

THE HOUSE OF  
**ANGOSTURA®**  
EST. 1824



THE SPIRIT OF  
OUR PEOPLE  
PASSED DOWN  
THROUGH  
GENERATIONS

ANNUAL REPORT  
2019



# TABLE OF CONTENTS

Who we are	2
Vision & Mission, Guiding Principle and Values	3
Corporate Information	4
Chairman's Report	6
Directors' Report	9
Executive Team	20
Management	21
Management Discussion and Analysis	23
Statement of Management Responsibilities	40
Independent Auditors' Report	41
Consolidated Statement of Financial Position	45
Consolidated Statement of Profit or Loss and Other Comprehensive Income	46
Consolidated Statement of Changes in Equity	47
Consolidated Statement of Cash Flows	48
Notes to the Consolidated Financial Statements	50





ANNUAL REPORT 2019

## WHO WE ARE

2

Angostura is one of the Caribbean's leading beverage companies, the world's market leader for bitters, and home to a superb collection of rum brands.



Our iconic drinks include Angostura® 1824, Angostura® 1787, Angostura® 1919, Angostura® 7 Year Old Rum, Angostura® 5 Year Old Rum, Angostura® Reserva, Angostura® Single Barrel, White Oak, Forres Park Puncheon, Black Label, and Royal Oak, as well as Amaro di Angostura®, Angostura® orange bitters, Angostura® aromatic bitters, and our signature beverage, Angostura® Lemon, Lime and Bitters.

Along with being a Royal Warrant Holder to the Queen of England for our Angostura® aromatic bitters, we have successfully marketed our iconic bitters

globally and have a geographic reach into 170 markets. The recipe for Angostura® aromatic bitters has not been changed since the first bottle was introduced to the world in 1824.

Many of our brands have been bringing joy for generations in Trinidad and Tobago, our core rum market. Meanwhile, our premium rums have been causing a stir at countless international competitions over the past decade, and have been awarded many prestigious accolades internationally. In addition, both of Angostura's signature bitters were named the *Number One Selling Bitters* and *Number One Trending Bitters* of 2018.





# VISION & MISSION, GUIDING PRINCIPLE AND VALUES

## VISION

Proudly grow for the betterment of the environment and the people of Trinidad & Tobago

## MISSION

Be a world-renowned rum company with sought after brands rooted in authenticity and craftsmanship, while accelerating the ingenuity and mystique of delivering exceptional Aromatic Spirits and other beverages

**“Celebrate the spirit of Trinidad & Tobago”**

## GUIDING PRINCIPLE

“No Stickin” - Be relentless in making it happen!

## VALUES

Integrity  
Togetherness  
Tenacity  
Passion

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Mr. Terrence Bharath (Chairman)  
Mrs. Michal Andrews  
Ms. Alana Beaubrun  
Ms. Renée Johncilla  
Ms. Ingrid Lashley

## COMPANY SECRETARY

Mrs. Kathryna Baptiste Assee

## REGISTERED OFFICE

Corner Eastern Main Road &  
Trinity Avenue  
Laventille  
Republic of Trinidad and Tobago  
Telephone No. (868) 623-1841  
Fax: (868) 623-1847  
E-mail: kbassee@angostura.com  
Website: www.angostura.com

## REGISTRAR & TRANSFER AGENT

Trinidad & Tobago Central  
Depository Limited  
10th Floor, Nicholas Towers  
63-65 Independence Square  
Port of Spain  
Republic of Trinidad and Tobago  
Telephone No. (868) 625-5107/9  
Fax: (868) 623-0089

## AUDITORS

KPMG  
11 Queen's Park East  
Port of Spain  
Republic of Trinidad and Tobago

## BANKERS

Republic Bank Limited  
Promenade Centre  
72 Independence Square  
Port of Spain  
Republic of Trinidad and Tobago

First Citizens Bank Limited  
Corporate Banking Unit  
2nd Floor, Corporate Centre  
9 Queen's Park East  
Port of Spain, Trinidad and  
Tobago

Citibank (Trinidad & Tobago)  
Limited  
12 Queen's Park East  
Port of Spain  
Republic of Trinidad and Tobago

Scotiabank Limited  
Scotia Centre Branch  
56-58 Richmond Street  
Port of Spain  
Republic of Trinidad and Tobago

## ATTORNEYS-AT-LAW

Lex Caribbean  
First Floor, 5-7 Sweet Briar Road  
Port of Spain  
Republic of Trinidad and Tobago





**Angostura Holdings Limited is proud to report a profit after tax of \$141.8 million for the fiscal year ended December 31, 2019.**



Terrence Bharath

## 9.2%

**Increase in profit  
after tax**

Profit after tax increased by \$11.9 million to \$141 million for 2019.

**This is an increase of \$11.9 million or 9.2% over the comparative period last year. Total comprehensive income was \$135.8 million compared to \$131.7 million in the prior year.**

Angostura Holdings Limited recorded its highest revenue in 10 years for fiscal year ended December 31st, 2019. Revenue of \$847.2 million represents an increase of 8.1% or \$63.5 million over the prior year ending December 31, 2018. The 2019 revenue figure represents a 14% increase compared to that of 2017 and this significant increase in revenue was last attained in 2011 when revenue grew by 11%.

The rum segment, which represented 64.1% of our total 2019 revenue, grew by 5.3% due

to improved channel focus, the innovative White Oak Sorrel, local marketing campaigns and increased demand in Europe and duty free markets. The growth of the rum segment contributed 42.8% of total 2019 revenue growth. Bitters business represented 21.1% of total 2019 revenue. The international markets generated 97.3% in revenue for Bitters and this segment contributed 28.6% or \$18.2 million of total growth in additional revenue in 2019.

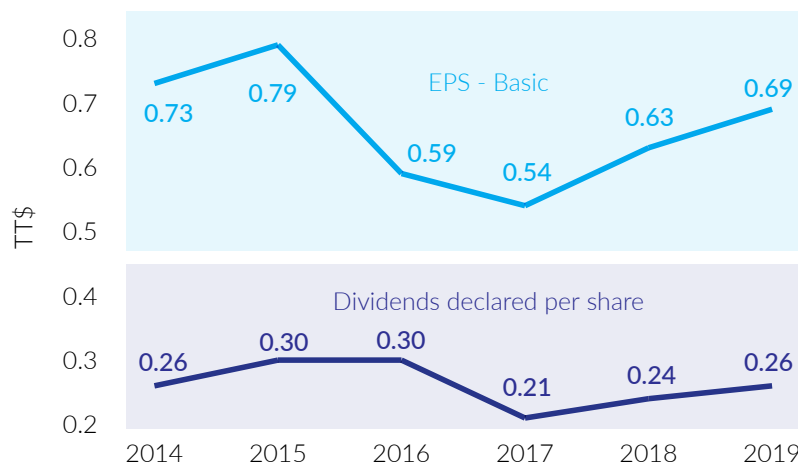
The Company incurred an increased cost of production as a result of reduced capacity during waste water treatment plant repairs. This position ensued because of the alternative means of dealing with the waste water. That said, through stringent management, savings in production overheads, selling expenses and marketing expenses there was a modest reduction in profit percentage. The Gross Profit margin was 49.3% in 2019 as opposed to 50% in 2018. Operating profit margin was 22.7% in the year 2019 when compared to 22.8% in the prior period.

The Board of Directors is pleased to recommend a final dividend in respect of the year ended December 31, 2019 of \$0.17 per share with a record date of October 08, 2020 and payment date of October 29, 2020. Together with the interim dividend of \$0.09 per share previously paid on August 30, 2019, the total dividend in respect of fiscal 2019 amounts to \$0.26 per share, compared to the year

# 8.1%

## Increase in revenue

Revenue increased by \$63.5 million to \$847.2 million for 2019.



2018 when a dividend of \$0.24 per share was paid. This amounts to an increase of 8.3% in dividend over prior year and an increase of 13.3% in final dividend over the prior year in which a \$0.15 per share final dividend was paid. Earnings per share in 2019 was \$0.69 when compared to 2018 at \$0.63 per share. Please refer to the chart above which shows the earnings per share and dividends declared per share over the period 2014-2019.

While we are cognisant of the likely impact of recent events on our operations globally, we are also mindful to play our part in the economic recovery of Trinidad and Tobago. To this end, we will work with all stakeholders to contribute to financial and social upliftment and security of our country and the international markets in which we operate. Our recent contribution of hand sanitisers to frontline workers and charities during the period of the COVID-19 pandemic is indicative of the flexibility and agility we are prepared to undertake to make a difference.

I would like to take this opportunity to thank all our valued stakeholders: my fellow Directors, who continue to uphold the Company's vision, our dedicated, enthusiastic and hardworking Management team and employees, who keep the Company's day-to-day operations running efficiently, our loyal customers who have supported our brands over the years and continue to do so and our treasured shareholders who have invested in the Company.

We undertake to work towards increasing shareholder value in 2020 and beyond through the implementation of our strategic plan, with an astute innovation pipeline and a greater focus on international growth.

Terrence Bharath  
Chairman

# 8.3%

## Increase in dividends

Total dividend for 2019 was 26¢ per share, compared to 24¢ in 2018.







# DIRECTORS' REPORT

## DEAR SHAREHOLDERS,

The Directors present the Annual Report and Audited Financial Statements for the fiscal year ended December 31, 2019. The Board of Directors currently comprises of five (5) Directors. They are:

Mr. Terrence Bharath - Chairman

Mrs. Michal Andrews

Ms. Alana Beaubrun

Ms. Renee Johncilla

Ms. Ingrid Lashley

On September 09, 2019, Mr. Ulric Miller resigned as a Director of the Board.

On November 25, 2019, in accordance with Paragraph 4.4.2 of By-law No. 1 of the Company, Ms. Alana Beaubrun was appointed to the Board, filling the casual vacancy created by Mr. Miller's resignation.

