DESNOES & GEDDES LIMITED ANNUAL REPORT 2019

"The Red Stripe Bar Academy has certainly made me more confident.The programme also has me seriously thinking about furthering my studies. In high school, I was in love with Food and Nutrition and Home Economics mainly because I love cooking. With this knowledge now, who knows; maybe in a few years, I could go as far as owning my own restaurant and bar. I feel like anything is possible! I want to do better, not only for myself but also for my two children. I want to show them that hard work pays off."

TIFFANY DAVIS
First in class
2019 Red Stripe Bar Academy

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

TABLE OF CONTENTS

Red Stripe®
PART OF THE HEINEKEN COMPANY

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, which celebrated its centenary in 2018, began when Eugene Desnoes and Thomas Geddes merged their carbonated soft drink businesses in 1918. They formed Desnoes and Geddes Limited which steadily grew to become 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 and 2016.

On October 7, 2015, HEINEKEN NV. 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 internationally 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 2019

	December 2019	December 2018	December 2017
Turnover	24,694,230	23,757,885	22,159,993
Profit before tax	3,954,106	3,858,972	3,912,394
Profit attributable to stockholders	3,256,917	3,096,180	3,108,636
Profit per stock unit (calculated on net profit attributable to stockholders)	115.93¢	110.21¢	110.70¢
Dividends per stock unit	1.826¢	56¢	55¢
Stockholders' Equity			
Share capital	2,174,980	2,174,980	2,174,980
Capital and other reserves	1,059,129	1,109,379	1,423,629
Revenue reserves	11,736,876	13,451,492	11,678,697
Total Equity	**14,970,985**	**16,735,851**	**15,277,306**

TEN YEARS
STATISTICAL SUMMARY

FINANCIAL YEAR	December 2019 $'000	December 2018 $'000	December 2017 $'000	December 2016 $'000
OPERATING DATA				
Turnover	24,694,230	23,757,885	22,159,993	19,237,544
Profit before taxation	3,954,106	3,858,972	3,912,394	4,078,762
Provision for taxation	(697,189)	(762,792)	(803,758)	(727,935)
PROFIT AFTER TAXATION	3,256,917	3,096,180	3,108,636	3,350,827
Dividend	1,573,135	1,573,135	1,545,044	1,461,100
Net dividend cover	2.07	1.97	2.01	2.29
BALANCE SHEET DATA				
Net current assets /(liabilities)	950,196	2,600,467	1,887,446	1,910,020
Property, plant and equipment	16,134,005	14,910,090	14,040,466	8,102,995
Stockholders' equity	14,970,985	16,735,851	15,277,306	13,115,214
No. of stock units in issue	2,809,171	2,809,171	2,809,171	2,809,171
PER ORDINARY STOCK UNIT				
Profit for the year	115.93¢	110.21¢	110.70¢	119.28¢
Stockhoders' equity	$5.33	$5.96	$5.44	$4.67
Dividends				
Oridnary - Interims				
- finals	1.826¢	56¢	55¢	52¢
OTHER				
Return on Equity	22%	19%	20%	26%
Closing Stock Price				
Number of employees	341	335	369	371

* 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.

Dividend Cover = P A T/Dividend
Profit for the year per stock unit = PA T / No. of shares
Return on Equity = PAT/Stockholder's Equity
Stockholders Equity per stock unit = SHE/No. of shares

16	December 2015 $'000	2015 $'000	2014 $'000	2013 $'000	2012 $'000	2011 $'000	2010 $'000
	9,264,567	15,895,710	14,085,101	12,732,391	13,154,054	13,272,380	13,332,436
2	1,944,119	2,834,445	3,676,908	1,871,325	1,455,176	1,510,060 ***	1,206,388 ***
	(363,087)	(500,923)	(523,745)	(660,081)	(225,619)	(431,251)	(392,976)
7	1,581,032	2,333,522	3,153,163	1,211,244	1,229,558	1,078,809 ***	813,412 ***
	927,026	1,123,668	1,404,586	846,752	561,834	–	702,293
	1.71	2.08	2.24	1.43	2.19	–	1.16
	2,366,547	2,137,483	2,016,111	1,634,149	1,277,648	631,733	(415,922) ***
	6,930,164	6,631,278	5,495,994	4,553,635	4,674,345	4,877,245 ***	4,922,009
	10,968,987	10,333,881	9,010,627	7,670,794	7,235,015	6,631,458 ***	5,273,395 ***
1	2,809,171	2,809,171	2,809,171	2,809,171	2,809,171	2,809,171	2,809,171
	56.28¢	83.07¢	112.25¢	43.12¢	43.77¢	38.40¢ ***	28.96¢ ***
	$3.90	$3.68	$3.21	$2.73	$2.58	$2.36 ***	$1.88 ***
	33¢	27¢	25¢	10¢	20¢	–	25¢
		13 ¢	25¢	20¢	–	–	–
	14%	22.58%	34.99%	15.79%	16.99%	16.96%***	15.42% ***
	$30.00	$7.55	$4.51	$4.80	$3.80	$3.30	$4.70
	305	322	322	455	587	624	694

NOTICE OF ANNUAL GENERAL MEETING FOR DESNOES & GEDDES LIMITED

NOTICE IS HEREBY GIVEN THAT the 101st Annual General Meeting of Desnoes & Geddes Limited (the "Company") will be held at 214 Spanish Town Road, Kingston 11 on Wednesday 9 September 2020 at 10:00 a.m. for the following purposes:

1. AUDITED ACCOUNTS FOR YEAR ENDED DECEMBER 31, 2019

To receive the Audited Financial Statements for the year ended December 31, 2019 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, 2019 together with the reports of the Directors and the Auditors thereon, be and are hereby adopted."

2. DECLARATION OF DIVIDEND

To declare the interim dividends of $1.10 and the special dividend of $0.72 paid as final for the year ended December 31, 2019.

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

"THAT as recommended by the Directors, the interim dividend of $1.10 paid on 20 June 2019 to stockholders on record at the close of business on 27 June 2019 and the special dividend of $0.72 per stock units paid 22 November 2019 to stockholders on record at the close of business on 20 November 2019 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 $2,920,000 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 is Mr. Peter Melhado who being eligible, offers himself for re-election.

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

4(a) "THAT the retiring director Mr. Peter Melhado be and is hereby re-elected a Director of the Company."

In accordance with Article 109 of the Company's Articles of Incorporation, Mr. Luis Manuel Ramos Prata Dos Santos was appointed during the year and must retire at this annual general meeting and being eligible offers himself for election.
To consider and (if thought fit) pass the following ordinary resolution.

4(b) "THAT the retiring director Mr. Luis Manuel Ramos Prata Dos Santos 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 AMENDMENT TO THE ARTICLES OF INCORPORATION

To consider and if thought fit pass the following as Special Resolutions:

1. That paragraph 6 in Form 1A part of the Articles of Incorporation of the Company bearing date May 31, 2017 be amended so that the minimum number of Directors shall be stated therein as three (3) replacing five (5), previously appearing.

2. 84 (1) The Company may, if so permitted by the provisions of the Act and/or applicable law, convene and hold a meeting of its members as a:
(a) hybrid meeting; or

(b) virtual meeting

and a hybrid meeting or virtual meeting shall be identified as such in the notice convening such meeting.

In this Article 84 (1):

(a) a "hybrid meeting" means a meeting held at one or more physical venue or venues using any technology that gives members and directors, as a whole (including members and directors not physically in attendance at any of the venues) a reasonable opportunity to participate by electronic means;

(b) a "virtual meeting" means a meeting held at no physical venue wholly by means of technology which gives members and directors, as a whole, reasonable opportunity to participate by electronic means; and

PROVIDED THAT an "electronic meeting" (as referred to in Article 84) means either of a hybrid meeting or a virtual meeting, as applicable.

84 (2) The notice of an electronic meeting shall not specify a venue and such a meeting shall be recorded as held in Jamaica.

84 (3) Where an electronic meeting is proposed to be held for the purpose of enabling members to participate in such meeting, the Company shall procure that arrangements shall be made (as may be recommended by the Directors) as:

(a) shall be considered necessary to ensure the identification of persons taking part and the security of related electronic communication(s);

(b) are proportionate to the achievement of the objective of a meeting of members of the Company such that members have every opportunity as might reasonably be afforded by the Company, to participate in the electronic meeting;

(c) may be necessary to provide reasonable evidence (for the benefit of the Company) of the entitlement of any person who is not a member to participate in the electronic meeting.

84 (4) The right of a member to attend an electronic meeting may be exercised by the member's proxy and notwithstanding anything to the contrary contained in these Articles, a proxy form may be returned to the Company by facsimile transmission or other electronic means.

84 (5) Without prejudice to such other means of giving notice to members and Directors as may be permitted by these Articles, notice of a meeting to a nominating member or a nominating director may be effected by:

(a) sending such notice and any notice document to the facsimile transmission number or electronic mail address provided to the Company by the nominating member or nominating director;

(b) sending to the nominating member or nominating director by any other electronic means nominated by the nominating member or nominating director; or

(c) posting/uploading the notice and any notice documents in/to a dropbox or other file sharing system or electronic document depository and providing the nominating member or nominating director with a passcode or other means to electronically access the notice or such notice document(s).

