disclosed in the financial statements.

New and amended standards issued but not yet effective

The company has assessed the relevance of new standards, amendments, and interpretations issued but not yet effective at the reporting date and have not been early adopted, and has concluded as follows:

- (i) Amendments to IAS 7, *Statement of Cash Flows*, effective for accounting periods beginning on or after January 1, 2017, requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.

The company is assessing the impact that this amendment will have on its 2017 financial statements.

Notes to the Financial Statements (Continued)

Year ended December 31, 2016

(With comparatives for the six months period ended December 31, 2015)

2. Statement of compliance and basis of preparation (continued)

(a) Statement of compliance (continued)

New and amended standards issued but not yet effective (continued)

(ii) Amendments to IAS 12, *Income Taxes*, effective for accounting periods beginning on or after January 1, 2017, clarifies the following:

- The existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.
- A deferred tax asset can be recognised if the future bottom line of the tax return is expected to be a loss, if certain conditions are met.
- Future taxable profits used to establish whether a deferred tax can be recognised should be the amount calculated before the effect of reversing temporary differences.
- An entity can assume that it will recover an asset for more than its carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.
- Deductible temporary differences related to unrealised losses should be assessed on a combined basis for recognition unless a tax law restricts the use of losses to deductions against income of a specific type.

The company is assessing the impact that this amendment will have on its 2017 financial statements.

(iii) IFRS 9, *Financial Instruments*, which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

The company is assessing the impact that the standard will have on its financial 2018 statements.

Notes to the Financial Statements (Continued)

Year ended December 31, 2016

(With comparatives for the six months period ended December 31, 2015)

2. Statement of compliance and basis of preparation (continued)

(a) Statement of compliance (continued)

New and amended standards issued but not yet effective (continued)

- (iv) IFRS 15, *Revenue From Contracts With Customers*, effective for accounting periods beginning on or after January 1, 2018, replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services*. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two entities in the same line of business exchange non-monetary assets to facilitate sales to other parties.

The company will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance.

There will be new qualitative and quantitative disclosure requirements to describe the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The company is assessing the impact that the standard will have on its 2018 financial statements.

- (v) IFRS 16, *Leases*, which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Entities will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short-term leases and for low-value items with value of US\$5,000 or less.

Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases.

The company is assessing the impact that the standard will have on its 2019 financial statements.

Notes to the Financial Statements (Continued)

Year ended December 31, 2016

(With comparatives for the six months period ended December 31, 2015)

2. Statement of compliance and basis of preparation (continued)

(a) Statement of compliance (continued)

New and amended standards issued but not yet effective (continued)

- (vi) Amendments to IAS 40, *Investments Property*, effective for accounting periods beginning on or after January 1, 2018, required an entity to transfer to property to, or from, investment property when and only when, there is evidence of a change in use. A change of use occurs, if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

The company is assessing the impact that this amendment will have on its 2018 financial statements.

(b) Basis of measurement

The financial statements are prepared on the historical cost basis, except as follows:

- biological assets are measured at fair value less cost to sell;
- investment properties are carried at fair value;
- 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(d); and
- the defined-benefit liability is the present value of the unfunded obligation.

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

The preparation of the financial statements in accordance with IFRS requires management to make judgments, 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 period 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.

Notes to the Financial Statements (Continued)

Year ended December 31, 2016

(With comparatives for the six months period ended December 31, 2015)

2. Statement of compliance and basis of preparation (continued)

(d) Use of estimates and judgments (continued)

The significant areas of estimation uncertainty and critical judgments 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 statement of financial position, income statement 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 company'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) Allowance for impairment losses on accounts receivable

In determining amounts recorded for impairment losses in the financial statements, management makes judgments 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.

(iii) Net realisable value of inventories

Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise. 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 realisable value also take into consideration the purpose for which the inventory is held.

Notes to the Financial Statements (Continued)

Year ended December 31, 2016

(With comparatives for the six months period ended December 31, 2015)

2. Statement of compliance and basis of preparation (continued)

(d) Use of estimates and judgments (continued)

(iv) Determination of fair values

When measuring the fair value of an asset or liability, the company uses market observable data as far as possible. 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 an identical assets or liability.
- 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.

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 premia 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.

Where the carrying amounts of financial assets and financial liabilities are not measured at fair value, and those carrying amounts are a reasonable approximation of fair value, fair value information including amounts and levels in the fair value hierarchy is not disclosed (note 23).

Notes to the Financial Statements (Continued)

Year ended December 31, 2016

(With comparatives for the six months period ended December 31, 2015)

2. Statement of compliance and basis of preparation (continued)

(d) Use of estimates and judgments (continued)

(v) Investment properties

Investment properties reflect fair value amounts, based on market information, including 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 5.

3. Significant accounting policies

(a) Joint arrangements

Joint arrangements are arrangements in which the company has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the investee's returns.