The biographies of the Directors are as follows:

### Terrence Bharath Chairman



Mr. Bharath, Attorney-at-Law, graduated from the University of Nottingham, United Kingdom with a Bachelor of Laws Degree with Honours in the year 1986. Thereafter, he attended the Council of Legal Education in London and became a member of Lincoln's Inn. In 1987, he successfully completed the examination for the call to the Bar of England and Wales and was thereafter admitted to practice as an Attorney-at-Law in Trinidad and Tobago. Mr. Bharath, since his return to Trinidad in the month of October 1987, has been in practice for a period of thirty-three (33) years as an Advocate and is currently the Head of Chambers at Carlisle Chambers, Barristers and Attorneys-at-Law.

His principal areas of practice include complex litigation and intricate non-litigious matters. Having attained thirty-three (33) years' experience in advocacy and advisory work, his experience and knowledge span a wide cross section of commercial matters and Courts. These include, but are not limited to the following matters, Banking, Security instruments, Company Law, Judicial Review, Pension, Negligence, Land Law, Arbitration, FIDIC, Trust, regulation of the Financial Sector, the Securities Act, Telecommunications Law, Environmental Law, Fraud and Insolvency. Mr. Bharath has also represented parties at two (2) Commissions of Enquiry, the last being the Commission of Enquiry into the collapse of the CL Financial Group, where he represented the Policy Holders of Trinidad and Tobago.

For the past twenty-three (23) years Mr. Bharath has sat on fifteen (15) Boards and has gained a wide array of knowledge in various commercial ventures, ranging from the Financial Sector to the Manufacturing Sector. He is an advisor to several corporations in Trinidad and Tobago and is currently the legal member of the Evaluation Committee established by the Cabinet of Trinidad

and Tobago to advise on the sale of assets at the Guaracara Refining Co. Ltd. and Paria Fuel Trading Co. Ltd.

Mr. Bharath served as a Director of the Trinidad and Tobago Unit Trust Corporation, one of the largest financial services companies in Trinidad and Tobago, for eighteen (18) years. Mr. Bharath has also delivered guest lectures at the Hugh Wooding Law School (HWLS) and has been an Associate Tutor at HWLS for a period of eight (8) years. Having a passion for the societal development of Trinidad and Tobago, he holds the belief that the development of the nation's youth is a major contributor to our success as a country. In this regard, he has and continues to serve as a Board member of a charitable organisation for the past 10 years. This organisation is the only one in the country, located in the heart of the city of Port of Spain, which seeks to rehabilitate children from unfortunate circumstances. It provides housing and protection to the children with a view to preparing them for return to society.

In the year 2016, Mr. Bharath was appointed as a Board member and on June 25, 2018 was made the Chairman of the Board of Angostura Holdings Limited and its subsidiaries.

## **Michal Andrews** **Director**



Mrs. Michal Andrews is a qualified Accountant with more than 30 years' experience in Taxation Law and Policy. During her career, Mrs. Andrews served as the Financial Comptroller of Norwood Kitchens in the UK. On her return to Trinidad in 1974, she joined the Inland Revenue in Trinidad and Tobago as a Field Officer, where she later progressed to become a member of the Board of Inland Revenue and was appointed its first Commissioner for the administration of the Value Added Tax (VAT) Regime. She was also a part-time lecturer in VAT systems at the University of the West Indies, St. Augustine.

In 1992 Mrs. Andrews became a Partner at Ernst & Young and headed the firm's tax practice. In her capacity as an independent consultant she also worked with the private sector. Mrs. Andrews retains significant expertise in the area of VAT and was afforded the opportunity to work alongside Government bodies in several Caribbean countries to assist with the conduct of impact studies and the implementation of VAT regimes. Mrs. Andrews also relayed her knowledge on an international front where she provided consultancy services to the Governments of Zimbabwe, Belize and Puerto Rico in VAT regimes.

Mrs. Andrews is also the Managing Director and co-owner of M & J Services Limited, which is a Real Estate Company that owns and operates STOR-IT, the first self-storage facility in Trinidad and Tobago.

Further strengthening her skill set, Mrs. Andrews' academic qualifications include being an Accredited Director of the Institute of Chartered Secretaries of Canada, a Fellow of the Association of Chartered Certified Accountants (FCCA) UK, and a member of the Association of Chartered Certified Accountants (ACCA). She holds a BSc. (Hons.) in Accounting from the University of the West Indies, Mona Campus, Jamaica and a post graduate Diploma in International Taxation from the Harvard Law School.

In addition to her held directorships on the Boards of Angostura Holdings Limited and its subsidiaries, Mrs. Andrews currently serves as a Director on the Boards of Trinidad and Tobago Insurance Limited (TATIL), TATIL Life Assurance Ltd., L.J. Williams Co. Limited, and private companies such as Ref-Planner Ltd, El Socorro Ltd and Playa Bella Ltd, to mention a few. Mrs. Andrews also makes time for greater causes as she works with the charitable organisation Women in Action for the Needy and Destitute (WAND) where she serves as a Director.

---

**Alana Beaubrun**  
**Director**



Ms. Alana Beaubrun is a senior Human Resource professional who retains a wealth of expertise and knowledge in the area of Human Resources. She is currently the Director Human Resources - Global Manufacturing at Methanex Limited. Ms. Beaubrun graduated from the University of the West Indies in 1994 where she completed a BSc. in Sociology and Management and was the recipient of a National Petroleum Marketing Company Limited Scholarship. In 2003, Ms. Beaubrun advanced her studies in HR where she completed an MA in Human Resource Management from the Thames Valley University located in Ealing, London. In 2012, she went on to complete studies in Strategic HR Planning at the University of Michigan, Ross Business School. Further strengthening her academic qualifications, Ms. Beaubrun is a Graduate Member of the Chartered Institute of Personnel & Development.

In her spare time Ms. Beaubrun enjoys volunteering at The Shelter for Battered Women and Children based in Port of Spain, Trinidad, where she also served as a member of the Board until 2019. In addition to her directorships on the Boards of Angostura Holdings Limited and its subsidiaries, she is also a member of the Group's HR & Compensation Committee. Ms. Beaubrun is also an Advisory Board Member for the Master of Human Resource Management programme offered at the Arthur Lok Jack Graduate School of Business. Her expertise in the HR field has afforded her the privilege of presenting at various conferences hosted by the Human Resource Managers Association of Trinidad and Tobago (HRMATT) and the Employers Consultative Association (ECA) Forum. Ms. Beaubrun's presentations included *Talent Development in Challenging Times*, *Peer to Peer Recognition* and *Managing Employee Absence*.

For the period 1994 – 2001, Ms. Beaubrun worked at local companies such as RBTT Bank Limited, Process Plant Services Limited @Titan Methanol and Agostini's Limited where she served in various specialised roles in the area of Human Resource Management. In 2004, Ms. Beaubrun expanded her portfolio as a Senior Human Resource Officer at Harris Interactive located in London, UK. On her return to Trinidad in 2005, she retained various managerial roles at Nestlé Trinidad & Tobago Ltd., Angostura Limited and then onto Methanex Limited where she is currently based.

---



**Renée M. Johncilla**  
**Director**



Ms. Renée Marlene Johncilla is an Attorney-at-Law who was admitted to practice law in Trinidad and Tobago in October 1996. Currently serving as the Managing Attorney at Rosa Chambers, she is an independent practitioner with over twenty-two years of post-admission practice. Ms. Johncilla is a commercial Attorney whose experience is deeply embedded in commercial litigation. Her extensive legal knowledge and expertise certifies Ms. Johncilla as a remarkable addition to the Board of Angostura and its subsidiaries since her appointment in 2018.

In the early phase of her career, Ms. Johncilla functioned as the Senior Corporate Secretarial Services Assistant at Price Waterhouse up to the beginning of 1997, after which she participated in the pilot of the judicial research assistant programme launched in 1997 by the Judiciary. Following this project, she entered into private practice, and thereafter functioned as in-house corporate counsel in various sectors including Financial, Fast Moving Consumer Goods (FMCG), Manufacturing and Energy. Upon gaining vast experience as in-house counsel throughout the region, she then returned to private practice.

As corporate counsel, Ms. Johncilla worked for a number of prestigious institutions including Trinidad and Tobago National Petroleum Marketing Company (Trinidad), British American Tobacco/West Indian Tobacco Company Limited (Trinidad), Caribbean Development Bank (Barbados), National Gas Company of Trinidad and Tobago Limited (Trinidad), and BP Trinidad and Tobago LLC (Trinidad).

She retains a Bachelor of Laws (Honours) degree from the University of the West Indies (UWI) and the Legal Education Certificate from the Hugh Wooding Law School. Ms. Johncilla also completed a post graduate diploma in Finance and Financial Law from the School of Oriental and African Studies, University of London. She also possesses a Bachelor of Arts (Honours) degree in Education from UWI, alongside the post-graduate Diploma in Education from UWI.

Ms. Johncilla practices before the Supreme Court of Trinidad and Tobago (including the Family Division), the Industrial Court in Trinidad, and the Equal Opportunity Tribunal.

Her notable background and expertise have fostered her publication of the Practical Law Chapter on Trinidad and Tobago entitled *Corporate Governance and Directors' Duties in Trinidad and Tobago: Overview: 2015, 2016 & 2017* in the *Practical Law Multijurisdictional Guide*. Practical Law is a subsidiary of Thomson Reuters, one of the leading legal publishers in the United Kingdom. In addition to the Angostura Group of Companies, Ms. Johncilla also serves on the Boards of the Trinidad and Tobago Bureau of Standards, Capital Markets Elite Group Limited, Marikell Services Limited and The Serenon Group Limited (the latter two being family owned businesses).

**Ingrid L-A Lashley**  
**Director**



Ms. Ingrid L-A Lashley was appointed as a Director on the Board of Angostura Holdings Limited and its subsidiaries in 2016 where she continues to provide leadership in the areas of Risk and Compliance in the capacity of Chairman of the Company's Audit Committee.