In this Article 84 (5):

(a) "nominating member" means a member who has elected to receive notice and notice document(s) by electronic means or in electronic form and has provided the Company with a facsimile transmission number, electronic mail address or other electronic means of receiving notice and notice documents, and the term "nominating director" shall be construed in the same way.

(b) "notice document" includes any documents which the Company is obliged or wishes to provide with any notice including any document required to be laid before the Company in a meeting, proxy form, explanatory statement, circular and draft motions.

84 (6) Notice or notice document given to a nominating member or nominating director by electronic means shall be taken to be given twenty-four (24) hours after the notice or notice document was electronically transmitted to the nominating member or nominating director or after the nominating member or nominating director is provided with the relevant password or electronic access to the dropbox or other file sharing system or electronic document depository.

84 (7) A defect in any electronic notice or failure in case of the electronic delivery system shall not invalidate the notices unless the failure is such as to cause non-delivery or mis-delivery of more than 5% of the notices dispatched.

84 (8) The provisions in this Article 84 shall apply notwithstanding any provision to the contrary contained in these Articles.

3. That Article 85 in the Articles of Incorporation be deleted in their entirety, the same to be replaced with the following:

85. "The number of the Directors excluding alternate Directors and the name of the Directors, as at the date of adoption of these articles, shall be as set forth in Form 1A, that is, the minimum number of Directors of the Company shall be three (3) and the maximum number of Directors of the Company shall be ten (10). The number of Directors may at any time be increased or reduced as the Company in general meeting shall determine. In the event that the number of Directors is determined as one, or only one Director is appointed, any provision in these articles relating to a quorum of Directors shall be inapplicable and that Director shall have all the rights and be entitled to exercise all the powers of Directors contained in these articles."

BY ORDER OF THE BOARD

Gene M. Douglas
Corporate Secretary

Dated this 13th day of July 2020

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.

The complete annual report, including a full set of financial statements, is on our website, www.redstripebeer.com. You may request a printed copy from the Registrar, Sagicor Bank Jamaica Limited, Corporate Trust Division, 28 – 48 Barbados Avenue, Ground Floor, Kingston 5 or by telephone (876) 936-7384.

BOARD OF DIRECTORS

Richard Byles - Chairman

Mr. Richard O. Byles' 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 Ltd., Sagicor Life of the Cayman Islands Ltd., Sagicor Bank Jamaica Ltd. and director of Sagicor Investments Jamaica Ltd. and PanJam Investment Ltd.

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. Peter holds an B.Sc. in Mechanical Engineering from McGill University and a MBA from Columbia University Graduate School of Business.

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 NV. Before joining HEINEKEN, he worked as an attorney at Allen & Overy LLP and Loeff Claeys Verbeke in Amsterdam.

Paul Schalekamp

Paul joined the business in 2018 with more than 10 years' experience in HEINEKEN. Starting out as Supply Chain Controller in the Netherlands, Paul has held several roles in the finance area supporting the commerce organization in multiple OPCOs such as HEINEKEN Belgium and HEINEKEN Italy, where he supported the Management Team as Strategic & Supply Chain Control Manager. Paul holds a Master of Science Degree from the University of Technology in Delft in the Netherlands; and an Executive Masters in Finance and Control from the Vrije University in Amsterdam.

Luís Prata - Managing Director (incoming)

Luís is an international senior business leader with extensive Marketing and Sales experience in FMCG at both HEINEKEN and Unilever. Luís joined Red Stripe from HEINEKEN Portugal where he served as the On Trade and Wholesale Director. Over the last 3 years, he delivered significant growth in the On Trade channel while successfully transforming its large sales and logistics operations. Luís joined HEINEKEN in 2010 as Water Business Unit Director in Portugal to lead an impressive business turnaround; he then became Marketing Director to drive premium growth via the Heineken brand and innovation. During his 12 year tenure at Unilever, Luís held several different commercial roles including Sales Director in Home Care and European Brand Manager based out of Paris (France). Luís holds an MBA degree from the Sloan School of Management at the MIT in the USA and he has a business degree from the Universidade Católica Portuguesa, Lisbon.

Ricardo Nuncio - Managing Director (outgoing)

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.

MANAGEMENT TEAM

Luís Prata - Managing Director (incoming)
For bio, see page 8.

Ricardo Nuncio - Managing Director (outgoing)
For bio, see page 8.

Paul Schalekamp - Head of Finance
For bio, see page 8.

Dianne Ashton-Smith - Head of Corporate Affairs
Dianne is a corporate relations practitioner with close to 20 years' experience. She joined Red Stripe in 2008 as Communications Manager. Under her leadership, the company has enrolled just under 12,000 Jamaicans in its 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, UWI].

Jean Look Tong - Head of Sales
Jean joined Red Stripe in February 2014 and has over 14 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.

Jesus Martinez - Head of Human Resources
Jesus joined the business in 2018 with more than 17 years of experience in HEINEKEN performing in various functions of HR, GIS, Marketing and Operations. In his previous role as Head of HR, Jesus was also instrumental in the launch of digital recruitment and projects of social impact in conjunction with the national network of shelters and Corporate Affairs Department. He holds a first degree in Industrial Engineering from the Monterrey Institute of Technology and Higher Education, Mexico and is a graduate of the FEMSA Executive Talent Program at the Graduate School of Business Administration
EGADE in Mexico.

Nomonde Donsa - Head of Marketing & Innovation
Nomonde joined the team in January 2018, bringing with her a wealth of information and insight as an innovative marketer. Nomonde has a successful and consistent track record of performance for more than 15 years in a number of global multinationals, including Unilever, Brand House (Heineken Joint Venture with Diageo) SAB Miller, and ABInBev. She is an expert in classical and innovation- based marketing, digital and trade marketing practices. Nomonde is the recipient of a number of awards, including SABMiller Global Mercatus Gold winner in 2014, SABMiller Africa Regional Mercatus winner in 2013 and the Silver award at Heineken Global Brand Building awards in 2010. Nomonde holds a Commerce Degree from the University of Cape Town.

Michael Grayer - Head of Supply
Paul joined the business in 2018 with more than 10 years' In his role as Supply Chain Director, Michael continued to embed the HEINEKEN ways of working to further improve productivity and efficiency, optimize capacity and volumes, as well as focus on strengthening basic & safe work conditions. He also focused on implementing Red Stripe's logistics and brewing master plan, which are critical enablers of business success. Michael has been with HEINEKEN for 5 years. He started as an Area Supply Chain Manager in the Netherlands where he supported the Area Supply Chain Director on supply analysis and the HeiQuest simplification project. Within a year, he was appointed to the role of Supply Chain Manager in HEINEKEN Burundi. Prior to joining HEINEKEN, Michael worked with other international companies such as SAB Miller and AB-Inbev. He held positions such as Brewery Manager, Operations Manager, Brewing & Brewing Development Manager and Quality Assurance. Some of his major accomplishments include the startup of a Greenfield brewery and the implementation of Operator/Technician development programmes.

2019 HIGHLIGHTS

Grammy winner Koffee lights up the stage at Reggae Sumfest.

Red Stripe Assistant Brand Manager Reshima Kelly and The X Factor 2018 winner Dalton Harris

Munga Honourable holds nothing back during his Reggae Sumfest performance.

Red Stripe Live patron dances up a storm

Agent Sasco delivers a powerful set at the Red Stripe Live launch event at Red Stripe Oval.

Liverpool fan celebrates at the 2019 Heineken UCL Finals Viewing Party as his team takes the win.

(from left) Samuel Afonso, Shanz Hill-Afonso, Andrew Bellamy and Ian Bourne are all smiles as they enjoy the UCL Finals.

Davianne Tucker strikes a confident pose at Heineken Bow Tie Day soirée.

International menswear designer Carlton collects his Best Bow-tie prize and stops for a quick pic with designer Celia Williams of MeLine Fashions.

Fans turn out in their numbers to enjoy Smirnoff Mega Vibes.

The ladies showed out for Smirnoff Mega Vibes.

Romario Roach shows off his $500,000 Malta Back 2 School grand prize from NCB Omni Educators for tuition fees.

From left, resident judges Bishop Escobar and Notnice are joined by DJ Sunshine for a night of authentic dancehall at Guinness Sounds of Greatness (GSOG).

Nathan Nelms, Guinness brand manager (centre) poses with members of GSOG champion sound, Highgrade International DJ Mix Up Shaka (left) and selector Shawn Boasy.

Demetrius Thomas and son Demetrius Thomas Jr. are elated to win $25,000 courtesy of the Malta Back 2 School Promotion.

Waterhouse FC fans look on as their team competes for the Red Stripe Premier League trophy.

Red Stripe Premier League champions Portmore United show off their 1 million dollar cash prize courtesy of Red Stripe.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company delivered strong top-line growth in 2019, with domestic beer volumes up 0.7% and revenue per hectolitre up 4.8%. The Red Stripe® brand once again demonstrated its strength with yet another year of solid growth due in large part to the prodigious performance of Red Stripe flavours. Marketing investments were optimized to support key brand and channel initiatives such as the new to market innovations, Red Stripe Melon and D & G® Sorrel Rum. The Heineken® brand also delivered creditable growth in the domestic market, however, due to intensified competition in some of our key export markets, overall export sales were slightly down versus 2018.

