



**Grant Thornton**

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# **Dominica Brewery and Beverages Limited**

Financial Statements  
**Year Ended December 31, 2018**  
(in Eastern Caribbean dollars)



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# Corporate Information

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## **REGISTERED OFFICE**

Snug Corner, Loubiere, Roseau  
Commonwealth of Dominica

## **DIRECTORS**

Ramon Franco  
Michael Caraballo  
Marcio Juliano  
Albert Porter  
Norman Rolle

## **SECRETARY**

KPB Chartered Accountants

## **SOLICITOR**

Mr. Alick C. Lawrence

## **BANKERS**

The Bank of Nova Scotia

## **AUDITORS**

Grant Thornton  
Chartered Accountants  
Sergeant-Jack Drive  
Arnos Vale  
St. Vincent



## INDEPENDENT AUDITORS' REPORT

To the Directors of  
Dominica Brewery and Beverages Limited

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of **Dominica Brewery and Beverages Limited**, which comprise the statement of financial position as at December 31, 2018, and the statement of changes in equity, statement of profit or loss, and statement of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Dominica Brewery and Beverages Limited** as at December 31, 2018, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs).

#### 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) together with the ethical requirements that are relevant to our audit of the financial statements in St. Vincent and the Grenadines, and we have fulfilled our ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the IFRS for SMEs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, 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 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 judgement 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.
- 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 purposes 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, then 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

The Engagement Partner on the audit resulting in this independent auditors' report is Floyd A. Patterson.



October 24, 2019

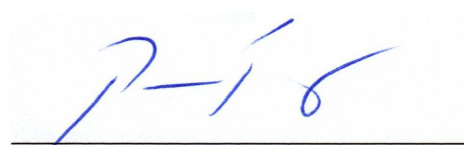
# Dominica Brewery and Beverages Limited

## Statement of Financial Position As of December 31, 2018

(in Eastern Caribbean dollars)

	Notes	2018 \$	2017 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	8	3,933,754	1,773,372
Trade and other receivables	9	642,601	675,727
Due by related parties	10	84,752	87,843
Notes receivable	11	0	579,133
Inventories	12	215,047	342,245
		<u>4,876,154</u>	<u>3,458,320</u>
<b>Property, Plant and Equipment</b>	13	<u>2,251,189</u>	<u>2,478,490</u>
		<u>7,127,343</u>	<u>5,936,810</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables	14	1,955,096	5,175,527
Due to affiliated companies	15	5,741,962	1,879,824
		<u>7,697,058</u>	<u>7,055,351</u>
Redeemable preference shares	16	51,500	51,500
		<u>7,748,558</u>	<u>7,106,851</u>
<b>Shareholders' Equity</b>			
Stated capital	17	8,392,500	8,392,500
Revaluation surplus	18	889,265	889,265
Accumulated deficit		(9,902,980)	(10,451,806)
		<u>(621,215)</u>	<u>(1,170,041)</u>
		<u>7,127,343</u>	<u>5,936,810</u>

APPROVED BY THE BOARD OF DIRECTORS ON OCTOBER 24, 2019.



Ramon A. Franco  
Director



Michael Caraballo Menieur  
Director

# Dominica Brewery and Beverages Limited

## Statement of Changes in Equity

For the Year Ended December 31, 2018

(in Eastern Caribbean dollars)

			(Accumulated Deficit)	
	Issued	Revaluation	Retained	Total
Note	Capital	Surplus	Earnings	
	\$	\$	\$	\$
<b>Balance at December 31, 2016</b>	8,392,500	3,147,784	6,159,327	17,699,611
Loss for the year	0	0	(18,869,652)	(18,869,652)
Amortization of revaluation surplus	18	(2,258,519)	2,258,519	0
<b>Balance at December 31, 2017</b>	8,392,500	889,265	(10,451,806)	(1,170,041)
Profit for the year	0	0	548,826	548,826
<b>Balance at December 31, 2018</b>	<b>8,392,500</b>	<b>889,265</b>	<b>(9,902,980)</b>	<b>(621,215)</b>

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

# Dominica Brewery and Beverages Limited

## Statement of Profit or Loss

For the Year Ended December 31, 2018

(in Eastern Caribbean dollars)