An experienced banker and former Managing Director and Chief Executive Officer of The Trinidad and Tobago Mortgage Finance Company Limited, Ms Lashley holds a Master's in Business Administration (MBA) in Accounting and Finance from McGill University in Montreal, Canada. She also retains the designations of Certified Management Accountant (CMA), Certified Public Accountant (CPA) and Chartered Accountant (CA).

Ms. Lashley serves on the boards of private, publicly listed and state-owned companies. In addition to her business directives, she also finds time to serve on charitable and professional boards.

All Directors are independent Directors with a variety of skills and experience which assist the Company in improving its governance framework. The Skills Matrix in relation to the Directors is as follows:

	Terrence Bharath	Michal Andrews	Alana Beaubrun	Renee Johncilla	Ingrid Lashley
Years on Board	3.5	1.5	0.5	1.5	3.5
Independent Business Owner / Consultant	x	x		x	x
C-Level	x	x	x	x	x
Industry Experience	x		x		
Finance / Accounting		x			x
Technology/IT/Cyber					
Risk Management	x			x	x
Internal Audit					x
Marketing or PR	x				
Operations		x		x	x
Legal	x			x	
Corporate Governance	x	x		x	x
Compensation/HR / IR			x	x	
Ethics & Compliance	x	x		x	x
Regional Business	x	x		x	
International Business	x	x	x	x	x
Merger & Acquisitions					x
Regulatory	x	x		x	x
Change Management			x	x	x

## APPOINTMENT OF DIRECTOR

In accordance with Paragraph 4.4 of By-law No. 1 of the Company, at the next Annual Meeting, Director Ms. Alana Beaubrun, who was appointed by the Directors on November 25, 2019, will offer herself for election by the shareholders.

### Frequency of Re-election

All Directors retire after serving no more than three (3) years and thereafter offer themselves for re-election at the next Annual Meeting.

The Board discharges its responsibility for effective Corporate Governance by ensuring that a robust framework for same exists. The Board is comprised of five (5) Directors, all of whom are non-executive and independent in the discharge of their responsibilities to the Company. This robust framework is supported by the frequent Board and Committee meetings held with the Executive Management team of the Company.

The Board of Angostura Holdings Limited (AHL) has delegated certain of its functions to committees which include Audit, HR & Compensation and SMOP (Sales, Marketing & Operations). Each of these Committees has adopted independent Terms of References and Committee Charters which ensure that at all Directors acting on behalf of the Company are aware of their duties and responsibilities. All Committees refer their recommendations to the Board in order to obtain final approval.

The roles of these Committees are as follows:

## THE AUDIT COMMITTEE:

The Audit Committee is appointed by the Board of Directors (or supervisory board) to assist the Board in discharging its oversight responsibilities. The Audit Committee will oversee the financial reporting process to ensure the balance, transparency and integrity of published financial information. The Audit Committee will also review: the effectiveness of the Company's internal financial control and risk management system; the effectiveness of the internal audit function; the independent audit process including recommending the appointment and assessing the performance of the external auditor; the Company's process for monitoring compliance with laws and regulations affecting financial reporting and, if applicable, its code of business conduct. The Internal Auditor reports to the Audit Committee.

### Committee members are:

Ms. Ingrid Lashley (Chairman)  
Mrs. Michal Andrews  
Ms. Renée Johncilla

## Policy you should know

All directors retire after serving no more than three years and offer themselves for re-election at the next meeting immediately after.

### Committees that exist:

- Audit Committee
- HR & Compensation Committee
- Sales, Marketing and Operations Committee



**Policy you should know**

On average, the Board meets once per month, but holds additional meetings as necessary.

Generally, the Audit and Sales, Marketing and Operations Committees also meet once per month. The Human Resources and Compensation Committee meets as required, on average about six (6) times per year.

**THE HR & COMPENSATION COMMITTEE:**

The purpose of the Human Resources & Compensation Committee of the Board of Directors is to assist the Board in discharging its responsibilities relating to monitoring Board Performance, Executive Staffing and Executive & Staff Compensation. The Committee will also recommend director compensation, nomination of new directors and committee appointments and approve executive staff compensation.

In performing its duties, the Committee will maintain effective working relationships with the Board of Directors and Management.

**Committee members are:**

Ms. Alana Beaubrun (Chairman)  
Ms. Renée Johncilla

**THE SALES, MARKETING & OPERATIONS COMMITTEE:**

The purpose of the Sales, Marketing and Operations Committee of the Board of Directors is premised on the following: to provide guidance on the sales, marketing and operations plans of Angostura Holdings Limited and its subsidiaries, locally, regionally, and internationally and, in furtherance thereof, to recommend the sales, marketing and operations budgets to the Board and evaluate the sales, marketing and operations budgets against actual performance on a monthly basis.

**Committee members are:**

Mr. Terrence Bharath (Chairman)  
Mrs. Michal Andrews

**FREQUENCY OF MEETINGS AND ATTENDANCE AT BOARD AND SUB-COMMITTEE MEETINGS**

On average, the Board meets once per month, but holds additional meetings as necessary. Generally, the Audit and Sales, Marketing and Operations Committees also meet once per month. The Human Resources and Compensation Committee meets as required, on average about six (6) times per year.

However, in 2019 there were no HR & Compensation Committee Meetings during the period June to December 2019 and all related matters were addressed by the Board.

The record of attendance of Directors at Board and Sub-Committee Meetings for 2019 is as follows:

ANGOSTURA HOLDINGS LIMITED 2019 BOARD MEETINGS

NAME OF DIRECTOR	BOARDS / COMMITTEES			
	ANGOSTURA HOLDINGS LTD	AUDIT COMMITTEE	HR & COMPENSATION COMMITTEE	SALES, MARKETING & OPERATIONS COMMITTEE
NO. MEETINGS HELD IN 2019	13	9	4	8
TERRENCE BHARATH	13	N/A	N/A	8
MICHAL ANDREWS	11	8	N/A	6
ALANA BEAUBRUN	1*	N/A	N/A	N/A
RENEE JOHNCILLA	13	1*	4	N/A
INGRID LASHLEY	12	8	N/A	N/A
ULRIC MILLER	9*	7*	4	5*

N/A - Non member

\* In September 2019, Mr. Ulric Miller resigned as a Director of the Board, in this regard the post was vacant for three (3) board meetings

\* In November 2019, in accordance with the Company's by-law 4.4.2, Ms. Alana Beaubrun was appointed to the Board

\* In October 2019, Ms. Renee Johncilla was appointed to the Audit Committee

## Policy you should know

All employees and Directors of the Group attest to reading and adhering to the Code of Business Conduct and Ethics and agree to abide by its contents during the orientation process.

## COMPANY'S ETHICAL FRAMEWORK

The Company has in effect a Code of Business Conduct and Ethics to which its employees as well as the Board of Directors subscribe.

The Code outlines the extent to which the private interests of Directors could be accommodated within the Company's operations to ensure the highest level of transparency. All employees and Directors of the Group attest to reading and adhering to the Code of Business Conduct and Ethics and agree to abide by its contents during the orientation process.

## INTERESTS OF DIRECTORS, SENIOR OFFICERS AND CONNECTED PERSONS AS AT DECEMBER 31, 2019

### Directors' Shareholdings

Mr. Terrence Bharath	Chairman	Nil
Mrs. Michal Andrews	Director	Nil
Ms. Alana Beaubrun	Director	Nil
Ms. Renée Johncilla	Director	Nil
Ms. Ingrid Lashley	Director	Nil

### Executives' Shareholdings

Mr. Peter Sandström	Chief Executive Officer	Nil
Mrs. Kathryn Baptiste Assee	Group General Counsel/Corporate Secretary	Nil
Mr. Ian Forbes	Chief Operating Officer	Nil
Ms. Ginelle Lambie	Chief Financial Officer	Nil
Mr. Rahim Mohammed	Executive Manager - Corporate Services	Nil
Mr. Alejandro Santiago	Executive Manager - Regional Sales	Nil

Mrs. Jennifer Frederick resigned as the Company's Corporate Secretary with effect from April 01, 2019. Mrs. Kathryna Baptiste Assee was appointed as Corporate Secretary with effect from April 01, 2019.

#### Top 10 Shareholders as at December 31, 2019

	Shareholdings	%
Rumpro Company Limited (formerly Bacardi)	92,551,212	44.87%
National Investment Fund Holding Company Limited	61,677,011	29.90%
National Insurance Board	9,665,190	4.69%
Colonial Life Insurance Company (Trinidad) Ltd.	5,294,866	2.57%
MASA Investments Ltd.	1,993,961	0.97%
Tatil Life Assurance Co. Ltd.	1,866,716	0.90%
Tatil Life Assurance Limited A/C C	1,800,000	0.87%
Republic Bank Ltd. - 1162	1,542,922	0.75%
First Citizens Trust and Asset Management-PT7	1,518,497	0.74%
RBC Trust (Trinidad and Tobago) Ltd. - T534	1,476,360	0.72%

#### Policy you should know

During the financial year ending December 31, 2019 no Director or officer had been a party to a material contract with the Company.

#### DISCLOSURE OF INTERESTS OF DIRECTORS AND OFFICERS IN ANY MATERIAL CONTRACTS WITH THE COMPANY (PURSUANT TO SECTION 93 (1) (A) OF THE COMPANIES ACT CHAPTER 81:01)

During the financial year ending December 31, 2019 no Director or officer had been a party to a material contract or proposed material contract with the Company.

#### DISCLOSURE OF DIRECTORS AND OFFICERS WHO ARE DIRECTORS OR OFFICERS OF COMPANIES THAT ARE A PARTY TO MATERIAL CONTRACTS WITH THE COMPANY (PURSUANT TO SECTION 93(1)(B) OF THE COMPANIES ACT CH. 81:01)

Ms. Ingrid Lashley, Director, is a Director on the Board of Directors of the Telecommunications Services of Trinidad and Tobago Limited (TSTT). TSTT is a party to a material contract with the Company.