Our top-line growth was well supported by systematic cost management decisions, reduction in discretionary spends, balanced with efficient investments behind our brands and route to market. We also focused our resources on creating a high-performance culture through employee welfare initiatives and training and development programmes, which yielded increased engagement and an overall improvement in our business climate. The rollout of a highly digitized human resource information system, the MyHR e-platform, also allowed us to simplify and standardize our processes while facilitating more data driven HR interventions and solutions.

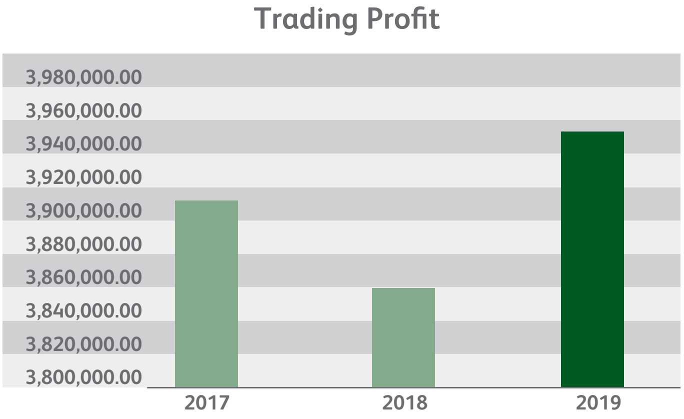
The turnaround in Supply Chain, which was driven by dogged cost reductions, improved reliability and increased productivity, was a major success driver in 2019, receiving recognition across HEINEKEN.

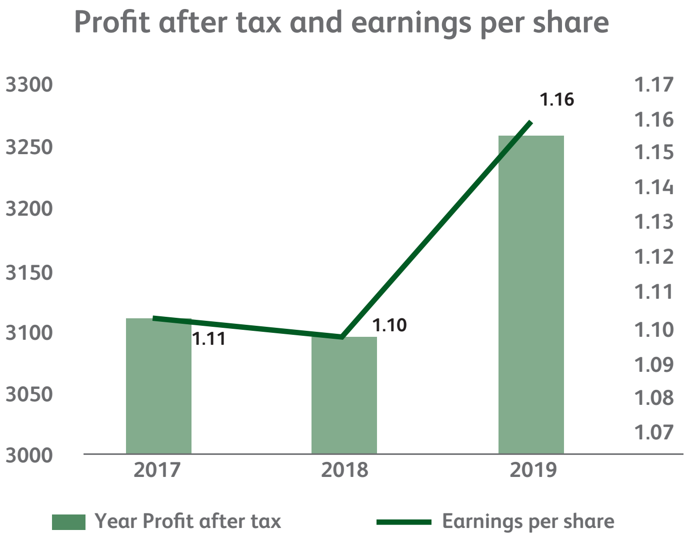
Decisive moves in our Brew a Better Jamaica agenda helped the business shore up its reputation for sustainability with continued commitment to community development initiatives such as Learning for Life and our local raw material sourcing programme, Project Grow. Other programmes such as Drop the C to reduce our carbon footprint; Every Drop to achieve our water management and conservation goals; and a series of multi-stakeholder knowledge sharing fora, further cemented Red Stripe's position as an industry leader.

FINANCIAL PERFORMANCE

Performance Highlights
(full year January – December 2019 vs 2018)

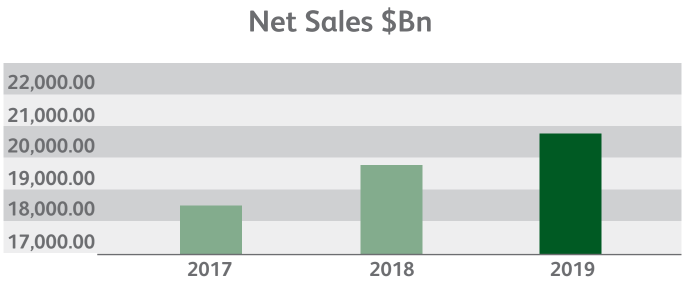
Trading Profit of $3,954 million for the year ended 31 December 2019 was 2.5% above 2018 performance.





REVENUE

Net sales of $20,829.41 million represent an increase of 5.7% over the same period last year. The decrease in export volumes by 12.4% was offset by the modest growth in domestic volumes and the price increase which was taken early in the year on both brewed and spirits, resulting in the positive domestic performance on all revenue drivers (volume, price and mix).



COST OF SALES AND DISTRIBUTION

Cost of Sales for the year was $12,179 million representing a moderate increase over the previous year, due to higher production volumes, inflation, and increased operational expenses, including raw/ packaging materials, repair & maintenance, logistics, and cassava cultivation. These impacts were largely negated by improvements in demurrage and stock losses.

MARKETING & INNOVATIONS

Total Marketing & Sales Expenses was $1.637 million; 6.2% less than the previous year due to improved spend efficiency across major activities which significantly contributed to our profit margin. Keeping consumers at the centre of our Marketing Strategy, we continued to invest in Red Stripe as the beer of Jamaica, delivering a first ever Chicken & Beer campaign among other locally relevant brand initiatives. As we strive to surprise and delight our consumers, we accelerated our innovation agenda with the launch of Red Stripe Melon and D&G Sorrel Rum, widening portfolio reach and increasing consumption frequency while delivering 'new' news and excitement to the categories. All of this was complemented by our strong focus on visibility and excellent outlet execution with investment in our Certified Bar programme to drive the right price and cold serve.

OVERHEADS

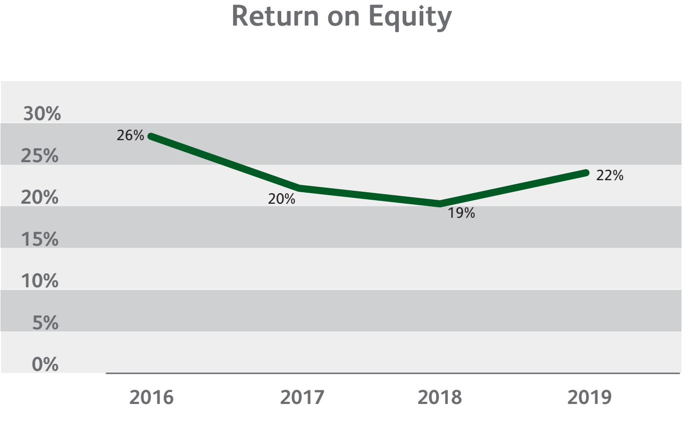
General, Selling and Administrative expenses remained largely flat due to the business-wide efforts to reduce costs through focused management and elimination of inefficiencies and non value adding costs.

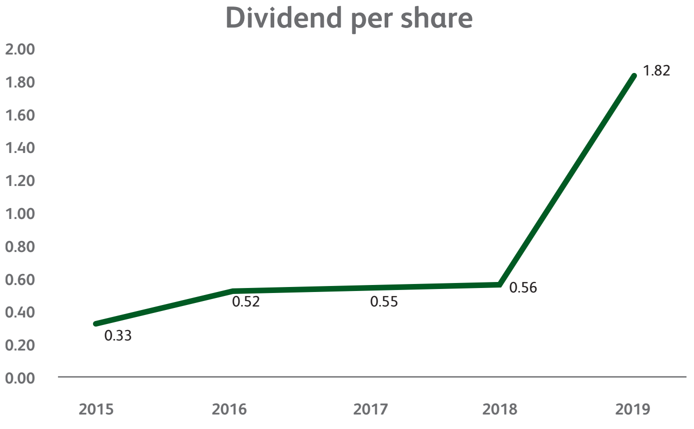
BALANCE SHEET AND CASH FLOW

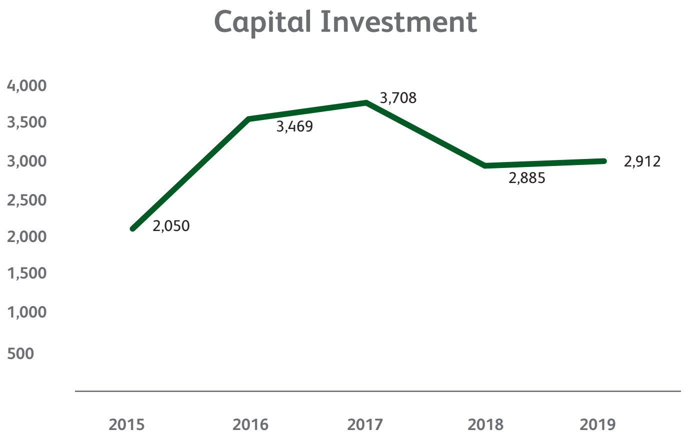
Balance sheet closed with a cash balance of $876 million, representing $785 million lower than 2018. Cash outflows included capital investment of $2,912 million and the total dividend payout of $5,118 million.

Total dividend per share was $1.82 compared to prior year $.56. This YOY increase was due to a special dividend of $2.022 million at 72 cents per share taken from retained earnings and paid in November and the ordinary dividend of $3, 096 million at $1.10 per share paid in June. The 2019 ordinary payment represents full year profit after tax for the prior year while the 2018 payment represents 51% of 2017 profit after tax.

The full year Shareholders' equity of $14,971 million for the year ended December 31, 2019 declined by 10.5%, resulting in a shareholders' equity per stock unit of $5.32.