The company accounts for its interest in joint venture on the equity method, as the company has rights to the net assets of the venture, which is established as a separate legal entity from the investors.

(b) Investment properties

Investment properties are measured at fair value determined annually by an independent registered valuator or by management, using available market information (note 5). Fair value is based on current prices in an active market for similar properties in similar locations and condition. Any gain or loss arising from changes in fair value is recognised in profit or loss.

(c) Property, plant and equipment

(i) Cost

Items of property, plant and equipment are measured at cost, less accumulated depreciation and impairment losses. Cost includes expenditure that is 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.

Notes to the Financial Statements (Continued)

Year ended December 31, 2016

(With comparatives for the six months period ended December 31, 2015)

3. Significant accounting policies (continued)

(c) Property, plant and equipment (continued)

(i) Cost (continued)

The company 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 company 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.

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.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) Depreciation

Property, plant and equipment, with the exception of freehold land and construction in progress, on which no depreciation is charged, are depreciated 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 and is recognised in profit or loss. Annual depreciation rates are as follows:

Buildings	2%-2½%
Plant and equipment	2%-20½%
Furniture, fixtures and computer equipment	25%
Returnable packaging	10% - 20%
Motor vehicle	25%

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

(d) Intangible asset

Contract-based intangible is capitalised if it meets the definition of an intangible asset and the recognition criteria are satisfied. Contract-based intangible asset is measured at cost and is amortised over the period of the contractual arrangement, which is 5 years.

(e) Employee benefits

Employee benefits are all forms of consideration given by the company 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.

Notes to the Financial Statements (Continued)

Year ended December 31, 2016

(With comparatives for the six months period ended December 31, 2015)

3. Significant accounting policies (continued)

(e) Employee benefits (continued)

(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 company'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 company's net asset in respect of the defined-benefit pension plan is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that value is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is determined by reference to the yield at the reporting date on long-term government instruments with tenures approximating those of the company's obligation. The calculation is performed by a qualified actuary, using the projected unit credit method.

Remeasurements of the net defined-benefit liability, which comprise actuarial gains and losses, are recognised immediately in other comprehensive income. The company 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 period to the net defined benefit liability, taking into account any changes in the net defined benefit liability during the period 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 benefits that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The company 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 withdrawals and reductions in future contributions to the plan.

Notes to the Financial Statements (Continued)

Year ended December 31, 2016

(With comparatives for the six months period ended December 31, 2015)

3. Significant accounting policies (continued)

(e) Employee benefits (continued)

(iii) Other long-term employees benefits

The company also provides post-retirement health benefits to employees upon retirement. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for the defined-benefit pension plan and the present value of future benefits at the reporting date is shown as an obligation on the statement of financial position. Remeasurements are recognised in profit or loss in the period in which they arise.

(iv) Termination benefits

Termination benefits are expensed at the earlier of when the company can no longer withdraw the offer of those benefits and when the company 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) 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.

A financial instrument is recognised when the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the company's contractual rights to the cash flows from the financial assets expire or when the company 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 company's obligations specified in the contract expire, discharged or cancelled.

Non-derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses in respect of financial assets.

Non-derivative financial instruments comprise cash and cash equivalents, accounts receivable, due from related entities, accounts payable and due to related entities .

(g) 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.

Notes to the Financial Statements (Continued)

Year ended December 31, 2016

(With comparatives for the six months period ended December 31, 2015)

3. Significant accounting policies (continued)

(g) Cash and cash equivalents (continued)

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

(h) Accounts receivable

Accounts receivable are measured at amortised cost less allowance for impairment losses. An allowance for impairment of receivables is established when there is objective evidence that the company 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.

(i) Biological assets

Biological assets are measured at fair value less costs to sell, with any change therein recognised in profit or loss over the useful life of the asset.

Cassava recognised as biological assets is carried at fair value less costs to sell at the date of harvest.

(j) Inventories

Inventories are measured 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.

(k) Accounts payable

Accounts payable are measured at amortised cost.

(l) 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 profit or loss 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 involvement with the goods.

(m) Finance income and costs

Finance income comprises interest income on funds invested and foreign exchange gains. Interest income is recognised as it accrues, using the effective interest method.

Notes to the Financial Statements (Continued)

Year ended December 31, 2016

(With comparatives for the six months period ended December 31, 2015)

3. Significant accounting policies (continued)

(m) Finance income and costs (continued)

Finance costs comprise interest expense on borrowings and foreign currency losses. Borrowing costs are recognised in profit or loss using the effective interest method.

(n) Foreign currencies

Balances denominated in foreign currencies at the reporting date are translated at the rates of exchange ruling on that date. Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions. Gains and losses arising from fluctuations in exchange rates are included in profit or loss.

For the purpose of the statement of cash flows, foreign currency gains and losses recognised in profit or loss are treated as cash items and are included in cash flows from operating and financing activities.

(o) 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 from 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. All impairment losses are recognised in profit or loss.

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.