	Notes	2018 \$	2017 \$
<b>Sales</b>		<b>12,436,393</b>	12,472,390
<b>Direct Cost</b>	19	<b>(6,414,827)</b>	(5,129,469)
<b>Gross Profit</b>		<b>6,021,566</b>	7,342,921
<b>Other Income</b>		<b>360,268</b>	198,965
<b>Operating Profit before Overheads and Other Expenditure</b>		<b>6,381,834</b>	7,541,886
<b>Overhead Expenditure</b>			
Salaries, wages and other employee benefits	19	<b>(2,572,027)</b>	(3,414,812)
Operating and maintenance		<b>(1,797,296)</b>	(2,010,422)
Administrative and other expenses		<b>(527,884)</b>	(1,649,043)
Selling and marketing	19	<b>(525,801)</b>	(789,945)
		<b>(5,423,008)</b>	(7,864,222)
<b>Operating Profit (Loss) before Other Expenditure</b>		<b>958,826</b>	(322,336)
<b>Other Expenditure</b>			
Depreciation of property, plant and equipment	13	<b>(15,952)</b>	(1,720,414)
Bad debts recovery (expense)	19	<b>369,893</b>	(672,981)
Decrease (increase) in provision for Aid to Employees Dominica	14	<b>13,585</b>	(1,127,513)
Provision for inventory loss – Hurricane Maria	19	<b>(500,378)</b>	(4,028,069)
Impairment of intangible assets	19	<b>0</b>	(440,987)
Impairment of assets – Hurricane Maria	19	<b>(229,994)</b>	(10,495,911)
		<b>(362,846)</b>	(18,485,875)
<b>Operating Profit (Loss) for the Year before Finance Cost</b>		<b>595,980</b>	(18,808,211)
Finance cost		<b>(47,154)</b>	(61,441)
<b>Profit (Loss) for the Year</b>		<b>548,826</b>	(18,869,652)

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



# Dominica Brewery and Beverages Limited

## Statement of Cash Flows

For the Year Ended December 31, 2018

(in Eastern Caribbean dollars)

	2018	2017
Notes	\$	\$
<b>Cash Flows from Operating Activities</b>		
Net profit (loss) for the year	548,826	(18,869,652)
<b>Adjustments for</b>		
Depreciation	13 15,952	1,720,414
(Decrease) increase in allowance for bad debts	19 (369,893)	672,981
Increase in provision for inventory loss – Hurricane Maria	500,378	4,028,069
Impairment of intangible assets	0	440,987
Impairment of assets – Hurricane Maria	229,994	10,495,911
Finance cost	47,154	61,441
<b>Operating Profit (Loss) before Working Capital Changes</b>	972,411	(1,449,849)
Decrease in trade and other receivables	403,019	299,378
Decrease (increase) in due by related parties	3,091	(43,037)
Decrease (increase) in notes receivable	579,133	(21,616)
Increase in inventories	(373,180)	(688,159)
(Decrease) increase in trade and other payables	(3,220,431)	795,374
Increase in due to affiliated companies	3,862,138	1,566,320
<b>Cash Generated from Operating Activities</b>	2,226,181	458,411
Finance cost paid	(47,154)	(61,441)
<b>Net Cash Generated by Operating Activities</b>	2,179,027	396,970
<b>Cash Flows from Investing Activities</b>		
Proceed from disposal of property, plant and equipment	6,977	0
Purchases of property, plant and equipment	13 (25,622)	(1,433,887)
<b>Net Cash Used in Investing Activities</b>	(18,645)	(1,433,887)
<b>Net Decrease in Cash</b>	2,160,382	(1,036,917)
<b>Cash – Beginning of Year</b>	1,773,372	2,810,289
<b>Cash – End of Year</b>	8 3,933,754	1,773,372

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

# Dominica Brewery and Beverages Limited

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# Dominica Brewery and Beverages Limited

## Notes to the Financial Statements

### For the Year Ended December 31, 2018

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(in Eastern Caribbean dollars)

#### 1. Incorporation

Dominica Brewery and Beverages Limited (the “Company”) is a limited liability company incorporated under the laws of the Commonwealth of Dominica, its place of domicile, on January 13, 1993, and carries the registration no. LC 073/99.

#### 2. Parent Companies

The Company is an 89.43% (2017: 89.43%) owned subsidiary of International Brewing Limited, a company incorporated in St. Lucia. International Brewing Limited is a wholly owned subsidiary of Cerveceria Nacional Dominicana, S.A, a company incorporated in the Dominican Republic. Tenedora CND, a company incorporated in the Dominican Republic owns 99.66% (2017: 99.66%) shares of Cerveceria Nacional Dominicana, S.A. Ambev Brasil Bebidas, SA (ultimate parent company) owns 50.8% (2017: 50.8%) of Tenedora CND.

#### 3. Principal Activities

The Company’s principal activities are brewing, manufacturing and merchandising of beer and other beverages.