OUTLOOK

The COVID-19 pandemic constitutes a major negative macroeconomic development and as such it will have a significant impact on the Red Stripe business in 2020. Through laser sharp concentration on our top line growth strategy, we will further intensify our focus on our people, customers and consumers, and costs. Efficiency improvements through cost conscious decisions, balancing the reduction of discretionary expenses with providing sufficient support behind our brands and route to market will be key to improving our margins. Planned improvements in employee workspace, including projects to upgrade the canteen and sports bar, will augur well for staff morale. The business will seek to better connect in a digital world with the growing relevance of e-commerce platforms and will continue its commitment to responsible drinking programmes and sustainability initiatives that will help secure our licence to operate, build reputation and bolster our Brew a Better Jamaica agenda.

DIRECTORS REPORT

The Directors are pleased to submit their Report and Audited Accounts for the year ended December 31, 2019.

	Dec 2019 ($Million)	Dec 2018 ($Million)
The profit of the Company before tax was	3,954	3,859
Net Profit of the Company after tax was	3,256	3,096

DIVIDENDS

The Directors have recommended that the interim dividends of $1.10 paid on 20 June 2019 to stockholders on record at the close of business on 27 June 2019 and the special dividend of $0.72 per stock units paid 22 November 2019 to stockholders on record at the close of business on 20 November 2019 be and is hereby declared as final dividend for the year under review. 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. Mr. Peter Melhado will retire, and being eligible, offers himself for re-election.

During the year Mr Hemmo Parson tendered his resignation and Mr. Luis Manuel Ramos Prata Dos Santos was appointed a director. Pursuant to Article 109 of the Articles of Incorporation of the Company Mr. Luis Manuel Ramos Prata Dos Santos must retire at this annual general meeting and being eligible offers himself for election.

The Directors of the Board as at December 31, 2019 comprised:

Mr. Peter Melhado	*Chairman*
Ricardo Nuncio	*Managing Director (outgoing)*
Mr. Luis Manuel Ramos Prata Dos Santos	*Managing Director (incoming)*
Mr. Paul Schalekamp	

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 13th day of July 2020

SHAREHOLDERS

10 LARGEST SHAREHOLDERS AS AT 31 DECEMBER 2019

Shareholder	Stocks Held	Ownership %
1. Heineken Beverages Switzerland AG	2,691,892,739	95.83
2. Bardi Limited	84,255,986	3.00
3. Caribbean Development Company Limited	2,550,430	0.09
4. Estate K.L. Davidson	1,262,240	0.04
5. Estate Egbert Comm Ser Chin YC Yee	1,051,843	0.04
6. Roy Johnson	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 10 Shareholders	2,784,036,279	99.11
Remaining Shareholders	25,133,915	0.89
Total Issued shares	2,809,170,194	
Total number of shareholders	1,728	

CORPORATE **DATA**

CORPORATE DATA 31 December 2019

Board of Directors:	Peter K. Melhado - Chairman Luis Prata - Managing Director Paul Schalekamp
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

Number of Meetings held	Board meetings 4	AGM - 1	Comments
Richard Byles	2 out of 2	1	Resigned during the year
Ricardo Nuncio	2 out of 2	1	Resigned during the year
Peter Melhado	4 out of 4	1	
Hemo Parson	1 out of 2	0	Resigned during the year
Palus Schalekamp	4 out of 4	1	
Luis Prata	2 out of 2	0	Appointed during the year

Brewing a Better World in 2019

Red Stripe
PART OF THE HEINEKEN COMPANY

100%
in labelling,
media spend
and partnerships.
Target 100%

Life Savings Rules
96%
employees trained
Target 100%

98%
Target 96%

6.53 HL/HL
Water Efficiency

$23 million
direct contributions

CO_2 down

16.77%
(reduction in production)
Target 21%

73% of all fridges purchased were 'green' fridges
Target 100%

AUDITED FINANCIAL STATEMENTS

KPMG
Chartered Accountants
P.O. Box 436
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 48, which comprise the statement of financial position as at December 31, 2019, 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, 2019 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
Nyssa A. Johnson
W. Gihan C. De Mel
Wilbert A. Spence
Rochelle N. Stephenson
Sandra A. Edwards

KPMG

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.

KPMG

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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 (Continued)

- 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.

KPMG

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.

KPMG

Chartered Accountants
Kingston, Jamaica

July 3, 2020

DESNOES & GEDDES LIMITED

Statement of Financial Position
December 31, 2019

	Notes	2019 $'000	2018 $'000
Non-current assets			
Investment in joint venture	5	227,959	207,959
Investment properties	6	1,190,200	1,190,200
Property, plant and equipment	7	13,062,136	11,861,870
Right-of-use assets	8	243,269	-
Intangible asset	9	443,441	616,061
Employee benefits asset	10	967,000	1,034,000
Total non-current assets		**16,134,005**	**14,910,090**
Current assets			
Cash and cash equivalents		876,754	1,662,305
Accounts receivable	11	4,015,542	3,311,574
Due from related entities	12	437,640	333,467
Inventories	13	1,614,209	1,725,954
Biological asset	14	4,029	201,112
Total current assets		**6,948,174**	**7,234,412**
Current liabilities			
Accounts payable	17	5,480,436	4,399,357
Taxation payable		123,621	39,863
Due to related entities	12	163,922	194,725
Lease liabilities	8	229,999	-
Total current liabilities		**5,997,978**	**4,633,945**
Net current assets		**950,196**	**2,600,467**
Total assets less current liabilities		**17,084,201**	**17,510,557**
Equity			
Share capital	16	2,174,980	2,174,980
Capital reserves	17	378,129	378,129
Other reserves	18	681,000	731,250
Retained earnings		11,736,876	13,451,492
Total equity		**14,970,985**	**16,735,851**
Non-current liabilities			
Employee benefits obligation	10	59,000	59,000
Lease liabilities	8	54,384	-
Bank loan	19	1,262,253	-
Deferred tax liabilities	20	737,579	715,706
Total non-current liabilities		**2,113,216**	**774,706**
Total equity and non-current liabilities		**17,084,201**	**17,510,557**

The financial statements on pages 5 to 48 were approved for issue by the Board of Directors on July 2, 2020 and signed on its behalf by:

_________________________ Director
Peter Melhado

_________________________ Director
Luis Prata

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

DESNOES & GEDDES LIMITED

Statement of Profit or loss and Other Comprehensive Income
Year ended December 31, 2019

	Notes	2019 $'000	2018 $'000
Revenue	21	20,829,411	19,834,448
Other income		265,632	431,254
		21,095,043	20,265,702
Raw material, consumables and services	22(a)	(12,178,889)	(11,998,265)
Personnel expenses	22(b)	(2,794,119)	(2,693,180)
Amortisation, depreciation and impairment	22(c)	(2,174,095)	(1,732,510)
Total expenses		**(17,147,103)**	**(16,423,955)**
Results from operating activities		**3,947,940**	**3,841,747**
Interest income		26,769	37,970
Interest expense	22(d)	(57,810)	(8,720)
Other net financing income/(expenses)	22(e)	17,207	(6,263)
Net finance (expenses)/income		**(13,834)**	**22,987**
Share of profit/(loss) in joint venture	5	20,000	(5,762)
Profit before taxation		**3,954,106**	**3,858,972**
Income tax expense	23	(697,189)	(762,792)
Profit for the year		**3,256,917**	**3,096,180**

DESNOES & GEDDES LIMITED

Statement of Profit or Loss and Other Comprehensive Income (Continued)
Year ended December 31, 2019

	Notes	2019 $'000	2018 $'000
Profit for the year		**3,256,917**	**3,096,180**
Other comprehensive income:			
Item that may not be reclassified to profit or loss:			
Remeasurement of employee benefits asset/obligation	10(e)	129,000	(86,000)
Deferred taxation on employee benefits asset/obligation	20	(32,250)	21,500
		96,750	(64,500)
Total comprehensive income for the year		**3,353,667**	**3,031,680**

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

DESNOES & GEDDES LIMITED

Statement of Changes in Equity
Year ended December 31, 2019

	Share capital $'000 (Note 16)	Capital reserves $'000 (Note 17)	Other reserves $'000 (Note 18)	Retained earnings $'000	Total $'000
Balances at December 31, 2017	**2,174,980**	**378,129**	**1,045,500**	**11,678,697**	**15,277,306**
Total comprehensive income for the year:					
Profit for the year	-	-	-	3,096,180	3,096,180
Other comprehensive income:					
Remeasurement of employee benefits asset/ obligation	-	-	-	(86,000)	(86,000)
Deferred taxation on employee benefits asset/ obligation	-	-	-	21,500	21,500
Total other comprehensive income	-	-	-	(64,500)	(64,500)
Total comprehensive income	-	-	-	3,031,680	3,031,680
Movement within equity:					
Transfer to pension equalisation reserve	-	-	(314,250)	314,250	-
Transactions with owners recorded directly in equity					
Dividends (note 24)	-	-	-	(1,573,135)	(1,573,135)
Balances at December 31, 2018	**2,174,980**	**378,129**	**731,250**	**13,451,492**	**16,735,851**
Total comprehensive income for the year:					
Profit for the year	-	-	-	3,256,917	3,256,917
Other comprehensive income:					
Remeasurement of employee benefits asset/ obligation	-	-	-	129,000	129,000
Deferred taxation on employee benefits asset/ obligation	-	-	-	(32,250)	(32,250)
Total other comprehensive income	-	-	-	3,353,667	3,353,667
Movement within equity:					
Transfer to pension equalisation reserve	-	-	(50,250)	50,250	-
Transactions with owners recorded directly in equity					
Dividends (note 24)	-	-	-	(5,118,533)	(5118,533)
Balances at December 31, 2019	**2,174,980**	**378,129**	**681,000**	**11,736,876**	**14,970,985**