An impairment loss is reversed in profit or loss if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

(ii) Non-financial assets

The carrying amounts of the company'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 inflows that are largely independent from other assets and groups. Impairment losses are recognised in profit or loss.

Notes to the Financial Statements (Continued)

Year ended December 31, 2016

(With comparatives for the six months period ended December 31, 2015)

3. Significant accounting policies (continued)

(o) Impairment (continued)

(ii) Non-financial assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(p) Taxation

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income.

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

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.

(q) Provisions

A provision is recognised in the statement of financial position when the company has 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 obligation.

(r) Contingencies

When it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability unless the probability of outflow of economic benefits is remote. Contingent assets are not recognised in the financial statements but are disclosed when an inflow of economic benefits is probable.

Notes to the Financial Statements (Continued)

Year ended December 31, 2016
(With comparatives for the six months period ended December 31, 2015)
4. 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, requiring 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 company rights to the net assets of the entity, and is therefore accounted for using the equity method.

In accordance with the agreement under which CBL is established, the company and the other investor may make additional capital contributions as determined by the Board of CBL to be reasonably necessary for the conduct of CBL'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 CBL, which would be repayable before any distributions to the non-contributing party. The company's investment in the joint venture is represented as follows:

	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
Shares, at cost	191,500	191,500
Share of accumulated loss	<u>(18,333)</u>	<u>(87,506)</u>
	<u>173,167</u>	<u>103,994</u>

The following tables summarise the financial information of CBL:

	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
Non-current assets	203,632	215,404
Current assets	4,436,464	3,917,430
Current liabilities	<u>(4,293,761)</u>	<u>(3,924,845)</u>
Net assets	<u>346,335</u>	<u>207,989</u>
Revenue	27,595,902	13,479,374
Profit for the year/period	<u>138,346</u>	<u>34,566</u>
Company's share of CBL's profit for the year/period [note 10(d)]	<u>69,173</u>	<u>17,283</u>

5. Investment properties

	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
Balance as at beginning of the year/period	943,299	943,299
Fair value gain recognised in profit	<u>105,150</u>	<u>-</u>
Balance as at end of year/period	<u>1,048,449</u>	<u>943,299</u>

Notes to the Financial Statements (Continued)

Year ended December 31, 2016

(With comparatives for the six months period ended December 31, 2015)

5. Investment properties (continued)

The carrying amount of investment properties is the fair value of the properties as determined by Property Consultants Limited and Breakenridge & Associates, registered independent valuers having an appropriate recognised professional qualification and recent experience in the locations and category of the properties being valued.

Income amounting to \$49,912,104 (2015: \$24,956,052) was earned and expenses of \$11,925,476 (2015: \$7,457,116) were incurred in relation to these properties for the year /period.

The fair value measurement for investment properties is classified as Level 3 in the fair value hierarchy of IFRS 13.

Investment properties are 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:

<u>Valuation techniques</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between key unobservable inputs and fair value measurement</u>
<p><i>Direct sales comparison approach:</i> 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.</p> <p>The approach requires comparison of the subject property with others of similar design and utility, inter alia, which were sold in the recent past.</p> <p>However as no two properties are exactly alike, adjustment is made for the difference between the properties subject to valuation and comparable properties.</p>	<ul style="list-style-type: none"> • Details of the sales of comparable properties based on estimated rental income potential. • Conditions influencing the sale of the comparable properties. • Comparability adjustment. 	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> • Value of comparable properties were higher/(lower). • Comparability adjustment were higher/(lower).

Notes to the Financial Statements (Continued)

Year ended December 31, 2016

(With comparatives for the six months period ended December 31, 2015)

5. Investment properties (continued)

<u>Valuation techniques</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between key unobservable inputs and fair value measurement</u>
<p><i>Income approach:</i> The approach is based on income/utility expected to be derived from the ownership of the property.</p> <p>Actual or estimated net income and/reversions for comparable alternative investments of similar quality and durability as the subject property are adopted and capitalised/discounted to obtain the present market rates.</p>	<ul style="list-style-type: none"> • Net annual income 	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> • Annual net income was higher/(lower).
<p><i>Cost approach:</i> 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.</p> <p>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.</p>	<ul style="list-style-type: none"> • 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. 	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> • Cost of constructing comparable properties were higher/(lower). • Estimated replacement costs of improvements of comparable properties were higher/(lower). • Depreciation rates were higher/(lower).