#### 4. Basis of Preparation

The financial statements of Dominica Brewery and Beverages Limited have been prepared in accordance with the ‘International Financial Reporting Standard for Small and Medium-sized Entities’ (IFRS for SMEs). They have been prepared under the historical cost convention.

The preparation of financial statements in conformity with the IFRS for SMEs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company’s accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimations are significant to the financial statements, are disclosed in **Note 7**.

#### 5. Summary of Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

##### Cash

Cash include cash on hand and deposits held at call with banks.

##### Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The amount of the allowance is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against ‘provision for bad debts’ in the statement of profit or loss and other comprehensive income.

# Dominica Brewery and Beverages Limited

## Notes to the Financial Statements

### For the Year Ended December 31, 2018

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(in Eastern Caribbean dollars)

#### 5. Summary of Accounting Policies .....*Cont'd*

##### Financial Assets

(a) *Classification*

The Company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(b) *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and where management has no intention of trading. They are included in current assets, except for maturities greater than 12 months after the reporting date, in which case, these are classified as non-current assets. The Company's loans and receivables comprise cash in banks, trade and other receivables, due from parent and due from fellow subsidiaries.

(c) *Initial Recognition, Derecognition and Subsequent Measurement*

Regular way purchases and sales of financial assets are recognised on trade-date - the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition. Financial assets are derecognised when the rights to receive cash flows from the asset have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

(d) *Impairment*

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Individually significant financial assets are tested for impairment if there are indicators of impairment. Impairment loss is recognised in the statement of comprehensive income and the carrying amount of the asset is reduced through the use of allowance.

##### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a moving average basis. The cost of finished goods and work-in-process comprises raw materials, direct labour, other direct costs and related production overheads on the basis of normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

##### Property, Plant and Equipment

Land and buildings comprise mainly of manufacturing facilities, warehouse and office. Land, buildings and plant and machinery are stated at the most recent valuation less subsequent depreciation for buildings. Independent professional valuers perform valuations every five years. Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be reliably measured. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they were incurred.

# Dominica Brewery and Beverages Limited

## Notes to the Financial Statements

### For the Year Ended December 31, 2018

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(in Eastern Caribbean dollars)

#### 5. Summary of Accounting Policies .....*Cont'd*

##### Property, Plant and Equipment .....*Cont'd*

Land is not depreciated. No depreciation is also provided on capital work-in-progress until the assets involved have been completed and are put into use. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revaluation less residual values over their estimated useful lives as follows:

Buildings	-	3% - 15%
Plant and machinery	-	3% - 20%
Motor vehicles	-	20%
Furniture and equipment	-	10% - 50%
Returnable packaging	-	20% - 33 ½%

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

A gain or loss on disposal of an asset is determined by comparing proceeds with carrying amount. The gain or loss on disposal is included in the statement of profit or loss and other comprehensive income. When re-valued assets are sold, the amounts included in revaluation surplus are transferred to retained earnings.

##### Impairment of Non-Financial Assets

Assets which have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets which are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, which represents the amount by which the asset's carrying amount exceeds its recoverable amount, is recognised in the statement of other comprehensive income. The recoverable amount is the greater of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separate identifiable cash flows (cash-generating units).

##### Trade and Other Payables

Trade payables are obligations to pay for either goods or services that have been acquired in the ordinary course of business from suppliers. Other payables are recognised in the period in which the related money, goods or services are received or when a legally enforceable claim against the Company is established. Those are recognised initially at fair value and subsequently measured at amortised cost using effective interest. Trade and other payables are classified as current liabilities if payment is due within one year or less. Otherwise, they are presented as non-current liabilities, at their present value.

##### Customer Deposits/Refunds

Certain products of the Company are sold in returnable containers in specified markets. The cost of returnable containers in circulation is included in property, plant and equipment. Customer deposits on returnable bottles and crates are initially recorded in accounts payable and accrued liabilities at their repurchase obligation. Each reporting date, the obligation for customers' refundable deposits is assessed by management and any difference between the carrying amounts on the assessed amount is recognised in direct costs in the statement of comprehensive income.

##### Related Party Relationships and Transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Transactions between related parties are accounted for at arms' length prices or on terms similar to those offered to non-related entities in an economically comparable market.

# Dominica Brewery and Beverages Limited

Notes to the Financial Statements

For the Year Ended December 31, 2018

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(in Eastern Caribbean dollars)

## 5. Summary of Accounting Policies .....*Cont'd*

### Income Taxes

#### (a) *Current Tax*

The current income tax expense is calculated on the basis of tax laws enacted or substantively enacted at the reporting date where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which the applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### (b) *Deferred Tax*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary timing differences arise from depreciation on property, plant and equipment.