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

DESNOES & GEDDES LIMITED

Statement of Cash Flows
Year ended December 31, 2019

	Notes	2019 $'000	2018 $'000
Cash flows from operating activities			
Profit for the year		3,256,917	3,096,180
Adjustments for:			
Share of profit/(loss) in joint venture	5	(20,000)	5,762
Fair value gain on investment properties	6	-	(141,751)
Loss on disposal of property, plant and equipment		-	5,183
Depreciation of property, plant and equipment	7	1,709,796	1,452,114
Depreciation of right-of-use assets	8	184,152	-
Amortisation of intangible assets	9	279,953	280,396
Pension and medical benefits expense, net	10(d)	22,000	(13,000)
Amortisation of biological asset	14	4,971	-
Impairment of biological asset	14	224,903	-
Harvesting of biological asset	14	176,783	37,699
Interest expense	22(d)	12,828	-
Interest expense on lease obligations	8	39,030	-
Interest income, net		(26,769)	(37,970)
Foreign exchange loss	22(e)	45,793	116,263
Taxation	23	697,189	762,792
		6,607,546	5,563,668
Changes in:			
Accounts receivable		(695,688)	670,648
Biological assets	14	(209,574)	(123,575)
Due from related entities		(104,173)	1,446,806
Inventories		111,745	(239,991)
Accounts payable		1,041,177	(502,830)
Due to related entities		(94,423)	(1,508,511)
Cash generated from operations		6,656,610	5,306,215
Pension contributions and medical benefits paid		(5,000)	(5,000)
Employer withdrawal from pension surplus		179,000	430,000
Interest paid		(382)	-
Income taxes paid		(623,808)	(677,519)
Net cash provided by operating activities		6,206,420	5,053,696
Cash flows from investing activities			
Acquisition of property, plant and equipment	7	(2,912,041)	(2,867,834)
Acquisition of right-of-use-assets		(9,160)	-
Acquistion of intangible assets	9	(105,354)	(17,494)
Interest received, net		26,769	37,970
Net cash used in investing activities		(2,999,786)	(2,847,358)
Cash flows from financing activity			
Lease payments	8	(198,070)	-
Bank loan received	19	1,262,253	-
Dividends paid, being net cash used in financing activity	24	(5,118,533)	(1,573,135)
Net cash used in financing activities		(4,054,350)	(1,573,135)
Net (decrease)/increase in cash and cash equivalents		(847,716)	633,203
Cash and cash equivalents at beginning of year		1,662,305	952,858
Effect of exchange rate change		62,165	76,244
Cash and cash equivalents at end of year		**876,754**	**1,662,305**

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

DESNOES & GEDDES LIMITED

Notes to the Financial Statements
Year ended December 31, 2019

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, 2019 was 341 (2018: 335).

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 their interpretations issued by the International Accounting Standards Board and comply with the Jamaican Companies Act.

This is the company's first set financial statements in which IFRS 16, *Leases* has been applied.

Changes to significant accounting policies are as a result of applying IFRS 16 described in note 3.

New and amended standards and interpretations issued but not yet effective

At the date of authorisation of the financial statements, certain new and amended standards and interpretations have been issued which are not yet effective and which the company has not yet adopted, and has concluded as follows:

- Amendment to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* is effective for annual periods beginning on or after January 1, 2020, and provides a definition of 'material' to guide preparers of financial statements in making judgements about information to be included in financial statements.

  "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2019

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

(a) Statement of compliance (continued)

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

- Amendments to *References to Conceptual Framework in IFRS Standards* is effective retrospectively for annual reporting periods beginning on or after January 1, 2020. The revised framework covers all aspects of standard setting including the objective of financial reporting.
    - The main change relates to how and when assets and liabilities are recognised and de-recognised in the financial statements.
    - New 'bundle of rights' approach to assets will mean that an entity may recognise a right to use an asset rather than the asset itself;
    - A liability will be recognised if a company has no practical ability to avoid it. This may bring liabilities on balance sheet earlier than at present.
    - A new control-based approach to de-recognition will allow an entity to derecognize an asset when it loses control over all or part of it; the focus will no longer be on the transfer of risks and rewards.

The company is assessing the impact that these amended standards will have on its financial statements when they become effective.

(b) Basis of measurement

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

- investment properties are measured 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 4(e); 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 year then ended. Actual amounts could differ from those estimates.

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2019

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

(d) Use of estimates and judgments (continued)

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

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) Impairment of financial assets:

Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into measurement of expected credit losses (ECL) and the selection and approval of models used to measure ECL requires significant judgement.

In determining amounts recorded for impairment of financial assets in the financial statements, management makes assumptions in determining the inputs to be used in the ECL measurement model, including incorporation of forward-looking information. Management also estimate the likely amount of cash flows recoverable on the financial assets in determining loss given default. The use of assumptions make uncertainty inherent in such estimates.

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2019

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

(d) Use of estimates and judgments (continued)

(ii) Impairment of financial assets (continued)

Allowances for doubtful accounts were established based on incurred loss analyses over delinquent accounts considering aging of balances, the credit history and risk profile of each customer and legal processes to recover accounts receivable. Such allowances are determined upon origination of the trade accounts receivable based on a model that calculates the expected credit loss ("ECL") on trade accounts receivable.

In determining amounts recorded for impairment of financial assets in the financial statements, management makes assumptions in determining the inputs to be used in the ECL measurement model, including incorporation of forward-looking information. Management also estimate the likely amount of cash flows recoverable on the financial assets in determining loss given default. The use of assumptions make uncertainty inherent in such estimates.

Under the ECL model, the company analyses its accounts receivable in a matrix by days past due and determined for each age bracket an average rate of ECL, considering actual credit loss experience over the last 8 months and analysis of future delinquency, that is applied to the balance of the accounts receivable.

The average ECL rate increases in each segment of days past due until the rate is 100% for the applicable ageing bracket.

(iii) Investment properties

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

3. **Changes in significant accounting policies**

The company initially applied IFRS 16 *Leases* from January 1, 2019. A number of other new standards are also effective from January 1, 2019 but they do not have a material effect on the company's financial statements.

IFRS 16 Leases

The company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in the statement of financial position at January 1, 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2019

3. **Changes in significant accounting policies (continued)**

IFRS 16 Leases (continued)

(a) Definition of a lease

On transition to IFRS 16, the company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

Previously, the company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining whether an Arrangement contains a Lease*. The company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 4(t).

(b) As a lessee

As a lessee, the company leases assets such as property and equipment. The company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the company. Under IFRS 16, the company recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

Leases classified as operating leases under IAS 17

Previously, the company classified machinery and equipment leases as operating leases under IAS 17. On transition, the lease liabilities for these leases were measured at the present value of the remaining lease payments, discounted at the company's incremental borrowing rate as at January 1, 2019.

Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the company's incremental borrowing rate at the date of initial application: the company applied this approach to its machinery and equipment leases.

The company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2019

3. Changes in significant accounting policies (continued)

IFRS 16 Leases (continued)

(b) As a lessee (continued)

Leases classified as operating leases under IAS 17 (continued)

The company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the company:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

Impact on transition

On transition to IFRS 16, the company recognised right-of-use assets and lease liabilities. The company has elected to measure the right-of-use asset at an amount equal to the lease liability. Consequently, there was no impact on the retained earnings at the date of transition. The impact on transition is summarised below.

	$'000
Right-of-use asset – property, plant and equipment	418,261
Lease liability	(418,261)

When measuring lease liability for leases that were classified as operating leases, the company discounted lease payments using the Heineken Group's incremental borrowing rate at January 1, 2019. The weighted-borrowing rate applied is 11.512%.

	$'000
Operating lease commitments at December 31, 2018 as disclosed under IAS 17 in the company's financial statements	472,343
Discounted using the incremental borrowing rate at January 1, 2019	418,261
Lease liability recognised at January 1, 2019	(418,261)

(c) As a lessor

The company leases out certain property. These were classified as operating leases.

The company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor.

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2019

4. 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 6). 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.

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.

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2019

4. Significant accounting policies (continued)

(c) Property, plant and equipment (continued)

(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 year of its expected useful life and is recognised in profit or loss. Annual depreciation rates are as follows:

Buildings	2.5% - 6.7%
Plant and equipment	3.3%-20%
Furniture, fixtures and computer equipment	20% - 33½%
Returnable packaging	6.7% - 20%
Motor vehicle	20%

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.

(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.

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2019

4. Significant accounting policies (continued)

(e) Employee benefits (continued)

(ii) Defined-benefit plan (continued)

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 years; 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 year by applying the discount rate used to measure the defined benefit obligation at the beginning of the year to the net defined benefit liability, taking into account any changes in the net defined benefit liability during the year as a result of the contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

(iii) Defined contribution plan

Obligations for contributions to the defined contribution plan is expensed as the related service is provided.

(iv) 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 year in which they arise.

(v) 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 year, then they are discounted.

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2019

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

(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.

Financial assets

Initial recognition and measurement

The financial assets that meet both of the following conditions and are not designated as at fair value through profit or loss: a) are held within a business model whose objective is to hold assets to collect contractual cash flows, and b) whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified as "Held to collect" and measured at amortised cost.