## FINANCIAL RESULTS FOR THE YEAR

The Directors present this Summary Statement of Account for the year ended December 31, 2019.

	2019		2018	
	Per Share \$	\$Million	Per Share \$	\$Millions
Profit attributable to Shareholders	0.69	141.8	0.63	129.9
Other Reserve Movements	(0.04)	(8.2)	0.01	1.7
Dividends on Ordinary Stock	0.26	53.5	0.24	49.4
Interim Dividend	0.09	18.5	0.09	18.5
Final Dividend	0.17	35.0	0.15	30.9
Retained profits from previous year	4.06	835.8	3.7	762.6
Retained profits at end of the year	4.47	919.9	4.06	835.8

# 26¢

### Dividends

The Directors have recommended a total dividend in respect of 2019 of \$0.26 per share.

## DIVIDENDS

The Directors have recommended a final dividend in respect of the year ended December 31, 2019 of \$0.17 per share. Together with the interim dividend of \$0.09 per share previously paid on August 30, 2019, the total dividend in respect of fiscal 2019 will be \$0.26 per share.

## AUDITORS

The auditors of the Company for the financial year ending December 31, 2020 will be appointed at the Annual Meeting.

By Order of the Board



Kathryna Baptiste Assee  
Corporate Secretary  
April 25, 2020





## EXECUTIVE TEAM



Peter Sandström  
Chief Executive Officer



Mrs. Kathryn Baptiste Assee  
Group General Counsel/Corporate Secretary



Ian Forbes  
Chief Operating Officer



Ginelle Lambie  
Chief Financial Officer



Rahim Mohammed  
Executive Manager – Corporate Services



Alejandro Santiago  
Executive Manager – Regional Sales



# MANAGEMENT



Ricardo Bideshi,  
Retail Operations



Brian Tom  
Yew, Export  
and Business  
Development



Rita Purdeen-  
Nandalal, Internal  
Audit



Sheldon Roach,  
Sales



Stephen Lai Yim,  
ICT



Amar Seechan,  
Finance



Calvin John,  
Chief Engineer



Lawn Davis;  
Marketing;



Ilyas Mohammed,  
Logistics



David Pantin,  
Sales



Rachael  
Sudan, Human  
Resources



Sharon  
Ramsaran,  
Plant Bottling  
Operations



Stacy-Ann  
Sarwan, Supply  
Chain



Nikecia Moore-  
Burrowes,  
Projects –  
Finance



Lystra Mahabir-  
Rampersad, Risk  
& Compliance



Kavita  
Debideen,  
Marketing



Ann-Marie  
O'Brien,  
Blending



Carol Homer,  
Quality  
Management &  
Blending



Leesha Alexander,  
Commercial



Anthony Teixeira,  
Marketing



Ayanna-Rene  
De Noon,  
Maintenance  
Planning Engineer



Wendell  
Collymore,  
Senior Electrical  
Engineer



Wendell Kipps,  
Plant Distillery  
Operations



Aruna  
Narinesingh,  
Quality Control



Marc Paul,  
Process  
Operations



Mark Mohammed,  
Senior Mechanical  
Engineer



Melissa Clarke,  
Legal



Joy Ali,  
Corporate  
Services



Shazara Khan,  
Accountant



Melinda De  
Freitas-Peters,  
Credit Controller



Anessia Warner,  
Inventory &  
Warehouse



Vitra Deonarine,  
Marketing



Shivanie  
Harripersad,  
Marketing



Rance Williams,  
Inventory & Risk



Keegan  
Ramgolam,  
Materials



Candice Diaz,  
Industrial  
Relations



Nicolas  
Seepersad,  
HSSE



William Jordan,  
Quality







Celebrating our history and traditions, while gearing up for the future: Angostura's 195th anniversary Gala dinner and charity auction

## 847.2<sup>M</sup>

### Group Revenue

The Group's revenue increased by 8.1% to \$847.2 million from \$783.7 million in the prior year

## CEO'S REPORT

2019 has been a year of transformation within Angostura Holdings Limited as we begin a new chapter in our 195-year history. The Group's revenue increased by 8.1% to \$847.2 million from \$783.7 million in the prior year. This was the second consecutive year of top line growth following a period of revenue contraction from 2015 to 2017. Revenue increased in the local and export markets, particularly in the USA market for the bitters brand. Significant growth was also recorded in the UK, Canada and Europe markets.

Angostura was able to achieve growth in its export markets of 14.8% despite a slowdown in the global economy.

On the local front, revenue grew by 5.1% within a very challenging economic environment. Notwithstanding, the team drove innovation and focused investment into growth areas. This has laid the foundation for a growth strategy that is focused on delivering our vision -

**"Proudly growing for the betterment of the environment  
and the people of Trinidad & Tobago."**

The year saw us embark on one of the biggest restoration projects in Angostura's history with the upgrade of our waste water treatment plant, a project which has continued into 2020. This commitment to our sustainability objectives not only supports a more efficient production unit, but it also enables us to give back to the environment, which we will continue to maintain. This dedication and commitment to the distillery will secure and enlarge our alcohol capacity for years to come and give rise to our mission -

**10%**

## Growth in LLB sales

Angostura® Lemon Lime and Bitters revenue in Trinidad and the wider Caribbean grew by 10%

**“A world-renowned rum company with sought after brands rooted in authenticity and craftsmanship, while accelerating the ingenuity and mystique of delivering exceptional aromatic spirits and other beverages.”**

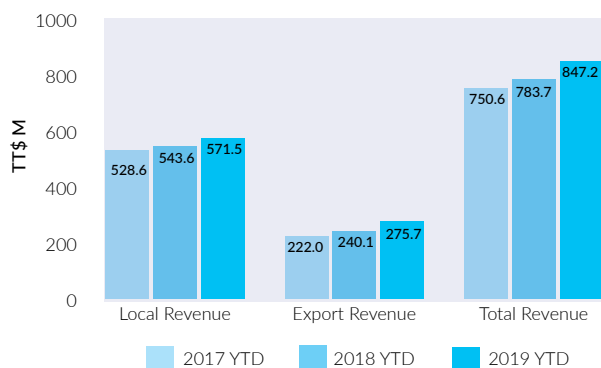
Angostura Holdings is world-renowned for its Bitters capability and flavour delivery, but now it is time for us to capitalise on our rum capabilities and drive innovation. The start of this can clearly be seen with the introduction of our limited-edition flavour range where, in 2019, we successfully launched White Oak Sorrel. The reception to White Oak Sorrel was exceptional and this product reinvigorated the mature White Oak brand. The year also saw us build towards the 10th anniversary of the Angostura® Global Cocktail Challenge, attracting and fueling interest in our brands and even today, after 20 years, it remains one of the toughest cocktail competitions in the world. Export revenue growth was mainly due to the continued strong performance of the Bitters segment which increased by 11.3% in 2019. The fastest growing Bitters market, the USA, reported several gains as distribution growth in top retailers in the North American market resulted in increased demand throughout the year. The UK, Canada and Europe also reported significant growth, each exceeding 15% over prior year.

This commitment to building and driving cocktail skills has supported our development in rum. Export rum reported modest growth of 3%, driven mainly by duty free sales which increased by 12%, and sales in the USA, up 67%. Rum volumes in our international markets are relatively modest and these markets require further consistent investment and innovation in order to excel.

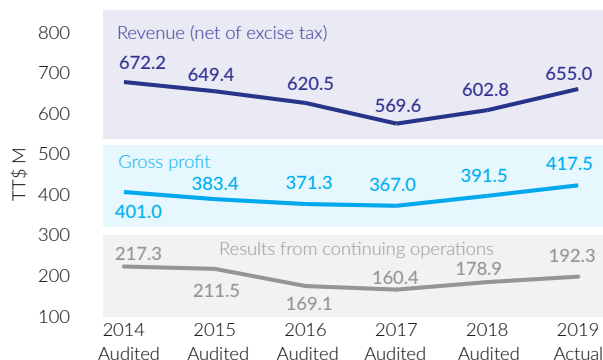
Angostura® Lemon Lime and Bitters revenue in Trinidad and the wider Caribbean grew by 10% as the brand exposure gained from sponsorship of the 2019 CPL Tournament quickly materialised. However, this was offset by lost sales in Australia due to the termination of the appointed distributor on account of legal issues, resulting in an overall decline in this segment of 2% in 2019.

Total locally generated revenue was 67.5% of total revenue (2018: 69.4%), with export revenue representing 32.5% (2018: 30.6%), as indicated in the chart below inclusive of a two-year historic comparative. The Bitters segment was the main driver of export revenue growth in 2019.

### LOCAL VS. EXPORT REVENUE



### REVENUE, GROSS PROFIT & RESULTS FROM CONTINUING OPERATIONS



# 135.8<sup>M</sup>

## Total comprehensive income

Total comprehensive income for the period was \$135.8 million compared to \$131.7 million in the prior year

## Estimated Credit Loss

Estimated Credit Loss ("ECL") in 2019 was \$4.3m, an increase of \$1.8m. The main contributor was the Angostura Limited foreign portfolio which revealed a higher incidence of current balances becoming past due in the following month, than was estimated by management when IFRS 9 was first adopted in 2018. The Group's local portfolio maintained close alignment to the Group's estimated credit loss rates based on the model developed by management in 2018. The ECL model review to be completed in 2020 will include an evaluation of more recent changes in aging patterns to ensure an accurate forward-looking estimate is considered. Given recent developments surrounding the COVID-19 pandemic, the impact on ECL rates will also be evaluated.