### Share Capital

Ordinary shares are classified as equity.

### Treasury Shares

Own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognized in profit or loss on the repurchase, sale, issue or cancellation of the Company's own equity instruments.

### Revenue and Expense Recognition

Revenue comprises the fair value of the consideration, net of discounts, received or receivable for the sale of goods in the ordinary course of the Company's activities.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

#### (a) *Sales of Goods*

Revenue is recognized when the significant risks and rewards or ownership of the goods have passed to the buyer.

#### (b) *Interest Income*

Interest income is recognised on a time-proportion basis using the effective interest rate method.

### Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

# Dominica Brewery and Beverages Limited

Notes to the Financial Statements

For the Year Ended December 31, 2018

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(in Eastern Caribbean dollars)

## 5. Summary of Accounting Policies .....*Cont'd*

### **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### **Foreign Currency Translation**

#### *(a) Functional and Presentation Currency*

Items in the financial statements are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The financial statements are presented in Eastern Caribbean dollars, which is the Company’s functional and presentation currency.

#### *(b) Transactions and Balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

### **Operating Lease**

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

### **Subsequent events**

Post year-end events that provide additional information about the Company’s position at the balance sheet date (adjusting events) are reflected in the Company’s financial statements. Post year-end events that are not adjusting events are disclosed when material to the financial statements, if any.

# Dominica Brewery and Beverages Limited

Notes to the Financial Statements

**For the Year Ended December 31, 2018**

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(in Eastern Caribbean dollars)

## 6. Financial Risk Management

### Financial Risk Factors

The Company's activities expose it to a variety of financial risk: market risks (including foreign exchange, price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by the Company under policies approved by the Board of Directors. The Company identifies, evaluates and hedges financial risks in accordance with guidelines established by its Board of Directors.

#### (a) Market Risk

##### (i) Foreign Exchange Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company is subject to foreign currency risk to the extent that it trades in currencies other than Eastern Caribbean currency. Management monitors its exposure to foreign currency fluctuations and employs appropriate strategies to mitigate any potential losses.

At year-end, the Company's significant currency risk exposure in other currencies other than its functional currency, relate to the Barbados dollar, the United States dollar. However, as the Eastern Caribbean dollar is fixed to these currencies, management does not believe that significant foreign exchange risk exists as at December 31, 2018.

##### (ii) Cash Flow and Fair Value Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Company is not exposed to cash flow interest rate risk, as the Company does not have financial instruments with variable rates. The Company is not exposed to fair value interest rate risk, as the Company does not carry available for sale or fair value through profit or loss investments.

##### (iii) Price Risk

The Company is not exposed to commodity price risk.

#### (b) Credit Risk

Credit risk refers to risk that counterparty will cause a financial loss for the Company by failing to discharge an obligation. The amount of the Company's maximum exposure to credit risk is indicated by the carrying amount of its financial assets.

The Company's exposure to credit risk is dependent on the degree of failure of its counterparties, including its customers, bankers and other debtors, to honour their obligations. The Company sells product mainly in the Commonwealth of Dominica. The Company performs ongoing credit evaluations of customers and generally does not require collateral. Provisions are made for credit losses. The Company's credit risk is spread primarily over private sector customers.



# Dominica Brewery and Beverages Limited

Notes to the Financial Statements

For the Year Ended December 31, 2018

(in Eastern Caribbean dollars)

## 6. Financial Risk Management .....Cont'd

### Financial Risk Factors .....Cont'd

#### (b) Credit Risk

Maximum exposure to credit risk:

	Maximum Exposure	
	2018	2017
	\$	\$
Cash	3,933,754	1,757,872
Trade and other receivables	642,601	675,727
Due by related parties	84,752	87,843
Note receivable	0	579,133
Total credit risk exposure	4,661,107	3,100,575

#### (c) Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances. The Company monitors its liquidity risk by considering the maturity of both its financial assets and projected cash flows from operations. Where possible, the Company utilizes available credit facilities such as loans, overdrafts and other financing options.

In order to manage liquidity risks, management seeks to maintain levels of cash in each operating currency, which are sufficient to meet reasonable expectations of its short-term obligations. While the Company is exposed to liquidity risk at December 31, 2018, the parent company is in a position to secure funding to the Company should the need arise.