Notes to the Financial Statements (Continued)

Year ended December 31, 2016

(With comparatives for the six months period ended December 31, 2015)

6. Property, plant and equipment

	Freehold land and buildings \$'000	Plant and equipment \$'000	Furniture, fixtures and computer equipment \$'000	Motor vehicle \$'000	Returnable packaging \$'000	Construction in progress \$'000	Total \$'000
Cost:							
June 30, 2015	1,472,447	6,460,022	634,798	-	3,243,298	1,444,801	13,255,366
Additions	-	-	-	12,771	389,893	407,145	809,809
Transfers	-	34,871	-	8,924	-	(43,795)	-
Disposals/write-off	(9,044)	(267,446)	(6,294)	-	(15,615)	-	(298,399)
December 31, 2015	1,463,403	6,227,447	628,504	21,695	3,617,576	1,808,151	13,766,776
Additions	4,255	89,899	30,284	10,139	813,839	1,309,665	2,258,081
Transfers	43,166	770,660	8,061	-	-	(821,887)	-
Disposals/write-off	-	(341,435)	(24,192)	-	(7,456)	-	(373,083)
December 31, 2016	<u>1,510,824</u>	<u>6,746,571</u>	<u>642,657</u>	<u>31,834</u>	<u>4,423,959</u>	<u>2,295,929</u>	<u>15,651,774</u>
Depreciation and impairment losses:							
June 30, 2015	517,804	3,733,986	577,267	-	1,795,031	-	6,624,088
Charge for the period	17,679	175,476	9,072	1,085	236,247	-	439,559
Eliminated on disposals/write-off	(8,772)	(213,602)	(3,504)	-	(1,157)	-	(227,035)
December 31, 2015	526,711	3,695,860	582,835	1,085	2,030,121	-	6,836,612
Charge for the year	34,851	371,388	17,764	4,339	580,920	-	1,009,262
Eliminated on disposals/write-off	-	(281,276)	(13,740)	-	(2,079)	-	(297,095)
December 31, 2016	<u>561,562</u>	<u>3,785,972</u>	<u>586,859</u>	<u>5,424</u>	<u>2,608,962</u>	<u>-</u>	<u>7,548,779</u>
Carrying amounts:							
December 31, 2016	<u>949,262</u>	<u>2,960,599</u>	<u>55,798</u>	<u>26,410</u>	<u>1,814,997</u>	<u>2,295,929</u>	<u>8,102,995</u>
December 31, 2015	<u>936,692</u>	<u>2,531,587</u>	<u>45,669</u>	<u>20,610</u>	<u>1,587,455</u>	<u>1,808,151</u>	<u>6,930,164</u>
June 30, 2015	<u>954,643</u>	<u>2,726,036</u>	<u>57,531</u>	<u>-</u>	<u>1,448,267</u>	<u>1,444,801</u>	<u>6,631,278</u>

7. Intangible asset

	2016 \$'000
Addition, being balance as at end of the year	1,211,396
Amortisation, being balance as at end of the year	(242,279)
Carrying amount as at end of the year	<u>969,117</u>

The intangible asset represents the cost of licensing agreement with Diageo PLC for the rights to manufacture, import, market, distribute and sell certain Diageo products exclusively in Jamaica. The arrangement will expire on December 31, 2020.

8. Employee benefits asset/obligation

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

Notes to the Financial Statements (Continued)

Year ended December 31, 2016

(With comparatives for the six months period ended December 31, 2015)

8. Employee benefits asset/obligation (continued)

(a) Employee benefit asset/(obligation)

	<u>Pension asset</u>		<u>Medical obligation</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	\$'000	\$'000	\$'000	\$'000
Present value of obligations	(6,886,000)	(5,804,000)	(146,000)	(185,000)
Fair value of plan assets	8,776,000	7,832,400	-	-
Asset not recognised due to limitation	(350,000)	(804,400)	-	-
Net asset/(obligation) at end of year/period	<u>1,540,000</u>	<u>1,224,000</u>	<u>(146,000)</u>	<u>(185,000)</u>

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

	<u>Pension asset</u>		<u>Medical obligation</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	\$'000	\$'000	\$'000	\$'000
Balance at beginning of year/period	(5,804,000)	(5,646,000)	(185,000)	(138,000)
Benefits paid	332,000	113,000	4,000	2,500
Service and interest costs	(577,000)	(318,600)	(24,000)	(10,400)
Members' contributions	(87,000)	(44,000)	-	-
Remeasurements	(750,000)	91,600	59,000	(39,100)
Balance at end of year/period	<u>(6,886,000)</u>	<u>(5,804,000)</u>	<u>(146,000)</u>	<u>(185,000)</u>

(c) Movement in pension plan assets

	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
Fair value of plan assets at beginning of year/period	7,832,000	6,846,100
Members' contributions	87,000	44,000
Employer's contributions	21,000	5,000
Interest income on plan assets	656,000	323,600
Benefits paid	(332,000)	(113,000)
Remeasurements	512,000	726,700
Fair value of plan assets at end of year/period	<u>8,776,000</u>	<u>7,832,400</u>
Plan assets consist of the following:		
Fixed income fund	2,720,000	2,720,000
Mortgage and real estate fund	2,721,000	2,399,000
Equity fund	2,721,000	2,378,400
Foreign currency fund	614,000	335,000
	<u>8,776,000</u>	<u>7,832,400</u>

Notes to the Financial Statements (Continued)

Year ended December 31, 2016

(With comparatives for the six months period ended December 31, 2015)