Amortised cost represents the net present value ("NPV") of the consideration receivable or payable as of the transaction date. This classification of financial assets comprises the following captions:

- Cash and cash equivalents
- Accounts receivable
- Due to related entities

Due to their short-term nature, the company initially recognises these assets at the original invoiced or transaction amount less expected credit losses

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described in the particular recognition methods disclosed in their individual policy statements associated with each item.

Derecognition

A financial asset is primarily derecognised when the rights to receive cash flows from the asset have expired, or the company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2019

4. Significant accounting policies (continued)

(f) Financial instruments (continued)

Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs. The company's financial liabilities, which include accounts payable and amounts due to related entities, are recognised initially at fair value.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as described in the particular recognition methods disclosed in their individual policy statements associated with each item.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, with the difference in the respective carrying amounts recognised in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(g) Cash and cash equivalents

Cash and 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 classified and measured at amortised cost.

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.

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2019

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

(h) Loans and accounts receivable

Loans and accounts receivable are classified and measured at amortised cost less allowance for impairment losses.

(i) Biological assets

Biological asset which consist of cassava plants, are initially measured at cost, less accumulated amortisation and impairment losses, as fair value is not readily available. Biological assets are amortised over nine months.

(j) Inventories

Inventories are measured at the lower of cost and net realisable value, except for cassava harvested. 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.

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

(k) Accounts payable

Accounts payable are classified and measured at amortised cost.

(l) Interest-bearing borrowing

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost, with any difference between cost and redemption recognised in the profit or loss over the period of the borrowings on an effective yield basis.

(m) Revenue

Performance obligations and revenue recognition policies:

Revenue is measured based on the consideration specified in a contract with a customer. The company recognises revenue when it transfers control of the goods to a customer.

A contract with a customer that results in a recognised financial instrument in the company's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the company first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2019

4. Significant accounting policies (continued)

(m) Revenue (continued)

The nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies are as follows:

Type of revenue	Nature and timing of satisfaction of performance obligations, including significant payment terms.	Revenue recognition under IFRS 15.
Income from sale of goods	The company sells alcoholic and non-alcoholic beverages to both local and international customers on a daily basis.	Recognised when the goods are delivered and have been accepted by the customers at their premises. For contracts that permits return of goods, revenue is recognised to the extent that it is highly probable that a significant reversal will not occur.
Royalty Income	The company charges a fee to other entities for the right to sell some of its D&G products locally and overseas.	Royalty income is recognised at a point in time based on an agreed fee.

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.

(n) 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.

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

(o) 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.

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2019

4. Significant accounting policies (continued)

(p) Impairment of financial assets

The company recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses.

Forward looking information

The company applies an unbiased and probability weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions. Macroeconomic factors and forward looking information are incorporated into the measurement of ECL. Measurement of ECLs at each reporting period reflect reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions.

For trade receivables, the company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. The lifetime ECLs are determined by taking into consideration historical rates of default for each segment of aged receivables as well as the estimated impact of forward looking information.

(q) Impairment of 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.

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.

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2019

4. Significant accounting policies (continued)

(r) Taxation

Income tax on the profit or loss for the year 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 year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(s) 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.

(t) Leases

The company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from Janaury 1, 2019

At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the company uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after Janaury 1, 2019.

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2019

4. Significant accounting policies (continued)

(t) Leases (continued)

Policy applicable from Janaury 1, 2019 (continued)

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the company has elected to separate non-lease components and account for the lease and non-lease components separately.

The company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the comapny by the end of the lease term or the cost of the right-of-use asset reflects that the company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Generally, the company uses its incremental borrowing rate as the discount rate.

The company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the company is reasonably certain to exercise, lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the company is reasonably certain not to terminate early.

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2019

4. Significant accounting policies (continued)

(t) Leases (continued)

Policy applicable from Janaury 1, 2019 (continued)

(i) As a lessee (continued)

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee, if the company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases

The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases, including IT equipment. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before Janaury 1, 2019

Assets held under other leases were classified as operating leases and were not recognised in the company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease.

(ii) As a lessor

When the company acts as a lessor, it determines at lease inception whether each lease is finance lease or an operating lease.

To classify the lease, the company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

The accounting policies applicable to the company as a lessor in the comparative period were not different from IFRS 16.

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2019

5. Investment in joint venture

The company jointly controls Celebration Brands Limited (CBL), in which it holds a 50% shareholding and is party to a shareholders' agreement, 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:

	2019 $'000	2018 $'000
Shares, at cost	191,500	191,500
Share of accumulated profit	36,459	16,459
	227,959	207,959

The following tables summarise the financial information of CBL:

	2019 $'000	2018 $'000
Non-current assets	1,032,590	167,950
Current assets	5,244,099	4,163,941
Current liabilities	(5,731,107)	(3,903,786)
Net assets	545,582	428,105
Revenue	35,765,210	32,519,908
Profit/(loss) for the year	40,000	(11,524)
Company's share of CBL's profit/(loss) for the year [note 12(e)]	20,000	(5,762)

6. Investment properties

	2019 $'000	2018 $'000
Balance as at beginning of the year	1,190,200	1,048,449
Fair value gain recognised in profit	-	141,751
Balance as at end of year	1,190,200	1,190,200

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2019

6. Investment properties (continued)

The carrying amount of investment properties is the fair value of the properties, as determined in December 2018 by Property Consultants Limited and Breakenridge & Associates, registered independent valuators having an appropriate recognised professional qualification and recent experience in the locations and category of the properties being valued. No valuation was done in 2019.

Income amounting to $55,683,314 (2018: $55,623,314) was earned and expenses of $18,127,031 (2018: $14,028,368) were incurred in relation to these properties for the year.

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:

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

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2019

6. Investment properties (continued)

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

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2019

7. 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:							
December 31, 2017	1,527,071	7,777,029	311,430	31,834	5,424,771	3,218,605	18,290,740
Additions	450,758	418,529	114,190	30,560	1,152,209	701,588	2,867,834
Transfers	438,713	2,262,028	225,740	12,890	522,022	(3,590,728)	(129,335)
Disposals/write-off	-	(22,616)	-	-	-	-	(22,616)
December 31, 2018	2,416,542	10,434,970	651,360	75,284	7,099,002	329,465	21,006,623
Additions	2,323	2,288	2,382	-	347,926	2,557,122	2,912,041
Transfer assets	6,265	292,199	215,136	38,005	757,345	(1,310,929)	(1,979)
Disposals/write-off	-	-	(23,885)	-	-	-	(23,885)
December 31, 2019	2,425,130	10,729,457	844,993	113,289	8,204,273	1,575,658	23,892,800
Depreciation and impairment losses:							
December 31, 2017	607,850	3,633,270	207,946	15,799	3,245,207	-	7,710,072
Charge for the year	110,546	459,524	121,598	11,789	725,983	22,674	1,452,114
Eliminated on disposals/write-off	-	(17,433)	-	-	-	-	(17,433)
December 31, 2018	718,396	4,075,361	329,544	27,588	3,971,190	22,674	9,144,753
Transfer at cost	61	4,628	12,051	-	5,934	(22,674)	-
Charge for the year	125,923	531,404	224,270	19,170	809,029	-	1,709,796
Eliminated on disposals/write-off	-	-	(23,885)	-	-	-	(23,885)
December 31, 2019	844,380	4,611,393	541,980	46,758	4,786,153	-	10,830,664
Carrying amounts:							
December 31, 2019	1,580,750	6,118,064	303,013	66,531	3,418,120	1,575,658	13,062,136
December 31, 2018	1,698,146	6,359,609	321,816	47,696	3,127,812	306,791	11,861,870
December 31, 2017	919,221	4,143,759	103,484	16,035	2,179,564	3,218,605	10,580,668

Freehold land and building include land at cost of 2019: $71,889,062 (2018: $71,889,062).

8. Leases

(a) Leases as lessee

The company leases motor vehicles and equipment for use in its operation. The leases run for a period of 4 years to 7 years. Certain leases have an option to renew the lease after that date.

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2019

8. Leases (continued)

(a) Leases as lessee (continued):

Information about leases for which the company is a lessee is presented below.