The table below analyses the Company's financial liabilities into relevant contractual maturity groupings as of reporting date. The amounts which are contractually due within 12 months are carried at their nominal value less applicable discounts:

	2018	2017
	\$	\$
<b>Amounts Due within One Year of Reporting:</b>		
Trade and other payables	1,955,096	5,175,527
Due to affiliated companies	5,741,962	1,879,824
	7,697,058	7,055,351

#### Capital Risk Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value, and comply with the capital requirements set by regulators where relevant.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return of capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year ended December 31, 2018.

# Dominica Brewery and Beverages Limited

Notes to the Financial Statements

**For the Year Ended December 31, 2018**

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(in Eastern Caribbean dollars)

## 6. Financial Risk Management .....*Cont'd*

### Fair Value Estimation of Financial Assets and Liabilities

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value if one exists.

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The carrying value of the Company's financial assets and liabilities approximate their fair values due to the short-term maturity of these items.

### Fair Value Measurement of Non-Financial Assets

The fair value of the Company's main property assets is estimated based on appraisals performed by independent, professionally-qualified property valuers. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the board of directors at each reporting date. The Company's property, plant and equipment are grouped under Level 3. See **Note 14**.

### Collateral

The Company has no pledged collateral.

## 7. Critical Judgements in Applying the Entity's Accounting Policies

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historic experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The items which may have the most effect on the Company's financial statements are set out below:

### (a) Allowance for Impairment of Receivables

The allowance for impairment of receivables is based on the Company's assessment of the collectibility of payments from customers. This assessment requires judgment regarding the outcome of disputes and the ability of each of the customer to pay the amounts owed to the Company. The Company tests annually whether accounts receivable balances have suffered any impairment in accordance with the Company's accounting policy. In determining whether an impairment loss should be recorded in the statement of profit or loss, management makes judgments as to whether there is any observable data indicating that there is a measurable decrease in estimated future cash flows that can be identified with an individual customer. Management uses estimates based on historical loss experience as well as payment patterns subsequent to the year end.

# Dominica Brewery and Beverages Limited

## Notes to the Financial Statements

For the Year Ended December 31, 2018

(in Eastern Caribbean dollars)

### 7. Critical Judgements in Applying the Entity's Accounting Policies .....Cont'd

(b) *Repurchase Obligation*

As of reporting date, the Company recognised liabilities totalling \$1,064,986 (2017: \$829,795) as a provision, based on management's best estimate based on past experiences, for deposit liabilities on crates and returnable bottles. Where the final outcome is different from the amounts that were initially recorded, such differences will impact the statement of profit or loss in the period in which such determination is made.

(c) *Valuation of Property, Plant and Equipment*

The Company utilises professional valuers to determine the fair value of its properties. Valuations are determined through the application of a variety of different valuation methods, which are all sensitive to the underlying assumptions chosen.

(d) *Estimated Useful Lives of Property, Plant and Equipment*

The useful life of each of the Company's property, plant and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, or other limits on the use of the asset. It is impossible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any property, plant and equipment would increase the recorded depreciation expense and decrease non-current assets.

### 8. Cash

	2018	2017
	\$	\$
Cash on hand	15,500	15,500
Cash at banks	3,918,254	1,757,872
	<u>3,933,754</u>	<u>1,773,372</u>

Cash at banks earn no interest.

### 9. Trade and Other Receivables

	2018	2017
	\$	\$
Trade receivables	516,328	880,522
Allowance for impairment of trade receivables	(104,090)	(616,805)
Trade receivables – net	<u>412,238</u>	<u>263,717</u>
Other receivables	528,831	715,625
Allowance for impairment of other receivables	(310,841)	(318,148)
Other receivables – net	<u>217,990</u>	<u>397,477</u>
Prepayments	12,373	14,533
	<u>642,601</u>	<u>675,727</u>

# Dominica Brewery and Beverages Limited

## Notes to the Financial Statements

### For the Year Ended December 31, 2018

(in Eastern Caribbean dollars)

#### 9. Trade and Other Receivables .....Cont'd

As at reporting date, trade receivables having a nominal value of \$104,090 (2017: \$616,805) were impaired and fully provided for. Movements in the allowance for impairment of receivables are as follows:

	2018	2017
	\$	\$
As at beginning of year	934,953	310,498
(Decrease) increase in allowance for bad debts for the year (Note 19)	(369,893)	672,981
Write-offs	(150,129)	(48,526)
At end of year	<u>414,931</u>	<u>934,953</u>

The aging analysis of trade receivables is as follows: -

	2018	2017
	\$	\$
Neither past due nor impaired	255,576	71,495
Greater than 0 days but less than 15 days	32,485	15,010
Greater than 15 days but less than 60 days	25,749	73,405
Greater than 60 days	202,518	720,612
	<u>516,328</u>	<u>880,522</u>