8. Employee benefits asset/obligation (continued)

(d) Income recognised for the year/period

	Pension asset		Medical obligation	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	\$'000	\$'000	\$'000	\$'000
Current service costs	97,000	53,000	10,000	4,400
Net interest costs:				
Interest on obligation	480,000	265,600	13,000	6,000
Interest income on plan assets	(656,000)	(323,600)	-	-
Interest on effect of asset ceiling	<u>68,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(11,000)</u>	<u>(5,000)</u>	<u>23,000</u>	<u>10,400</u>

(e) Remeasurement effects recognised in other comprehensive income

	Pension asset		Medical obligation	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	\$'000	\$'000	\$'000	\$'000
Change in financial assumptions	(309,000)	636,400	(19,000)	32,600
Experience adjustment	(325,000)	(1,454,700)	(39,000)	6,500
Change in effect of the asset ceiling	<u>350,000</u>	<u>804,400</u>	<u>-</u>	<u>-</u>
	<u>(284,000)</u>	<u>(13,900)</u>	<u>(58,000)</u>	<u>39,100</u>

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

	<u>2016</u>	<u>2015</u>
	%	%
Inflation rate	6.0	5.0
Discount rate	9.0	8.5
Pay growth	6.0	5.0
Pension increases	5.0	4.0
Medical claims growth	<u>8.5</u>	<u>8.5</u>

- (i) The expected long-term rate of return is based on market expectation of inflation of 6% (2015: 5.0%) plus a margin for real returns of 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 \$99,000,000 (2015: \$98,000,000).

Notes to the Financial Statements (Continued)

Year ended December 31, 2016

(With comparatives for the six months period ended December 31, 2015)

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 NIL (2015: \$95,000,000).

(h) Sensitivity analysis on projected benefit obligation

The calculation of the projected benefit obligation is sensitive to the assumptions used. The table below summarises 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.

	2016		2015	
	1 % decrease \$'000	1 % increase \$'000	1 % decrease \$'000	1 % increase \$'000
Discount rate	-	-	714	(562)
Pay growth	-	-	(169)	200
Pension increases	-	-	(486)	571

(i) Liability duration

	2016	2015
Active members and all participants	<u>31 years</u>	<u>31 years</u>

(j) The company's defined benefit pension plan is undergoing a restructuring exercise to transition to a defined contribution pension plan. At the reporting date, the restructuring which received the required approval of members is before the regulators for final approval with retroactive adjustment to October 31, 2016.

9. Accounts receivable

	2016 \$'000	2015 \$'000
Trade	3,277,517	2,774,357
Other	<u>436,293</u>	<u>327,728</u>
	3,713,810	3,102,085
Less: Allowance for impairment	(49,386)	(68,455)
	<u>3,664,424</u>	<u>3,033,630</u>

Notes to the Financial Statements (Continued)

Year ended December 31, 2016

(With comparatives for the six months period ended December 31, 2015)

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:

	<u>2016</u> \$'000	<u>2015</u> \$'000
On-trade	154	2,025
Off-trade	3,162,215	2,481,976
Export	49,824	211,825
Other	<u>15,938</u>	<u>10,076</u>
	<u>3,228,131</u>	<u>2,705,902</u>

The ageing of trade receivables at the reporting date was:

	<u>2016</u>		<u>2015</u>	
	<u>Gross</u> \$'000	<u>Impairment</u> \$'000	<u>Gross</u> \$'000	<u>Impairment</u> \$'000
Not past due	3,221,029	-	2,664,320	-
Past due 31-60 days	5,620	-	37,802	-
More than 60 days	<u>50,868</u>	<u>(49,386)</u>	<u>72,235</u>	<u>(68,455)</u>
Total	<u>3,277,517</u>	<u>(49,386)</u>	<u>2,774,357</u>	<u>(68,455)</u>

The movement in the allowance for impairment was as follows:

	<u>2016</u> \$'000	<u>2015</u> \$'000
Balance at beginning of year/period	68,455	62,898
Debts recovered	(17,317)	(7,151)
Debts written-off – trade receivables	(15,931)	-
Charge for the year/period – trade receivables	<u>14,179</u>	<u>12,708</u>
Balance at end of year/period	<u>49,386</u>	<u>68,455</u>

10. 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”, in this case, the company).

(A) A person or a close member of that person’s family is related to the company if that person:

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

Notes to the Financial Statements (Continued)

Year ended December 31, 2016

(With comparatives for the six months period ended December 31, 2015)

10. Related party balances and transactions (continued)

(a) Definition of related parties (continued)

(B) An entity is related to the company if any of the following conditions applies:

- (i) The entity and the company 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 company or an entity related to the company.
- (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).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the company or to the parent of the company.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

(b) Identity of related parties

The company has related party relationships with the ultimate parent company, parent company, fellow subsidiaries, directors and key management personnel. The company was a subsidiary of Diageo PLC until October 6, 2015 and became a subsidiary of Heineken N.V. on October 7, 2015 (see note 1).