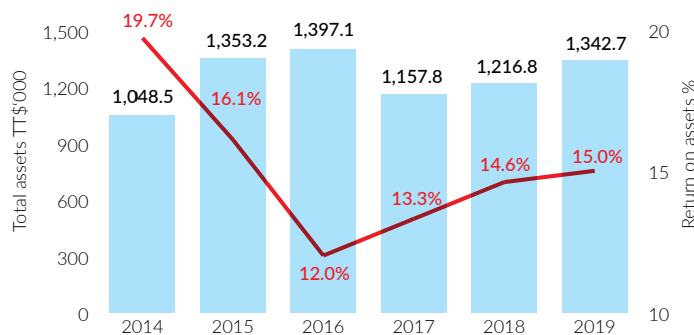
## Profitability

Profitability ratios were slightly lower than prior year, mainly due to the increased cost of production and operating expenses associated with repairs to the waste water treatment plant. Gross profit margin of 49.3% was slightly lower than prior year margin of 50% and Operating Profit margin 22.7% in 2019 compared to 22.8% in the prior period.

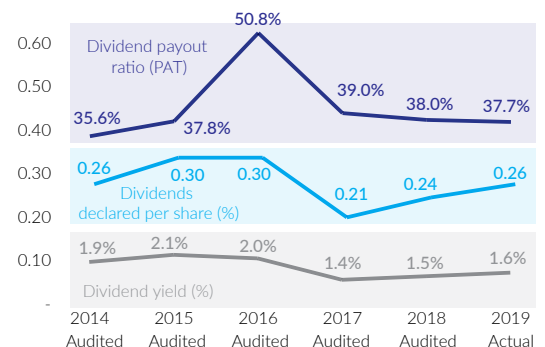
Results from operating activities grew by 5.9%, or \$10.2 million, in fiscal 2019. Additionally, the increase in finance income of \$3.4 million or 66.3% positively contributed to the increase in results from continuing operations of \$13.4 million or 7.5% over the prior period ending December 31, 2018.

The Group is proud to report an increase of 13.6% in Profit Before Tax for the period ending December 31, 2019 over the comparative period last year. Total comprehensive income for the period was \$135.8 million compared to \$131.7 million in the prior year.

## TOTAL ASSETS & RETURN ON ASSETS



## DIVIDENDS, DIVIDEND YIELD & DIVIDEND PAYOUT RATIO



### YEAR-END CLOSING SHARE PRICE



Removal of the Roof on the Anaerobic Digester in preparation for emptying



Infinity Rum auctioned at the Angostura Gala 2019

### Balance Sheet

Total assets increased by \$126.8 million to \$1.34 billion at December 31, 2019 mainly due to an increase in Investments from \$294.3 million to \$385.5 million. The Group holds no long-term debt, and total current liabilities increased by \$38.8 million. Return on assets increased from 14.6% at December 31, 2018 to 15% at December 31, 2019.

Peter Sandström  
CEO

### OPERATIONS REVIEW

The Operations Division was engaged in several strategic projects for the year 2019. Many of the projects were directed either towards celebrating a new milestone for the company or pressing ahead with its five-year strategic vision.

A key strategic project which started in 2018 moved from the project planning phase to the project execution phase. The Waste Water Treatment Plant (WWTP) re-engineering project was started with the building of a new platform to house new waste processing equipment to be added as part of the re-engineering project along with the unprecedented emptying of the anaerobic digester which was started in the last three months of the year. The emptying of the digester for inspection, modification and repair is a critical step in the reengineering project which continues into 2020.

Another strategic change in operation took place in production and engineering. The operations staff (on one rum production line and in blending and warehousing) and engineering staff (distillery and bottling) within Trinidad Distillers Limited were moved to a two-shift system in September 2019 on a permanent basis. This was done in order to address plant output challenges and engineering efficiency as management seeks to establish a firm platform for future growth and expansion of the business. This change was critical towards meeting end of year orders for Bitters and rum (local and export) which contributed towards the revenues achieved in 2019.





White Oak Sorrel was launched successfully in 2019



Relaunch in Romania

Additionally, the launch of a new variant of White Oak (Sorrel Flavoured rum) was successfully blended and produced commercially in late October 2019 and added towards a strong revenue uptake in November and December 2019.

In terms of projects supporting the Quality Management System in 2019, the company successfully retained its Laboratory Accreditation to ISO 17025 in July 2019. This was a difficult task but was achieved through the effort of the laboratory team as they went above and beyond their normal duties to ensure successful achievement of the accreditation to the new standard. The operations team were also similarly successful in updating the Food Safety accreditation FSSC 22000 by receiving approval to move to the new version 4.1 of the standard.

The Angostura Gala celebrated the company's 195th year of existence and paid tribute to the life and legacy of its founder Dr. J.G.B. Siegert and his family. In this regard, the Operations Division contributed to this milestone by creating a Limited Edition Rum "Infinity" which was auctioned at the Gala for TT\$110,000.00.

The proceeds from the auction of this exclusive rum, along with a rare single malt Scotch Whisky donated by one of our business associates Distell U.K. Limited, were donated to a charitable cause in the name of the Princess Elizabeth Home for physically handicapped children. The funds are to go towards the refurbishment of the playground at the home.

The Operations Division is the engine of growth that will power Angostura Holdings Limited to continued levels of success and accomplishment in the Bitters and Rum industry and the team is delighted to be of service to the organisation and reaffirm their commitment to achieving the future ambitions of the organisation.

## NEW MARKETS AND DEVELOPMENTS

In 2019, the House of Angostura® continued to welcome new distribution and commercial partners at almost each corner of the globe. Its strategy for growth and alignment across channels ensures that Angostura vigorously penetrates multiple markets.

In Romania, the portfolio was relaunched to much excitement in conjunction with the BRIFT Cocktail Festival in October. During August and September, Angostura brands were also launched in emerging rum markets in Asia such as Taiwan, Vietnam and Thailand.



5th biennial Angostura® Global Distributors Forum at South Beach Miami



Marv Cunningham from The Bahamas, winner of the Angostura Global Cocktail Challenge 2020

Notable mention must be made to Taiwan that held its first ever Angostura® Global Cocktail Challenge heat with national media coverage. This is a definite strategic move for a company that is committed to building not only its rum brands but also further strengthening Angostura® Bitters as number one on an international playing field.

Angostura's reach was also extended to Europe, Asia and Africa, which saw portfolio launches in Ghana, Kenya, Tanzania and Zanzibar. Africa has also been tagged as an emerging market for consumer goods. As such, Angostura must be a leader in the beverage industry and continue to make innovative moves in ensuring its expansion to not only these but other new markets. The House of Angostura® remains dedicated to its new and longstanding commercial partners and seeks to increase its reach in the coming years.

## MARKETING HIGHLIGHTS

### ANGOSTURA® GLOBAL DISTRIBUTORS FORUM 2019.

In 2019, Angostura hosted the 5th biennial Angostura® Global Distributors Forum at South Beach Miami from 23rd to 26th June. In attendance were twenty-nine distributor markets and a total of sixty -five persons. Markets from as far as Lithuania and Australia were represented. This Forum allowed for the Marketing and International Sales teams to develop valuable relationships with distributors while sharing Angostura's global strategy and direction. The theme of this year's forum "New Ways of Working" allowed for discussions on innovation and opportunities to maintain competitiveness and productivity in the disruptive landscape of the beverage industry.

### ANGOSTURA® GLOBAL COCKTAIL CHALLENGE

In 2019, the House of Angostura searched for the most talented, diverse and creative bartenders from across the globe to compete for the world title of Angostura Global Cocktail Challenge 2020. This year saw 318 entrants competing from 55 countries. Thousands of spectators participate in the various qualifying competitions. It is widely viewed by the public on social media in various countries. This gives Trinidad & Tobago and in







It's all about the cocktail at the Angostura Global Cocktail Challenge 2020

particular Angostura wide-ranging recognition of the products which originate in this country.

With nine regional heats at the end of 2019, the finalists were revealed as: Shana Rajahram (Trinidad & Tobago), Marv Cunningham (The Bahamas), Chad Lawrence (Canada), Gustavo Costa (Brazil), Mike Jordhoy (France), Rohan Massie (Australia), Simon Dacey (United Kingdom), Vasile Dorofeev (Dubai) and Agung Satria (Vietnam). The winning bartender stood to receive the coveted title of "Angostura® Global Cocktail Challenge (AGCC) Champion," a cash prize of US\$10,000 and a two-year contract as the Angostura® Global Brand Ambassador for ANGOSTURA® aromatic bitters, ANGOSTURA® orange bitters, Angostura® Rums and Amaro di ANGOSTURA®, as well as the opportunity to revisit Angostura's home in Trinidad & Tobago to serve as a Judge in the next AGCC Global finals.

The global finals consisted of each bartender mixing two drinks in seven minutes while entertaining judges with their knowledge about cocktails, the category and Angostura®. They were also required to complete a rigorous interview.





Angostura at the Bar Convent Berlin

### BAR CONVENT BERLIN

In October 2019, the House of Angostura® sought to make a strong statement at Bar Convent Berlin about our extensive global reach. This year's Trade Show saw 446 exhibitors from 48 countries presenting some 1,200 brands, including spirits, sparkling wines, beers and fillers. The list of the top product groups was headed by gin once again this year, following from 2018, followed by liqueur, rum, vodka, tequila/mezcal, bitters and aperitifs.

Our representative team, which included 20 top bartenders from 15 countries, was able to showcase our iconic bitters, award-winning rums and Amaro di Angostura to bartenders, bar owners and distributors. Over the three-day event, Angostura's bartenders used its entire portfolio of brands, to create classic cocktails, and twists on a few classics, enticing thousands of visitors to its booth. Angostura's bartenders hailed from New Zealand, Australia, Singapore, Malaysia, Spain, Holland, France, Ukraine, Russia, Greece, Lithuania, Estonia and, of course, Trinidad and Tobago.