The trade and other receivables are denominated in the following currencies: -

	2018	2017
	\$	\$
Eastern Caribbean currency	642,601	477,654
United States currency	0	198,073
	<u>642,601</u>	<u>675,727</u>

Trade and other receivables are distributed over the following geographical regions: -

	2018	2017
	\$	\$
Commonwealth of Dominica	<u>642,601</u>	<u>675,727</u>

#### 10. Due by Related Parties

	2018	2017
	\$	\$
International Brewing Limited – parent	0	35,063
St. Vincent Brewery Limited – affiliate	84,752	52,780
	<u>84,752</u>	<u>87,843</u>

The amounts due by related parties are unsecured, non-interest bearing and collectible within 30 days. The amounts due by related parties are denominated in Eastern Caribbean currency.

# Dominica Brewery and Beverages Limited

## Notes to the Financial Statements

For the Year Ended December 31, 2018

(in Eastern Caribbean dollars)

### 11. Notes Receivable

	2018	2017
	\$	\$
International Brewing Limited note, bears interest at LIBOR plus 3%, payable quarterly with maturity of August 31, 2017	0	493,410
Interest receivable thereon	0	85,723
	<u>0</u>	<u>579,133</u>

The note receivable from parent company, is unsecured and is denominated in Eastern Caribbean currency.

### 12. Inventories

	2018	2017
	\$	\$
Raw materials and consumables	0	2,021,236
Spares	0	1,925,602
Finished goods	192,147	624,410
Work-in-progress	0	14,199
	<u>192,147</u>	<u>4,585,447</u>
Less: allowance for inventory loss	0	(4,483,581)
	<u>192,147</u>	<u>101,866</u>
Goods in transit	22,900	240,379
	<u>215,047</u>	<u>342,245</u>

The Company recognised an impairment loss in relation to inventories damaged during Hurricane Maria in the amount of \$500,378 (2017: \$4,028,069) which has been charged to profit or loss. This transaction did not involve any cash, as a result, the effects are excluded from the statement of cash flows.

The following summarises the cost of inventories on hand which were either damaged or destroyed by Hurricane Maria.

	2018	2017
	\$	\$
Raw materials and consumables	2,403,797	2,021,336
Spares	2,008,638	1,925,502
Work-in-progress	14,199	14,199
Finished goods	557,325	522,544
	<u>4,983,959</u>	<u>4,483,581</u>

# Dominica Brewery and Beverages Limited

Notes to the Financial Statements

For the Year Ended December 31, 2018

(in Eastern Caribbean dollars)

## 13. Property, Plant and Equipment

	Land and Building \$	Plant and Machinery \$	Furniture and Equipment \$	Motor Vehicles \$	Construction -in- Progress \$	Total \$
<b>At December 31, 2016</b>						
Cost or valuation	5,157,475	10,014,605	8,246,560	1,191,993	1,393,887	25,912,223
Accumulated depreciation	(860,453)	(5,593,083)	(5,244,648)	(1,045,408)	0	(12,651,295)
Net Book Amount	4,297,022	4,421,522	3,001,912	146,585	1,393,887	13,260,928
<b>Year Ended December 31, 2017</b>						
Opening net book amount	4,297,022	4,421,522	3,001,912	146,585	1,393,887	13,260,928
Additions/reclassification	0	0	1,065,463	1,277,894	(909,470)	1,433,887
Disposals	(2,663,421)	(4,027,365)	(2,910,875)	(894,250)	0	(10,495,911)
Depreciation	(100,183)	(394,157)	(1,156,500)	(69,574)	0	(1,720,414)
Closing Net Book Amount	1,533,418	0	0	460,655	484,417	2,478,490
<b>At December 31, 2017</b>						
Cost or valuation	1,533,418	0	0	1,020,294	484,417	3,038,129
Accumulated depreciation	0	0	0	(559,639)	0	(559,639)
Net Book Amount	1,533,418	0	0	460,655	484,417	2,478,490
<b>Year Ended December 31, 2018</b>						
Opening net book amount	1,533,418	0	0	460,655	484,417	2,478,490
Additions/reclassification	0	0	7,111	0	18,511	25,622
Disposals	0	0	0	(177,766)	(59,205)	(236,971)
Depreciation	0	0	0	(15,952)	0	(15,952)
Closing Net Book Amount	1,533,418	0	7,111	266,937	443,723	2,251,189
<b>At December 31, 2018</b>						
Cost or valuation	1,533,418	0	7,111	842,528	443,723	2,826,780
Accumulated depreciation	0	0	0	(575,591)	0	(575,591)
Net Book Amount	1,533,418	0	7,111	266,937	443,723	2,251,189

The property, plant and equipment were re-valued on January 31, 2011 on an open market basis by Organizacion Levin S.A., Argentina branch (see **Note 18**).