(c) The statement of financial position includes the following balances arising from transactions with related parties, in the ordinary course of business:

	<u>2016</u> \$'000	<u>2015</u> \$'000
Related entities:		
Due from (i)	1,827,538	13,549
Due to (ii)	(1,383,457)	(103,766)
Key management personnel:		
Accounts receivable (iii)	-	703
Joint venture:		
Accounts receivable (iii)	3,150,784	2,488,458
Accounts payable (iv)	<u>327,603</u>	<u>(278,272)</u>

Notes to the Financial Statements (Continued)

Year ended December 31, 2016

(With comparatives for the six months period ended December 31, 2015)

10. Related party balances and transactions (continued)

- (c) The statement of financial position includes the following balances arising from transactions with related parties, in the ordinary course of business (continued):
- (i) Include in this amount is \$1,552,436,000 (2015: Nil) which represents an unsecured loan to Heineken International BV, bearing an interest at LIBOR plus a margin of 45 basis points per annum and payable in full on December 12, 2017. The remaining balance represents transactions with Heineken group companies for goods rendered.
 - (ii) This represents balances with Heineken group companies in the current period and Diageo group companies in the prior year which are unsecured, interest-free and repayable within twelve (12) months.
 - (iii) These are unsecured, interest free and collectible within twelve (12) months.
 - (iv) This is unsecured, interest free and repayable within twelve (12) months.
- (d) The income statement includes income earned from, and expenses incurred in, transactions with related parties in the ordinary course of business, as follows:

	<u>2016</u> \$'000	<u>2015</u> \$'000
Related entities under DIAGEO Group:		
Sales	-	(203,858)
Royalty income	-	(96,889)
Royalty expense	-	10,808
Marketing cost	-	7,364
Purchases of raw materials and finished goods	-	101,538
Related entities under Heineken Group:		
Sales	(1,214,000)	(17,901)
Royalty expense	101,848	102,481
Joint venture:		
Gross sales	(17,513,833)	(8,168,401)
Cost of sales	1,354,430	657,556
Share of profit (note 4)	(69,173)	(17,283)
Key management personnel compensation:		
Short-term employment benefits	205,318	114,768
Post-employment benefits expense	<u>152</u>	<u>137</u>

Directors of the company own Nil (2015: 0.430%) of the voting shares of the company.

Notes to the Financial Statements (Continued)

Year ended December 31, 2016*(With comparatives for the six months period ended December 31, 2015)***11. Inventories**

	<u>2016</u> \$'000	<u>2015</u> \$'000
Raw materials	232,875	159,000
Work-in-progress	200,763	169,234
Finished goods	247,991	293,620
Consumables	595,916	379,792
Plant and equipment spares	<u>217,288</u>	<u>190,742</u>
	<u>1,494,833</u>	<u>1,192,388</u>

Inventories of \$3,006,050 (2015: \$1,247,953) were recognised as expense during the year/period and included in the income statement as part of cost of sales.

12. Accounts payable

	<u>2016</u> \$'000	<u>2015</u> \$'000
Trade	2,110,569	1,327,377
Staff accruals	367,303	246,637
Deposits – returnables	525,753	350,259
Accrued charges	505,776	400,739
Other	<u>886,400</u>	<u>689,348</u>
	<u>4,395,801</u>	<u>3,014,360</u>

13. Share capital

Authorised:

2,810,500,000 ordinary shares of no par value

<u>2016</u> \$'000	<u>2015</u> \$'000
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Issued and fully paid:

2,809,170,386 ordinary stocks of no par value

<u>2,174,980</u>	<u>2,174,980</u>
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14. Capital reserves

Capital reserves represent revaluation surplus on property, plant and equipment.

15. Other reserves

Other reserves represent the net employee benefits asset of \$1,394,000,000 (2015: \$1,039,000,000), less deferred tax of \$348,500,000 (2015: \$259,750,000) (note 16), arising on the actuarial valuation under IAS 19, of the company's defined benefit arrangements.

Notes to the Financial Statements (Continued)

Year ended December 31, 2016

(With comparatives for the six months period ended December 31, 2015)

16. Deferred tax liabilities

	<u>2016</u>			
	Balance at beginning of year \$'000	Recognised in income \$'000 [Note 19(a)(ii)]	Recognised in equity \$'000	Balance at end of year \$'000
Accrued vacation leave	(8,089)	(670)	-	(8,759)
Unrealised foreign exchange gain	1,100	6,294	-	7,394
Property, plant and equipment	161,256	(26,011)	-	135,245
Interest receivable	-	154	-	154
Employee benefits asset	<u>259,750</u>	<u>3,250</u>	<u>85,500</u>	<u>348,500</u>
	<u>414,017</u>	<u>(16,983)</u>	<u>85,500</u>	<u>482,534</u>
	<u>2015</u>			
	Balance at beginning of period \$'000	Recognised in income \$'000 [Note 19(a)(ii)]	Recognised in equity \$'000	Balance at end of period \$'000
Accrued vacation leave	(10,092)	2,003	-	(8,089)
Unrealised foreign exchange gain	3,059	(1,959)	-	1,100
Property, plant and equipment	268,498	(107,242)	-	161,256
Employee benefits asset	<u>265,525</u>	<u>525</u>	<u>(6,300)</u>	<u>259,750</u>
	<u>526,990</u>	<u>(106,673)</u>	<u>(6,300)</u>	<u>414,017</u>