Press ad for the White Oak Sorrel launch

## RUM DAY

On August 16th, the nationwide phenomenon known as Rum Day was held across select bars in both Trinidad and Tobago. This was inclusive of drink specials on White Oak and Forres Park Puncheon. Adding to the excitement, were flash sales on standard rums at various supermarkets and wholesalers across the country. The trailer run was a main feature of Rum Day, where it started from Arima and moved along the East-West corridor with a stop at 63 Lounge on Ariapita Avenue, Woodbrook. Performers such as Nailah Blackman, Sekon Star, Ravi B and Rheon Elbourne, among others, provided live entertainment. Not to be left out, the Forres Park Pavement Lime brought the day's events to a close with a massive crowd in attendance.

## WHITE OAK SORREL LAUNCH

In November 2019, White Oak entered into the flavours market with the introduction of White Oak Sorrel. This product was tagged as a limited edition and launched in time for the Christmas season in Trinidad and Tobago.. The substantial demand for White Oak Sorrel was supported by a full marketing campaign "We Got Flavour." This flavour extension is a notable instance of the House of Angostura's consistent effort to innovation and meeting the market demands.

## ANGOSTURA® LEMON LIME AND BITTERS CARIBBEAN PREMIER LEAGUE SPONSORSHIP

In July 2019, the House of Angostura became a major sponsor with the Caribbean Premier League (CPL). This sponsorship saw lively activations across the region in host nations such as Jamaica, Barbados, St. Kitts and Nevis, St. Lucia, Guyana and Trinidad. Additionally, there were opportunities for umpire branding, live match graphics, and drinks cart branding. Sponsoring the CPL provided an opportunity for an increase in sales uptake, not only in host nations, but also in neighbouring territories such as Antigua and Dominica, as it captured the viewership of over one million people across various platforms.



Angostura® Lemon Lime & Bitters saw a boost after sponsoring the Caribbean Premier League (cricket)





ARROW foundation presentation at Malick Secondary school

## CORPORATE SOCIAL RESPONSIBILITY

Angostura continued its support for various educational programmes in the Laventille/Morvant community, lending assistance to the ARROW Foundation's literacy programme in the Malick Secondary School and the Loveuntil Foundation's Project Difference Makers programme in the Russell Latapy High School. It also introduced new initiatives, including a "Theatre in Education" project executed in several primary and secondary schools, which sought to address critical social issues that students face every day, using role playing to engage with and help the students create solutions on their own. The first in a series of teachers' workshops was hosted by the company, and these focused on identifying and coping with children who may have special needs and require additional support in the classroom.

The annual SEA Top Achievers awards recognises students from primary schools in the community who topped the SEA examinations, offering them aid in the form of book vouchers to get them started on their path to secondary school. The Company also collaborated with the Angostura Employees' Credit Union with its Project 100 'back to school' drive, donating school bags and stationery to several NGOs in the community. Financial assistance was also provided to Families In Action, with their Girls Stand Up project executed in the St. James Secondary and Morvant/Laventille Secondary schools. In an effort to assist a number of primary schools in the community improve their



Project 100 school bag and stationery distribution



Chinapoo JAVA camp



Bahamas hurricane relief donation

physical 'space', Angostura donated library shelves, fans, white boards for classrooms, safety equipment and chairs for computer labs.

In the area of arts and culture, Angostura reinforced its commitment to the steel band fraternity by providing several unsponsored steel bands with cash and other 'in-kind' support for their Panorama preparations. The Company also partnered with the Laventille Steelband Foundation and its Steelband Festival in August. Financial assistance was also given to the Love Movement and the Lydian Singers to support their annual concerts; PICOPLAT's annual T&T Opera Festival and an annual charity concert hosted by the Embassy of Spain, which raised funds in 2019 for the Coalition Against Domestic Violence. The much-anticipated coffee table book "Minshall by Norton" (a book on Peter Minshall's many great achievements in Carnival) received financial support from the Company for its publication.

Over the years Angostura has sponsored and supported many sporting events, and in 2019 it collaborated with the CPL T20 cricket tournament to provide financial aid to the Bahamas, which was devastated by a category 5 hurricane in September. The Company also sponsored the first TTPS North Eastern Division Community Football League held in Morvant and the RBC's Race for Kids annual run/walk, which raises funds for the Caribbean Children's Cancer Fund. The Tobago Hospitality & Tourism Institute (THTI) also received financial and in-kind assistance for its annual Taste of Tobago Golf Classic, which seeks to increase the THTI's capacity to develop human capital for the hospitality and tourism sector in Tobago. The Chinapoo Government Primary school's JAVA (July/August Vacation) sports camp received jerseys and other 'in-kind' support for children who attended the camp.





Buccoo Reef Trust Eco camp



LoveUntil presentation at Russell Latapy High School

In the area of environmental awareness, Angostura gave financial assistance to the local chapter which executes the International Coastal Cleanup, a global clean up exercise that takes place in September each year. The Company also sponsored two secondary school students to attend the Buccoo Reef Trust's annual vacation camp in Tobago, which helps, among other things, to promote an understanding of and appreciation for coastal ecosystems and their processes.

Some of Angostura's other philanthropic efforts during the year included sponsorship of a Youth Entrepreneur Workshop, hosted jointly by the YMCA and the Society for Youth Empowerment, financial assistance to the Trinidad Eye Hospital; which provides free eye surgeries for those who are unable to afford them, the Moms For Literacy ongoing reading programme and the Carenage Improvement and Empowerment League's "Students of the Year" awards.

### Building our people and our communities

The final and most appealing element of Angostura Holdings is the passion and commitment of our people. We are a business built by our people and our customers and we constantly strive to build strong and profitable partnerships with our customers. With this comes a duty of care to our communities and we are exceptionally proud and committed to doing this every day. In 2019 we linked our social care programme while harnessing our innovation capabilities, by developing a super-premium rum from our stock of rare rum to create Infinity Rum. Angostura prides itself on our social commitments and the effort our people make to improve lives. This will in turn build increased shareholder value driven by our sense of pride in our brands, vision and mission.



A smile from a staff member on International Happiness Day



Sports day sees the Angostura family get together in fun and games

## HR ENGAGEMENT

Employee Engagement has evolved beyond the average staff social events, as employees now seek to be connected to the organisation through other mediums. An engaged workforce, therefore, is strategically linked to the Company's outputs and profits.

In 2019, the Angostura Group sought to benchmark its Employee Engagement through an employee engagement survey which was conducted by Dr. Kwame Robinson and his team at Quality Consultants Limited. The results of which indicated that the Group had an overall employee engagement percentage of 65% which is far above the national benchmark of 55%.

Additionally, the Group sought to use the data received to improve its current efforts and to continue pursuing activities which develop commitment and foster a results driven workforce. Some of the activities and programmes which were executed are highlighted below:

### International Day of Happiness

Celebrated and recognised on March 20th every year, International Happiness Day, is centered on the United Nations resolution of recognising happiness as a "fundamental human goal". Angostura celebrated this day by providing the employees with a complimentary breakfast of doubles and LLB.

### Sports & Family Day

Teamwork is not only about achieving the end goal, but also about sharing both the victories and the losses with each other while getting there and the Angostura 'family' turned up in their numbers on May 18th to do just that. The theme of DISCO and celebrating different genres of music saw the Angostura family being divided into six (6) teams (Reggae Rockers, Kaiso Krewsers, Hip Hop Hippies, Rompin Ravers and Psychedelics) who participated in several fun-filled activities throughout the day. In the end, the team which emerged victorious was the Hip Hop Hippies who will maintain bragging rights until the next sports day in 2021.

### Administrative Professionals Day

In recognition to their unwavering support and contribution to the Executives, Managers and departments in which they support, the Company treated all its Administrative and Executive Assistants to a one-day retreat entitled "Refresh and Refocus You 3...Journey to the transformed you!" This workshop allowed for the group of ladies to come together as a team and partake in activities that focused on relaxation, reflection and retooling.





Thank you to our retirees. Left-right: Gary Delzin, John Rojas, Carol Homer-Caesar, Leon Gordon, Andrew Brown, John Georges

### International Coastal Clean-Up 2019

This annual event which was held on September 21st worldwide saw employees volunteer their time to assist with the clean-up of Invaders Bay. This event has become a staple to the list of events that allows for employees to give back to the community in which they live.

### Health & Wellness Fair

On August 22nd staff had the opportunity to engage with a variety of providers who conducted vision screening; gave tips on proper dental care and advice on estate planning, as well as will preparation. Various health issues were discussed, and presentations focused on work/life balance were showcased. Employees were also treated to body and foot massages, lovely fruit smoothies and demos to help improve blood circulation. The day ended with a lively Zumba burnout where one lucky employee won a voucher for Sports & Games.



Health & Wellness Fair



Long Service Awardees with over 10 Years of employment at Angostura.

Front row left-right: Joanne Thomas, Kerron Mitchell, William Jordan, Narissa Joseph, Kyron John, John Garcia

Back row left-right: Hamant Moonoo, Nicholas Baptiste, Richard Joseph, Ilyas Mohammed, Kavir Mohammed, Stephen Peters, Darlene Mohammed-George, St. Anthony Gordon, Shane Bailey, Nigel Farfan, Michael Beharry

### Staff Launch of White Oak Sorrel

Keeping employees engaged is also about maintaining brand awareness by affording them the opportunity to experience newly created products first. This was done for the launch of White Oak Sorrel which was launched during the festive Christmas season. Staff got a firsthand taste of this new flavour and had the opportunity to participate in White Oak games to win branded items.

### Pop-Up Christmas Market

Affording employees the convenience of Christmas shopping right here on the compound was the aim of this initiative. The Company teamed up with small business entrepreneurs which included employees who have their own entrepreneurial ventures. This initiative was very well attended and appreciated by all, as it showcased some lovely locally hand-made goodies that made for unique Christmas presents.