As a result of the damages sustained as a consequence of Hurricane Maria, the company recognised an impairment on its property, plant and equipment of \$236,971 (2017: \$10,495,911), which has been charged to profit or loss.

# Dominica Brewery and Beverages Limited

Notes to the Financial Statements

For the Year Ended December 31, 2018

(in Eastern Caribbean dollars)

## 13. Property, Plant and Equipment .....*Cont'd*

If the re-valued property, plant and equipment were stated on the historical cost basis, the amounts would be as follows: -

	Land and Building \$	Plant and Machinery \$	Furniture and Equipment \$	Motor Vehicles \$	Construction -in- Progress \$	Total \$
Cost	644,153	0	0	1,020,294	484,417	2,148,864
Accumulated depreciation	0	0	0	(220,059)	0	(220,059)
At December 31, 2018	<b>644,153</b>	<b>0</b>	<b>0</b>	<b>800,235</b>	<b>484,417</b>	<b>1,928,805</b>

	Land and Building \$	Plant and Machinery \$	Furniture and Equipment \$	Motor Vehicles \$	Construction -in- Progress \$	Total \$
Cost	644,153	0	0	1,020,294	484,417	2,148,864
Accumulated depreciation	0	0	0	(195,218)	0	(195,218)
At December 31, 2017	644,153	0	0	825,076	484,417	1,953,646

# Dominica Brewery and Beverages Limited

## Notes to the Financial Statements

### For the Year Ended December 31, 2018

(in Eastern Caribbean dollars)

#### 14. Trade and Other Payables

	2018	2017
	\$	\$
Trade payables	513,561	1,756,758
Accrued expenses	371,941	2,097,186
Repurchase obligation	1,064,986	829,795
Other payables	4,608	491,788
	<b>1,955,096</b>	<b>5,175,527</b>

As of reporting date, the following provisions are included:

	2018	2017
	\$	\$
Incentive compensation and bonuses	105,186	360,241
Provision for Aid to Employees of Dominica	0	1,127,513
	<b>105,186</b>	<b>1,487,754</b>

The carrying amounts of the Company's trade and other payables are denominated in the following currencies: -

	2018	2017
	\$	\$
Eastern Caribbean currency	849,451	4,059,184
United States currency	1,105,645	1,056,977
Barbados currency	0	815
Euro currency	0	58,551
	<b>1,955,096</b>	<b>5,175,527</b>

#### 15. Due to Affiliated Companies

	2018	2017
	\$	\$
St. Vincent Brewery Limited	3,852,077	573,873
Cerveceria Nacional Dominicana	1,887,851	1,304,442
Banks Barbados Breweries Limited	2,034	1,509
	<b>5,741,962</b>	<b>1,879,824</b>

The amounts due to affiliated companies are unsecured, non-interest bearing and payable within 30 days. The amounts due to affiliated companies are denominated in Eastern Caribbean currency, United States currency and Barbados currency respectively.

#### 16. Redeemable Preference Shares

	2018	2017
	\$	\$
<b>Authorised</b>	<b>20,000</b>	20,000
<b>Issued and Fully Paid</b>		
1,195 6% redeemable non-voting preference shares of no par value	<b>51,500</b>	51,500

As of December 31, 2018, the Company holds preference shares of 9,485 (2017: 9,485) in treasury.



# Dominica Brewery and Beverages Limited

## Notes to the Financial Statements

### For the Year Ended December 31, 2018

(in Eastern Caribbean dollars)

#### 17. Stated Capital

	2018	2017
	\$	\$
<b>Authorised</b>	<b>Unlimited</b>	Unlimited
<b>Issued and Fully Paid</b>		
208,791 common shares of no par value	<b>8,392,500</b>	8,392,500

As of December 31, 2018, the Company had holds ordinary shares of 6,075 (2017: 6,075) in treasury.

#### 18. Revaluation Surplus

	Land and Building \$
<b>At December 31, 2017</b>	
Revaluation reserve	1,074,489
Accumulated amortization	(185,224)
	<u>889,265</u>
<b>At December 31, 2018</b>	
Revaluation reserve	1,074,489
Accumulated amortization	(185,224)
	<u>889,265</u>

The property, plant and equipment were re-valued, on January 31, 2011, on an open market basis by Organizacion Levin S.A., Argentina branch (see **Note 13**). The revaluation reserve, on depreciable assets, is amortized to retained earnings over the life of the property, plant and equipment. The revaluation reserve on land will be transferred to retained earnings only on realization.