17. Gross sales

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

18. Profit before taxation

(a) Expense by nature:

	<u>2016</u> \$'000	<u>2015</u> \$'000
Raw materials and consumables	2,620,477	1,093,430
Other cost of production and logistics	2,434,624	1,219,792
Staff costs	2,352,117	1,139,299
Depreciation and amortisation	1,251,541	439,559
Other promotion costs	866,462	666,634
Repairs and maintenance	861,424	388,739
Advertising	508,484	148,476
Energy and utilities	431,645	243,507
Legal, professional and consultancy	148,737	76,793
Bad debts	14,179	12,708
Auditors' remuneration	<u>8,350</u>	<u>6,000</u>
Cost of sales, marketing costs, general, selling and administration expenses carried forward	<u>11,498,040</u>	<u>5,434,937</u>

Notes to the Financial Statements (Continued)

Year ended December 31, 2016
(With comparatives for the six months period ended December 31, 2015)
18. Profit before taxation (continued)

(a) Expense by nature (continued):

	<u>2016</u> \$'000	<u>2015</u> \$'000
Cost of sales, marketing costs, general, selling and administration expenses brought forward	11,498,040	5,434,937
Directors' emoluments:		
Fees	5,980	6,410
Key management personnel	64,067	31,028
Other	<u>459,530</u>	<u>143,772</u>
	<u>12,027,617</u>	<u>5,616,147</u>

(b) Profit before taxation is stated after crediting:

Royalties earned	(308,969)	(240,707)
Foreign exchange gains	<u>(125,385)</u>	<u>(25,330)</u>

19. Taxation

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

	<u>2016</u> \$'000	<u>2015</u> \$'000
(i) Current tax expense:		
Income tax at 25%	744,918	469,760
(ii) Deferred taxation:		
Origination and reversal of temporary differences (note 16)	<u>(16,983)</u>	<u>(106,673)</u>
Taxation	<u>727,935</u>	<u>363,087</u>

(b) Reconciliation of actual taxation charge:

	<u>2016</u> \$'000	<u>2015</u> \$'000
Profit before taxation	<u>4,078,762</u>	<u>1,944,119</u>
Computed "expected" tax charge at 25%	1,019,691	486,030
Difference between profit for financial statements and tax reporting purposes on:		
Depreciation charge and capital allowances	(49,389)	(19,703)
Employer tax credit	(206,977)	(113,726)
Fair value gain on investment properties	(26,288)	-
Other	<u>(9,102)</u>	<u>10,486</u>
Actual taxation charge	<u>727,935</u>	<u>363,087</u>

Notes to the Financial Statements (Continued)

Year ended December 31, 2016

(With comparatives for the six months period ended December 31, 2015)

20. Dividends

	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
Ordinary dividends: 52¢ (2015: 33¢) per stock unit – gross	<u>1,461,100</u>	<u>927,026</u>

21. 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 (2015: \$47,500,000), in the ordinary course of business.
- (ii) Claims amounting to \$2.6 million (2015: \$13.3 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.

22. Financial risk management

The company has exposure to credit risk, liquidity risk, and market risk from its use of financial instruments in its operations. This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk, and the company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework. The Board has established a Risk Management Committee, which is responsible for developing and monitoring the company's risk management policies. The company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(i) **Credit risk**

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's cash and cash equivalents 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.

Notes to the Financial Statements (Continued)

Year ended December 31, 2016

(With comparatives for the six months period ended December 31, 2015)

22. Financial risk management (continued)

(i) Credit risk (continued)

Credit limits for all customers are reviewed at least annually against the customers' payment history, assessment of customers' credit risk and sales department information.

Cash and cash equivalents

The company maintains cash resources with reputable financial institutions that are appropriately licensed and regulated, therefore 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. There is a significant concentration of credit risk, in that the balance with the joint venture company, Celebration Brands Limited, accounts for approximately 89% (2015: 90%) of the trade receivables balance.

During the year ended December 31, 2016, the company 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 company's exposure to credit risk or the manner in which it measures and manages this risk during the period.

(ii) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company'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 company's reputation.