### Christmas Hamper Distribution

In recognition of 195 years, the Board of Directors approved Christmas Hampers for all permanent employees which included either a ham or turkey and a bottle of White Oak Sorrel. This gesture was very much appreciated by all and again shows the Company's commitment to rewarding the employees who give of their time and efforts in making Angostura a success.

All other mainstay events were executed as per usual such as the Long Service Awards, Retirees Christmas Function and Staff Christmas Party. Angostura continues to evolve and as such its engagement will also evolve to meet the needs of its employees as the Group aims to create an environment that is rewarding, fulfilling and encourages a sense of purpose for all.





**Management is responsible for the following:**

- Preparing and fairly presenting the accompanying consolidated financial statements of Angostura Holdings Limited ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2019, the consolidated 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;
- Ensuring that the Group keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Group's assets, detection/prevention of fraud, and the achievement of the Group's operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these audited consolidated financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the Group will not remain a going concern for the next twelve months from the reporting date, or up to the date the accompanying consolidated financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.



Peter Sandstrom, CEO

Date: 23 April, 2020



Ginelle Lambie, CFO

Date: 23 April, 2020

# INDEPENDENT AUDITORS' REPORT

## TO THE SHAREHOLDERS OF ANGOSTURA HOLDINGS LIMITED

41

### Opinion

We have audited the consolidated financial statements of Angostura Holdings Limited and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2019, the consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### 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 Consolidated Financial Statements section of our report. We are independent of the Group 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 consolidated financial statements in the Republic of Trinidad and Tobago, and we have fulfilled our other ethical responsibilities in accordance with these requirements and with IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Revenue Recognition

- **The risk** - Revenue is recognized when the control of products has transferred to the customer. The Group operates in a competitive industry in local and international markets. Angostura Holdings Limited is publicly traded and revenue is a key performance measure. In addition, management bonuses are partially based on the year-end profit hence there is a risk for management to overstate profit as it has a direct correlation to their bonuses. There continues to be pressure on the Group to meet expectations and targets. The majority of the Group's sales arrangements are generally straightforward being on a point of sale basis and requires little judgement. There is a risk that management may override controls at the end of the year to intentionally misstate revenue transactions through fictitious revenue transactions across the business. The company has a large volume and value of sales at the end of the year, corresponding with a relaxation of certain credit limit controls to encourage more sales during the Christmas season. In addition, the adjustment of revenue recognition at the end of the year is a manual process involving management inspecting customer shipping terms of trade and determining when items should have been recorded due to the requirements of the standard.
- **Our response** - Our audit procedures included assessing the appropriateness of the Group's revenue recognition accounting policies and assessing compliance with the policies in terms of applicable accounting standards.

We tested the effectiveness of the Group's controls over recording of sales transactions to assess the completeness, accuracy and timing of revenue recognition.

We tested a sample of sales transactions taking place at either side of the reporting date by inspecting the associated contracts to determine the shipping terms of trade with customers. This was then used



### Revenue Recognition (cont'd)

to determine whether the revenue was recognised in the correct accounting period. This also included checking that the sample transactions agreed to supporting documentation such as invoices and proof of delivery. Confirmation of sales transactions during the year were also obtained from a sample of customers.

We selected a sample of issued credit notes and sales returns from the sales ledger after the financial year end and inspected relevant underlying documentation to assess if the related revenue met the recognition criteria of the accounting standard and had been accounted for in the appropriate financial period.

We tested manual journal entries relating to revenue accounts based on a specific criteria, for transactions at the end of the year. We obtained supporting documentation and explanations of the rationale for the journal postings. This was performed to assess whether or not there were any management override of controls and postings of unauthorized journals to overstate revenue.

We also assessed the adequacy of the goods return provision at the end of the year by inspecting historical return activity.

Assessing whether disclosures in the financial statements are appropriate in respect of revenue

### Impairment of receivables – Expected Credit Losses

- **The risk** - The Group has significant trade receivables with wholesale distributors and customers in the retail industry. A number of companies in this industry are under financial stress and, therefore, there is a risk over the recoverability of these balances.

IFRS 9, *Financial Instruments* requires the company to recognize expected credit losses (ECL) on financial assets measured at amortized cost. The determination of the ECL is subjective and requires management to make significant judgments and estimates, and the application of forward-looking information.

The identification of a significant increase in credit risk is a key area of judgment as the criteria determines whether a 12-month or lifetime expected credit loss is recorded. IFRS 9 requires the company to incorporate forward looking information reflecting a range of possible future economic conditions in measuring expected credit losses. Significant judgement is used in determining the economic scenarios and determination of the provision.

- **Our response** - Our audit procedures included the test of design and implementation of the Group's controls over the expected credit loss process. We analysed the Group accounting policy, including the key accounting estimates and judgements made by management by reviewing their position paper on the subjects.

We obtained an understanding of the model used by management for the calculation of the expected credit losses on accounts receivables. We tested the completeness and accuracy of the data used in the model by agreeing a sample of transactions to the underlying invoices. We also involved our financial risk-modelling specialist to assess the ECL model including the appropriateness of the company's impairment methodology; management's assumptions and compliance with the requirements of IFRS 9.

We also evaluated the difference between managements expected figure for ECL and compared it to our expectation of the allowance based on our own financial risk.

Assessed whether disclosures in the financial statements are appropriate in respect of receivables

### Manipulation of liabilities associated with advertising provisions

- **The risk** - Intentionally inappropriate application of judgments on expenses with estimation uncertainty may understate the Group liabilities. There is also the risk of non-recognition of incurred expenses in order to show improved results of the Group.

### Manipulation of liabilities associated with advertising provisions (cont'd)

The most significant expenses subject to estimates is are for the advertising and promotional expenses as the Group estimates the expense incurred when invoices and expense reports for the year have not been received by the time the financial reports are prepared. Whilst the Group estimates the accrual based on budgeted advertising campaigns that were planned to be executed in the global market, certain elements of the cost are variable and can only be entirely collated sometime after the financial reports are prepared.

- **Our response** - Management's representation on the basis for completeness and accuracy of the accrual was challenged by testing the historic precision of the Group's previous estimates by comparing the amounts to the eventual actual costs supported by the invoices and expense reports processed during the year.

We compared components of the year-end estimates to confirmations received from suppliers and subsequent advertising expense reports relating to the year but received after the year-end. We checked whether the distribution of the advertising budget among the targeted markets were consistent with the actual expenditure in those regions and obtained explanations for unexpected deviations.

### Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's annual report, but does not include the consolidated financial statements and our auditors' report thereon. The Group's annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Group's annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

### Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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

### Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (cont'd)

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 consolidated financial statements.

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

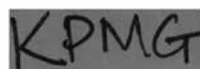
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of 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 purpose of expressing an opinion on the effectiveness of the Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Dushyant Sookram.



Chartered Accountants  
**Port of Spain, Trinidad and Tobago**  
**April 23, 2020**



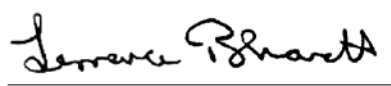
# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019 • (EXPRESSED IN TRINIDAD AND TOBAGO DOLLARS)

45

	Note	2019 \$'000	2018 \$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	333,496	320,215
Other assets and investments	11	6,485	6,485
Deferred tax asset	19	99	-
Retirement benefit asset, net	13	48,378	60,417
		<u>388,458</u>	<u>387,117</u>
<b>Current assets</b>			
Inventories	14	253,769	245,491
Trade and other receivables	15	185,870	145,742
Taxation recoverable		25,966	24,107
Other investments	11	385,495	294,368
Cash and cash equivalents	16	103,151	119,075
		<u>954,251</u>	<u>828,783</u>
<b>Total assets</b>		<u>1,342,709</u>	<u>1,215,900</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	17	118,558	118,558
Other reserves	18	103,030	100,796
Retained earnings		919,913	835,814
<b>Total equity</b>		<u>1,141,501</u>	<u>1,055,168</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Retirement benefit obligation	13	7,503	8,480
Deferred tax liability	19	61,131	67,225
Lease liabilities	29	8,703	-
		<u>77,337</u>	<u>75,705</u>
<b>Current liabilities</b>			
Trade and other payables	20	107,299	80,929
Taxation payable		5,761	4,098
Bank overdraft	30	7,480	-
Lease liabilities	29	3,331	-
		<u>123,871</u>	<u>85,027</u>
<b>Total liabilities</b>		<u>201,208</u>	<u>160,732</u>
<b>Total equity and liabilities</b>		<u>1,342,709</u>	<u>1,215,900</u>

The accompanying notes are an integral part of these consolidated financial statements.