As a result of damages sustained as a consequence of Hurricane Maria, the company wrote off, with the exception of land and motor vehicles acquired during the current year, the majority of its assets, therefore the revaluation surplus relating to those assets was transferred to retained earnings in 2018.

#### 19. Expenses by Nature

	2018	2017
	\$	\$
Cost of goods sold	<b>6,414,827</b>	5,129,469
Salaries, wages and other employee benefits ( <b>Note 20</b> )	<b>2,572,027</b>	3,414,812
Depreciation ( <b>Note 13</b> )	<b>15,952</b>	1,720,414
Office, administrative and other expenses	<b>2,076,892</b>	2,348,799
Selling and marketing	<b>525,801</b>	789,945
(Decrease) increase in provision for Aid to Employees Dominica	<b>(13,585)</b>	1,127,513
(Decrease) increase in allowance for bad debts ( <b>Note 9</b> )	<b>(369,893)</b>	672,981
Allowance for inventory loss – Hurricane Maria	<b>500,378</b>	4,028,069
Impairment of intangible assets	<b>0</b>	440,987
Impairment of assets – Hurricane Maria	<b>229,994</b>	10,495,911
Security	<b>184,287</b>	280,437
Legal and professional fees	<b>52,764</b>	1,014,982
Insurance	<b>11,237</b>	15,247
<b>Total Direct Cost, Overhead and Other Expenditures</b>	<b>12,200,681</b>	31,479,566

# Dominica Brewery and Beverages Limited

## Notes to the Financial Statements

For the Year Ended December 31, 2018

(in Eastern Caribbean dollars)

### 20. Employee Benefit Expenses

	2018	2017
	\$	\$
Salaries and wages	1,890,744	2,576,667
Other benefits	681,283	838,145
	<u>2,572,027</u>	<u>3,414,812</u>

### 21. Taxation

Pursuant to the cabinet Decision No. 729 dated August 20, 22, 24, and 28, 2007, the Company was granted the following concessions under the Fiscal Incentives Act, Chapter 84:51 of the Laws of the Commonwealth of Dominica:

- a) Exemption from the payment of import duty on all machinery, equipment and spare parts, including office equipment for fifteen (15) years;
- b) Exemption from the payment of income tax on profits of the operations for fifteen (15) years; and
- c) Waiver of withholding tax on interest payable on foreign loans for a period of fifteen (15) years.

On March 25, 2015, the Company was granted under the Fiscal Incentives Act, Chapter 84:51, the following concession:

- a) Exemption from payment of import duty on raw and packaging materials for a period of ten (10) years.

On July 29, 2015, the Company was granted under the Fiscal Incentives Act, Chapter 84:51, the following concession:

- a) Exemption from payment on import duty on laboratory equipment and cleaning supplies for a period of five (5) years.

### 22. Related Party Transactions

In the normal course of business, the company purchase goods and services and less goods to related parties on an arms length basis. The following summarises company transactions with its related parties:

	2018	2017
	\$	\$
<b>Purchases and Technical Services Rendered from:</b>		
St. Vincent Brewery Limited	4,210,914	948,357
Cerveceria Nacional Dominicana, S.A.	58,894	1,037,796
	<u>4,269,808</u>	<u>1,986,153</u>
<b>Expenses Recharged by:</b>		
St. Vincent Brewery Limited	16,965	24,396
<b>Interest Charged to:</b>		
International Brewing Limited	10,532	21,616

# Dominica Brewery and Beverages Limited

Notes to the Financial Statements

For the Year Ended December 31, 2018

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(in Eastern Caribbean dollars)

**22. Related Party Transactions .....Cont'd**

	2018	2017
	\$	\$
<b>Key Management Compensation</b>		
Salaries and wages	213,215	166,135
Other benefits	204,880	13,845
	<b>418,095</b>	<b>179,980</b>

**23. Capital Commitments**

As of reporting date, the Board of Directors approved capital expenditure amounting to \$149,919 (2017: \$507,000).

**24. Contingencies**

As of reporting date, the Company filed various claims for damages, including business disruption, arising from the passage of Hurricane Maria with its insurers. The insurance claim is under review and management is unable to assess with virtual certainty the eventual settlements. Consequently, the effects of the insurance claim is not recognized in these financial statements. On final settlement of the claims, any benefits realized would be recognized in profit or loss.