Notes to the Financial Statements (Continued)

Year ended December 31, 2016

(With comparatives for the six months period ended December 31, 2015)

22. Financial risk management (continued)

(ii) Liquidity risk (continued)

The company ensures that it has sufficient cash on demand to meet expected operational expenses. The company maintains two lines of unsecured credit, which are available if the company does not have sufficient cash to settle its obligation, as follows:

- (a) \$600,000,000 (2015: \$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 (2015: US\$9,000,000) line of credit with Citibank N.A., Jamaica Branch. The rate of interest per annum is determined at the time the funds are accessed.

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

There was no change to the company'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 company'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.

Management of market risk

For each of the major components of market risk, the company has policies and procedures in place which detail how each risk should be monitored and managed. The management of each of these major components of risk and the exposure of the company at the reporting date are as follows:

(a) Foreign currency risk

Foreign currency risk is the risk that the value or cash flows of a financial instruments will fluctuate due to changes in foreign exchange rates.

The company is exposed to currency risk on purchases that are denominated in a currency other than the Jamaica dollar, which is the functional currency of the company.

Notes to the Financial Statements (Continued)

Year ended December 31, 2016

(With comparatives for the six months period ended December 31, 2015)

22. Financial risk management (continued)

(iii) Market risk (continued)

(a) Foreign currency risk (continued)

Exposure to currency risk

The company had net foreign currency assets/(liabilities) as follows:

	<u>Jamaican dollar equivalent</u>	
	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
<u>Currency</u>		
Canadian dollars	-	50,872
United States dollars	(1,077,093)	1,078,195
Pounds sterling	(274,595)	(85,889)
Euro	<u>(1,182,712)</u>	<u>(35,110)</u>

Sensitivity analysis

The following table details the company's sensitivity to a 1% (2015: 1%) strengthening and 6% (2015: 8%) weakening of the Jamaica dollar against the relevant currencies based on the effect that such changes would have on the reported profits for the period/year. This analysis assumes that all other variables, in particular interest rates, remain constant and was performed on the same basis as December 31, 2015.

	<u>2016</u>		<u>2015</u>	
	<u>1% strengthening</u>	<u>6% weakening</u>	<u>1% strengthening</u>	<u>15% weakening</u>
	\$'000	\$'000	\$'000	\$'000
<u>Currency</u>				
Canadian dollars	-	-	(509)	4,070
United States dollars	(1,393)	8,361	(10,782)	86,256
Pounds sterling	(447)	2,682	859	(6,871)
Euro	<u>(1,632)</u>	<u>9,782</u>	<u>351</u>	<u>(2,809)</u>

(b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The company 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.

Notes to the Financial Statements (Continued)

Year ended December 31, 2016

(With comparatives for the six months period ended December 31, 2015)

22. Financial risk management (continued)

(iii) **Market risk (continued)**

The company does not carry any financial instrument at fair value, therefore a change in market interest rates would not affect the carrying value of the company's financial instruments.

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

(iv) **Capital management**

The company is not subject to externally imposed capital requirements other than the stock exchange requirement to have positive equity. The Board's policy is to maintain a strong capital base, which the company defines as total equity, 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.

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 company's approach to capital management during the period.

23. Fair values

The fair value of cash and cash equivalents, accounts receivable, due from fellow subsidiaries, due to fellow subsidiaries and accounts payable was determined to approximate their carrying value due to their short-term nature [note 2(d)(iv)].

24. Lease contract

At the reporting date, the future minimum lease receivables under non-cancellable leases are receivable as follows:

	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
Within one year	<u>49,912</u>	<u>49,912</u>

Place \$100
Stamp
here

I/We..... of

Being a member/members of Desnoes & Geddes Limited, hereby appoint

..... of

Or failing him, of

As my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Thursday, May 25, 2017 at 10:00 a.m. and any adjournment thereof.

Dated..... Signed.....

Please indicate by inserting "X" in the space below how you wish your vote to be cast. If no indication is given your proxy will vote for or against a resolution or abstain as he/she thinks fit.

		For	Against
1	Adopting the financial statements and reports of Directors and Auditors thereon		
2	Declaration of Dividend		
3	Approving Fees for Non-Executive Directors for the year		
4(a)	Re-electing Director Mrs. Carol Bourke		
4(b)	Re-electing Director Mr. Hemmo Parson		
4(c)	Electing Director Mr. Bruce Kidner		
4(d)	Electing Director Mr. Richard Pandohie		
5	Remuneration of the Auditors		
6	Special Resolution to amend the Articles of Incorporation		

NOTES:

1. If a member is a corporation, this form must be done under common seal or under the hand of an officer or attorney duly authorised in writing.
2. To be valid, this form must be received at the Registered Office of the Company, 214 Spanish Town Road, Kingston 11, no later than 10:00 a.m. on Wednesday May 24 2017.

The background of the entire page is a deep red color, densely covered with numerous small, glistening water droplets of varying sizes. The droplets are scattered across the surface, creating a textured, organic feel. The lighting on the droplets gives them a three-dimensional appearance, with highlights and shadows.

**DESNOES
& GEDDES
LIMITED
ANNUAL
REPORT
2016**