(i) Right-of-use assets:

	Motor vehicles $'000	Equipment $'000	Total $'000
Recognised on transition to IFRS 16 at January 1, 2019	373,198	45,063	418,261
Additions during the year	7,540	1,620	9,160
Depreciation charge for the year	(163,526)	(20,626)	(184,152)
Balance at December 31, 2019	217,212	26,057	243,269

(ii) Lease liability:

Future minimum lease payments:

	2019 $'000
Less than one year	282,412
Between one to three years	66,163
Total future minimum lease payments	348,575
Less future interest expense	(64,192)
	284,383

	2019 $'000
Current	229,999
Non-current	54,384
	284,383

(iii) Amount recognised in profit or loss:

	2019 $'000
2019 – Leases under IFRS 16	
Depreciation charge on right-of-use asset	184,152
Interest on lease liabilities	39,030
Expenses relating to short-term leases	44,232
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	87
Expenses related to variable lease payment not included in lease liabilities	19,306

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2019

8. Leases (continued)

(a) Leases as lessee (continued):

(iii) Amount recognised in profit or loss:

	2018 $'000
2018 – Operating leases under IAS 17	
Lease expense	215,903

(iv) Amounts recognised in statement of cashflows

	2019 $'000
Total cash outflows for leases	198,070

(b) Leases as lessor:

The company leases out its investment property. The company has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	$'000
2019 – Operating leases under IFRS 16	
Less than one year	55,683
One to three years	167,049
Three to five years	167,049
Total	389,781
2018 – Operating leases under IAS 17	
Less than one year	55,623
Between one and three years	166,869
Three to five years	166,869
Total	389,361

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2019

9. Intangible assets

	Licensing agreement $'000	Contract-based intangibles $'000	Computer software $'000	Total $'000
At cost:				
December 31, 2017	1,211,396	-	30,284	1,241,680
Additions	-	-	17,494	17,494
Transfers from property, plant and equipment	-	-	129,335	129,335
December 31, 2018	1,211,396	-	177,113	1,388,509
Additions	-	101,517	3,837	105,354
Transfers from property, plant and equipment	-	-	1,979	1,979
December 31, 2019	1,211,396	101,517	182,929	1,495,842
Depreciation:				
December 31, 2017	484,558	-	7,494	492,052
Charge for the year	242,279	-	38,117	280,396
December 31, 2018	726,837	-	45,611	772,448
Charge for the year	242,280	-	37,673	279,953
December 31, 2019	969,117	-	83,284	1,052,401
Net book values:				
December 31, 2019	242,279	101,517	99,645	443,441
December 31, 2018	484,559	-	131,502	616,061

The intangible assets include the cost of licensing agreements with Diageo PLC for the rights to manufacture, import, market, distruibute and sell certain Diageo products exclusively in Jamaica. This arrangement will expire on December 31, 2020. Contract-based intangibles is in respect of an arrangement with Rick's Café for the development of an exclusive Red Stripe experience on its property. Amortisation will commence when the operation begins.

10. Employee benefits asset/(obligation)

The company operated a defined benefit pension plan which was open to all permanent employees up to October 31, 2016 and is managed by an independent fund manager. The plan was 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.

Consequent on approval by the Financial Services Commission and Tax Administration Jamaica on November 24, 2017, the plan was discontinued with an effective date of October 31, 2016. Effective November 1, 2016, the company operates a hybrid plan consisting of both a defined benefit and defined contribution section.

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2019

10. Employee benefits asset/(obligation) (continued)

The defined benefits section is funded by annuities purchased from proceeds of the old plan to secure benefits that have accrued up to October 31, 2016.

Employer contributions in the defined contribution section is being funded from employers' surplus from the old plan.

The company also provides post-employment medical benefits to employees upon retirement.

(a) Employee benefit asset/(obligation)

	Pension asset		Medical obligation	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Present value of obligations	(8,133,000)	(7,310,000)	(59,000)	(59,000)
Fair value of plan assets	9,100,000	8,344,000	-	-
Net asset/(obligation) at end of year	967,000	1,034,000	(59,000)	(59,000)

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

	Pension asset		Medical obligation	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Balance at beginning of year	(7,310,000)	(7,999,000)	(59,000)	(54,000)
Benefits paid	370,000	510,000	5,000	5,000
Service and interest costs	(559,000)	(559,000)	(4,000)	(4,000)
Members' contributions	(102,000)	(100,000)	-	-
Value of annuities purchased	(21,000)	(849,000)	-	-
Premiums paid for annuities	-	865,000	-	-
Remeasurements-experience adjustments	(511,000)	822,000	(1,000)	(6,000)
Balance at end of year	(8,133,000)	(7,310,000)	(59,000)	(59,000)

(c) Movement in pension plan assets:

	2019 $'000	2018 $'000
Fair value of plan assets at beginning of year	8,344,000	9,622,000
Members' contributions	102,000	100,000
Interest income on plan assets	541,000	590,000
Benefits paid	(370,000)	(510,000)
Refund to employer	(179,000)	(430,000)
Value of annuities purchased	21,000	849,000
Premiums paid for annuities	-	(865,000)
Remeasurements-experience adjustments	641,000	(1,012,000)
Fair value of plan assets at end of year	9,100,000	8,344,000

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2019

10. Employee benefits asset/(obligation) (continued)

(c) Movement in pension plan assets (continued):

	2019 $'000	2018 $'000
Plan assets consist of the following:		
Fixed income fund	836,000	266,000
Global markets fund	42,000	31,000
Money market fund	127,000	143,000
CPI indexed	244,000	22,000
Mortgage and real estate fund	719,000	2,438,000
Equity fund	999,000	416,000
Foreign currency fund	589,000	293,000
Annuities purchased	5,127,000	4,438,000
Receivables	237,000	236,000
International equity	180,000	61,000
	9,100,000	8,344,000

	Pension asset		Medical obligation	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Current service cost	81,000	79,000	-	-
Interest on obligation	478,000	480,000	4,000	4,000
Interest income on plan assets	(541,000)	(590,000)	-	-
Interest on effect of asset ceiling	-	14,000	-	-
	18,000	(17,000)	4,000	4,000

(e) Remeasurement effects recognised in other comprehensive income

	Pension asset		Medical obligation	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Experience adjustment	(130,000)	80,000	1,000	6,000

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

	2019 %	2018 %
Inflation rate	4	3.0
Discount rate	7.5	7.0
Pay growth	N/A	N/A
Pension increases	0	0
Medical claims growth	5.5	5.5

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2019

10. Employee benefits asset/(obligation) (continued)

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

(i) The expected long-term rate of return is based on market expectation of inflation of 4% (2018: 3%) 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.

11. Accounts receivable

	2019 $'000	2018 $'000
Trade	3,981,099	3,259,209
Other	36,259	70,930
	4,017,358	3,330,139
Less: Allowance for impairment	(1,816)	(18,565)
	4,015,542	3,311,574

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

	2019 $'000	2018 $'000
On-trade	8,642	10,118
Off-trade	3,940,960	3,165,082
Export	24,445	59,731
Other	12,260	5,713
	3,986,307	3,240,644

The movement in the allowance for impairment was as follows:

	2019 $'000	2018 $'000
Balance at beginning of year	18,565	36,388
Debts recovered	(725)	(32,697)
Debts written-off – trade receivables	(17,403)	(1,810)
Charge for the year – trade receivables	1,379	16,684
Balance at end of year	1,816	18,565

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2019

12. 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.

(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.

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2019

12. Related party balances and transactions (continued)

(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.

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

	2019 $'000	2018 $'000
Related entities:		
Due from (i)	437,640	333,467
Due to (ii)	(163,922)	(194,725)
Joint venture:		
Accounts receivable (iii)	3,916,309	3,151,814
Accounts payable (iv)	(32,015)	(204,482)

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

The balance represents transactions with Heineken group companies for goods rendered.

(i) This represents balances with Heineken group companies. They are unsecured, interest-free and repayable within twelve (12) months.

(ii) These are unsecured, interest free and collectible within twelve (12) months.

(iii) This is unsecured, interest free and repayable within twelve (12) months.

(e) The income statement includes income earned from, and expenses incurred in, transactions with related parties in the ordinary course of business, as follows:

	2019 $'000	2018 $'000
Related entities under Heineken Group:		
Sales	(3,038,150)	(2,818,675)
Royalty expense	105,866	101,441
Joint venture:		
Gross sales	(22,100,385)	(21,196,872)
Raw material, consumables and services		
- distribution fee	1,819,628	1,701,856
Share of (profit)/loss (note 5)	(20,000)	5,762
Key management personnel compensation:		
Short-term employment benefits	95,322	260,108
Post-employment benefits expense	3,000	1,425

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2019

13. Inventories

	2019 $'000	2018 $'000
Raw materials	315,228	331,358
Work-in-progress	190,450	116,322
Finished goods	194,541	318,095
Consumables	417,002	584,848
Plant and equipment spares	496,988	375,331
	1,614,209	1,725,954

14. Biological asset

Movement in biological asset was determined as follows:

	2019 $'000	2018 $'000
At the start of the year	201,112	115,054
Cultivation and harvesting expenses	209,574	123,757
Biological harvested	(176,783)	(37,699)
Amortisation of biological asset	(4,971)	-
Impairment of biological asset	(224,903)	-
	4,029	201,112

The impairment arose primarily from loss of crops during the year.

15. Accounts payable

	2019 $'000	2018 $'000
Trade	2,173,351	2,006,301
Staff accruals	575,627	660,282
Deposits – returnables	1,579,709	698,860
Accrued charges	840,880	869,407
Other	310,869	164,507
	5,480,436	4,399,357

16. Share capital

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

	2019 $'000	2018 $'000
Issued and fully paid: 2,809,170,386 ordinary stocks of no par value	2,174,980	2,174,980

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2019

17. Capital reserves

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

18. Other reserves

Other reserves represent the net employee benefits asset of $908,000,000 (2018: $975,000,000), less deferred tax of $227,000,000 (2018: $243,750,000), arising on the actuarial valuation under IAS 19, of the company's defined benefit arrangements.

19. Bank loan

	2019 $'000	2018 $'000
Bank of Nova Scotia Jamaica Limited	1,262,253	-

This represents aggregate draw downs in relation to a $4 billion loan facility that was acquired in September 2019. The principal is repayable as a bullet payment after five years.

The loan bear interest at a fixed rate of 5.9% per annum and is paid quarterly in arrears.

The loan contains certain financial and non-financial covenants. As at December 31, 2019, the company is in compliant with all financial covenants, set out in the loan agreement.

Submission of the audited financial statements is due within 120 days of financial year end: however the company negotiated an extension for the current financial year.

20. Deferred tax liabilities

	2019			
	Balance at beginning of year $'000	Recognised in income $'000 [Note 23(a)(ii)]	Recognised in equity $'000	Balance at end of year $'000
Accrued vacation leave	(8,423)	308	-	(8,115)
Unrealised foreign exchange gain	(20,988)	31,936	-	10,948
Property, plant and equipment	501,367	19,769	-	521,136
Interest receivable/payable	-	(3,112)	-	(3,112)
Leases	-	(10,278)	-	(10,278)
Employee benefits asset	243,750	(49,000)	32,250	227,000
	715,706	(10,377)	32,250	737,579

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2019

20. Deferred tax liabilities (continued)

	2018			
	Balance at beginning of year $'000	Recognised in income $'000 [Note 23(a)(ii)]	Recognised in equity $'000	Balance at end of year $'000
Accrued vacation leave	(10,253)	1,830	-	(8,423)
Unrealised foreign exchange gain	(12,297)	(8,691)	-	(20,988)
Property, plant and equipment	270,489	230,878	-	501,367
Interest receivable	167	(167)	-	-
Employee benefits asset	348,500	(83,250)	(21,500)	243,750
	596,606	140,600	(21,500)	715,706

21. Revenues

	2019 $'000	2018 $'000
Gross revenue	24,694,230	23,757,885
Special consumption tax	(3,864,819)	(3,923,437)
	20,829,411	19,834,448

22. Expenses

(a) Raw material and consumables

	2019 $'000	2018 $'000
Raw materials and consumables	(1,734,618)	(1,526,867)
Packaging materials	(2,198,328)	(2,349,591)
Products bought in for resale	(398,739)	(413,413)
Inventory movements	(1,238)	(43,951)
Marketing and sale expenses	(1,637,304)	(1,739,423)
Energy and water	(596,839)	(652,396)
Repairs and maintenance	(908,910)	(882,824)
Other variable expenses	(1,333,674)	(1,874,748)
Other fixed expenses *	(3,369,239)	(2,515,052)
	(12,178,889)	(11,998,265)

	2019 $'000	2018 $'000
* Other fixed expenses consist of:		
Wharehousing cost	984,395	1,005,325
Returnable packaging	722,243	(179,886)
Technical and other service cost	491,486	420,714
Royalty expense	187,398	127,189
Rental	-	229,655
Other	983,717	1,039,244
	3,369,239	2,515,052

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2019

22. Expenses (continued)

(b) Personnel expenses

	2019 $'000	2018 $'000
Salaries and wages	(1,757,178)	(1,676,936)
Payroll taxes	(198,044)	(190,574)
Employee benefit asset/obligation	(81,000)	97,000
Other	(757,897)	(922,670)
	(2,794,119	(2,693,180)

(c) Amortisation, depreciation and impairment

	2019 $'000	2018 $'000
Depreciation of property, plant and equipment (note 7)	(1,709,990)	(1,452,114)
Depreciation of right-of-use assets (note 8)	(184,152)	-
Amortisation on intangible assets (note 9)	(279,953)	(280,396)
	(2,174,095)	(1,732,510)

(d) Interest expense

	2019 $'000	2018 $'000
Bank charges	5,952	8,720
Interest expense on loans	12,828	-
Interest expense on lease liabilities	39,030	-
	57,810	8,720

(e) Other net financing income/(expenses)

	2019 $'000	2018 $'000
Net foreign exchange losses	(45,793)	(116,263)
Interest on net defined benefit asset	63,000	110,000
	17,207	(6,263)

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2019

23. Taxation

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

	2019 $'000	2018 $'000
(i) Current tax expense:		
Income tax at 25%	707,566	622,192
(ii) Deferred taxation:		
Origination and reversal of temporary differences (note 20)	(10,377)	140,600
Taxation	697,189	762,792

(b) Reconciliation of actual taxation charge:

	2019 $'000	2018 $'000
Profit before taxation	3,954,106	3,858,972
Computed "expected" tax charge at 25%	988,527	964,743
Difference between profit for financial statements and tax reporting purposes on:		
Depreciation charge and capital allowances	38,053	4,164
Employer tax credit	(267,373)	(206,469)
Fair value gain on investment properties	-	(35,438)
Other	(62,018)	35,792
Actual taxation charge	697,189	762,792

24. Dividends

	2019 $'000	2018 $'000
Ordinary dividends:1.82¢ (2018: 56¢) per stock unit – gross	5,118,533	1,573,135

25. Contingent liabilities

(i) At the reporting date, the company had a contingent liability in respect of letters of credit issued in favour of the Collector of Customs, amounting to $50,000,000 (2018: $50,000,000), in the ordinary course of business.

(ii) Certain claims have been made against the company for which defences have been filed. No provision has been made in the financial statements with respect to these claims, as management expects the defence to be successful.

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2019

26. 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

The company's main exposure to credit risk is managed by an established credit policy under which each customer has to be assessed individually for credit worthiness before the customer can be considered for a credit limit.

As at December 31, 2019, the company had 1 major customer (2018: 1), Celebration Brands, which accounted for 86% (2018: 91%) of the trade receivables balance.

The company manages its concentration risk by frequent and diligent reviews of its largest customers' operations to ensure that they remain economically viable and will be able to settle liabilities in a timely manner.

Allowances are determined upon origination of the trade accounts receivable based on a model that calculates the expected credit loss ("ECL") of the trade accounts receivable and are reviewed over the lifetime of the trade receivables.

The company estimates expected credit loss ("ECL") on trade receivables using a provision matrix based on historical credit loss experience as well as the credit risk and expected developments for each group of customers.

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2019

26. Financial risk management (continued)

(i) Credit risk (continued)

Trade receivables (continued)

The following table provides information about the ECL for trade receivables as at December 31, 2019, (see also note 11).

2019

Age categories	Weighted average loss rate	Gross carrying amount	Impairment loss allowance	Credit impaired
		$'000	$'000	
Current (not past due)	0.42%	3,942,791	1,812	No
Past due 31 - 60 days	0.40%	2,732	1	No
More than 60 days	17.49%	35,576	3	Yes
		3,981,099	1,816	

2018

Age categories	Weighted average loss rate	Gross carrying amount	Impairment loss allowance	Credit impaired
		$'000	$'000	
Current (not past due)	0.42%	3,227,847	13,462	No
Past due 31 - 60 days	0.40%	2,237	9	No
More than 60 days	17.49%	29,125	5,094	Yes
		3,259,209	18,565	

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.

(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.

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2019

26. 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 three lines of unsecured credit, which are available if the company does not have sufficient cash to settle its obligation, as follows:

(a) US$9,000,000 (2018: 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.

(b) $4,000,000,000 (2018:nil) line of credit with The Bank of Nova Scotia Jamaica Limited. Interest is fixed at 5.9% per annum on the funds 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.

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2019

26. 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:

	Jamaican dollar equivalent	
	2019	2018
	$'000	$'000
Currency		
United States dollars	1,545,067	605,230
Pounds sterling	248,511	143,423
Euro	(864,032)	(1,732,189)

Sensitivity analysis

The following table details the company's sensitivity to a 2% (2018: 2%) strengthening and 4% (2018: 4%) weakening of the Jamaica dollar against the relevant currencies based on the effect that such changes would have on the reported profits for the year. This analysis assumes that all other variables, in particular interest rates, remain constant and was performed on the same basis as December 31, 2018.

	2019		2018	
	2% strengthening	4% weakening	2% strengthening	4% weakening
	$'000	$'000	$'000	$'000
Currency				
United States dollars	4,095	(8,191)	1,542	(3,084)
Pounds sterling	839	(1,678)	462	(923)
Euro	(1,720)	3,441	(3,315)	6,630

(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.

The company does not carry any fianancial 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 year.

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2019

26. Financial risk management (continued)

(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 year.

27. 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)].

28. Subsequent event

The World Health Organization declared the novel Coronavirus (COVID-19) outbreak a pandemic on March 11, 2020 and the Government of Jamaica declared the island a disaster area on March 13, 2020. The pandemic and the measures to control its human impact have resulted in disruptions to economic activity and business operations, especially in the tourisim sector on which the company relies.

Since the pandemic, the company has been able to meet its obligation to it suppliers and employeess. To buffer the fallout, the company moved swiftly to reduce IT spend to a minimum, respected payment term to all suppliers, froze dicretionary spend such as advertsing and all non-essential expenditures. All non-committed capital expenditure was frozen except, where safety, compliance or business continuity were at risk.

The company also adjusted its 2020 priorities for the last three months and redeployed resources accordingly. The main focus since March 2020 and which will remain for the reminder of the year are people, safety, business continuity, refuel for growth and review of 2020 plan.

As at the reporting date, the pandemic is now easing with lockdowns lifted and economic activities starting to rebound.

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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 Wednesday 9 September 2020 at 214 Spanish Town Road, Kingston 11 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 resolution or abstain as he/she thinks fit.

RESOLUTIONS		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 Mr. Peter Melhado		
4(b).	Re-electing Director Mr. Luis Prata		
5.	Remuneration of the Auditors		
6.	Special Resolutions		

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 7 September 2020.