  
Director

  
Director

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

DECEMBER 31, 2019 • (EXPRESSED IN TRINIDAD AND TOBAGO DOLLARS)

46

	Note	2019 \$'000	2018 \$'000
Revenue	5 (j)	847,200	783,692
Cost of goods sold		(429,723)	(392,209)
<b>Gross profit</b>		417,477	391,483
Selling and marketing expenses	21	(140,205)	(145,010)
Administrative expenses	21	(88,713)	(69,935)
Expected credit loss on trade receivables	8(a)	(4,304)	(2,487)
<b>Results from operating activities</b>		184,255	174,051
Finance costs	22	(555)	(312)
Finance income	11	8,648	5,201
<b>Results from continuing operations</b>		192,348	178,940
Other income/(expenses)	23	5,234	(1,961)
Dividend income	24	173	45
Foreign exchange gains	25	4,023	548
Gain on disposal of investments		-	31
<b>Profit before tax</b>		201,778	177,603
Taxation expense	26	(59,935)	(47,685)
<b>Profit for the year</b>		141,843	129,918
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Re-measurement of retirement benefit (obligation)/asset	13 (i) (ii)	(11,767)	2,479
Related tax	19	3,530	(744)
Gain on of land and building	10 (a)	2,234	-
Other comprehensive (loss)/income for the year - net of tax		(6,003)	1,735
<b>Total comprehensive income for the year</b>		135,840	131,653
<b>Profit for the year attributable to:</b>			
Owners of the Group		141,843	129,918
<b>Total comprehensive income attributable to:</b>			
Owners of the Group		135,170	131,653
<b>Dividend paid per share</b>		24¢	21¢
<b>Earnings per share - Basic</b>	27	0.69	0.63

The accompanying notes are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DECEMBER 31, 2019 • (EXPRESSED IN TRINIDAD AND TOBAGO DOLLARS)

47

	Share Capital \$'000 (Note 17)	Other Reserves \$'000 (Note 18)	Retained Earnings \$'000	Total Equity \$'000
<b>Balance at January 1, 2018</b>	118,558	100,796	762,615	981,969
Adjustment on initial application of IFRS 9	-	-	(14,446)	(14,446)
Adjustment on initial application of IFRS 15	-	-	(690)	(690)
Adjusted balance at January 1, 2018	118,558	100,796	747,479	966,833
Profit for the year	-	-	129,918	129,918
Other comprehensive income	-	-	1,735	1,735
<b>Total comprehensive income for the year</b>	-	-	131,653	131,653
<b>Transactions with equity holders recognised directly in equity</b>				
Dividends to equity holders (Note 32)	-	-	(43,318)	(43,318)
<b>Balance at December 31, 2018</b>	<u>118,558</u>	<u>100,796</u>	<u>835,814</u>	<u>1,055,168</u>
<b>Balance at January 1, 2019</b>	118,558	100,796	835,814	1,055,168
Profit for the year	-	-	141,843	141,843
Other comprehensive income	-	2,234	(8,237)	(6,003)
<b>Total comprehensive income for the year</b>	-	2,234	133,606	135,840
<b>Transactions with equity holders recognised directly in equity</b>				
Dividends to equity holders (Note 32)	-	-	(49,507)	(49,507)
<b>Balance at December 31, 2019</b>	<u>118,558</u>	<u>103,030</u>	<u>919,913</u>	<u>1,141,501</u>

The accompanying notes are an integral part of these consolidated financial statements.



# CONSOLIDATED STATEMENT OF CASH FLOWS

DECEMBER 31, 2019 • (EXPRESSED IN TRINIDAD AND TOBAGO DOLLARS)

48

	Note	2019 \$'000	2018 \$'000
Profit for the year		141,843	129,918
Adjustments for:			
Depreciation	10	26,144	21,499
Loss on disposal of property, plant and equipment	23	9	566
Gain on disposal of investments		-	(31)
Unrealised foreign exchange gain		(3,798)	(421)
Finance costs	22	555	312
Finance income	11	(8,648)	(5,201)
Dividend income	24	(173)	(45)
Adjustment to property, plant and equipment	10	(160)	3,065
Reversal of revaluation loss on property, plant and equipment	10	(2,610)	-
Impairment of property, plant and equipment	10	1,982	-
Pension costs	13(i)(ii)	7,739	6,713
Taxation expense	26	<u>59,935</u>	<u>47,685</u>
Operating profit before working capital changes		222,818	204,060
Change in trade and other receivables		(37,368)	(483)
Change in inventories		(8,278)	(30,340)
Change in trade and other payables		<u>26,471</u>	<u>7,525</u>
<b>Cash generated from operating activities</b>		203,643	180,762
Interest paid		(555)	(312)
Corporation tax refunds received		867	-
Corporation tax paid		(63,661)	(63,895)
Retirement benefits paid		<u>(8,441)</u>	<u>(9,775)</u>
<b>Net cash from operating activities</b>		<u>131,853</u>	<u>106,780</u>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of property, plant and equipment		220	157
Proceeds from disposal of assets held-for-sale		-	1,167
Acquisition of property, plant and equipment	10	(21,586)	(7,701)
Additions to investments	11	(401,459)	(289,598)
Redemptions of investments	11	317,635	216,682
Dividends received	24	173	45
Interest received		<u>2,471</u>	<u>1,620</u>
<b>Net cash used in investing activities</b>		<u>(102,546)</u>	<u>(77,628)</u>

# CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

DECEMBER 31, 2019 • (EXPRESSED IN TRINIDAD AND TOBAGO DOLLARS)

49

	Note	2019 \$'000	2018 \$'000
<b>Cash flows from financing activities</b>			
Dividends paid	32	(49,507)	(43,318)
Repayment of borrowings		-	(20,000)
Payment of lease liabilities	29 (iii)	<u>(3,013)</u>	<u>-</u>
<b>Net cash used in financing activities</b>		<u>(52,520)</u>	<u>(63,318)</u>
<b>Net decrease in cash and cash equivalents</b>		(23,213)	(34,166)
<b>Cash and cash equivalents at January 1</b>		119,075	152,820
Effect of movement in exchange rate on cash held		<u>(191)</u>	<u>421</u>
<b>Cash and cash equivalents at December 31</b>	16	<u><u>95,671</u></u>	<u><u>119,075</u></u>
<b>Represented by:</b>			
Cash and Bank		103,151	119,075
Bank Overdraft	30	<u>(7,480)</u>	<u>-</u>
		<u><u>95,671</u></u>	<u><u>119,075</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

## 1. REPORTING ENTITY

Angostura Holdings Limited (the Group) is a limited liability Group incorporated and domiciled in the Republic of Trinidad and Tobago. The Group's registered office is Corner Eastern Main Road and Trinity Avenue, Laventille, Trinidad and Tobago. The Group has its primary listing on the Trinidad and Tobago Stock Exchange. It is a holding Group whose subsidiaries are engaged in the manufacture and sale of rum, ANGOSTURA® aromatic bitters and other spirits, and the bottling of beverage alcohol and other beverages on a contract basis. The consolidated financial statements of the Group as at and for the year ended December 31, 2019 comprise the Group and its subsidiaries (together referred to as the "Group" and individually as the "Group companies").

The principal subsidiaries are:

Group	Country of Incorporation	Percentage Owned
Angostura Limited	Trinidad and Tobago	100%
Trinidad Distillers Limited	Trinidad and Tobago	100%

The Group's ultimate parent entity is CL Financial Limited (CLF) (in Liquidation), a Group incorporated in the Republic of Trinidad and Tobago.

These consolidated financial statements were approved for issue by the Board of Directors on April 22, 2020.

## 2. BASIS OF ACCOUNTING

### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS as issued as issued by the International Accounting Standards Board (IASB).

These consolidated financial statements have been prepared on a going concern basis which assumes that the Group will be able to meet the mandatory repayment terms of its current liabilities. The Group has recognized profits of \$141,843 thousand after tax for the year ended December 31, 2019 and as at that date, current assets exceed current liabilities by \$830,380 thousand.

### (b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date:

- Equity securities at fair value through other comprehensive income (FVOCI);
- Net retirement benefit asset (obligation) is recognised as fair value of plan assets, adjusted by re-measurements through other comprehensive income, less the present value of the retirement benefit obligation adjusted by experience gains (losses) on revaluation, limited as explained in Note 5(h)(ii);
- Freehold lands and buildings are measured at fair value less depreciation;
- Corporate debt securities at amortised cost.

## 3. FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated financial statements are presented in Trinidad and Tobago dollars, which is the Group's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2019

51

## 4. USE OF ESTIMATES AND JUDGEMENTS

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively, unless those revisions are the result of a change in accounting policy or a correction of a significant error, in which case the revision is required retrospectively, in the earliest reporting period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended December 31, 2019 is included in the following notes:

- Note 7                      - determination of fair values.
- Note 8 (a)                - measurement of ECL allowance for trade receivables and key assumptions in determining the weighed-average loss rate.
- Note 13                   - retirement benefit (asset) obligation - measurement of retirement benefit assets and obligations; key actuarial assumptions.
- Note 20                   - Other payables – provision for advertising and promotion.
- Note 29                   - leases – discount and incremental borrowing rates.
- Note 31                   - related party transactions – provision for impairment.

## 5. SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, where applicable.

### (a) Basis of consolidation

#### (i) *Business combinations*

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

#### (ii) *Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

#### (iii) *Non-controlling interest*

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in the subsidiary that do not result in a loss of control are accounted for as equity transactions.

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (a) Basis of consolidation (cont'd)

#### (iv) *Loss of control*

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

#### (v) *Interest in equity-accounted investees*

The Group's interest in equity-accounted investees comprise interest in joint ventures.

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

The interest in the joint venture is accounted for using the equity method. It is recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

As at the year end the Group had an interest in one joint venture (Note 12).

#### (vi) *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated on consolidation. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### (b) Foreign currency

#### (i) *Foreign currency transactions*

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. However, foreign currency differences arising from the translation of other investments (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss) are recognised in other comprehensive income. Foreign currency differences are generally recognised in profit or loss.

### (c) Financial instruments

Financial instruments include trade receivables, equity securities at FVOCI, cash and cash equivalents, borrowings, corporate debt securities, trade and other payables and leases.

#### (i) *Recognition and initial measurement*

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2019

53

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (c) Financial instruments (cont'd)

#### (i) *Recognition and initial measurement (cont'd)*

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

#### (ii) *Classification and Subsequent Measurement*

##### **Financial Assets**

On initial recognition, a financial asset is classified as measured at amortised cost; FVOCI-equity investment or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets are classified into one of the three categories:

- (a) Amortised cost
- (b) Equity Instruments at FVOCI (Fair value through other comprehensive income)
- (c) Financial Instruments at FVTPL (Fair value through profit and loss)

##### *Amortised Cost*

A financial asset is classified as subsequently measured at amortised cost if it meets both of the following criteria: –

- 'Hold-to-collect' business model test – The asset is held within a business model whose objective is to hold the financial asset in order to collect contractual cash flows; and
- 'SPPI' contractual cash flow characteristics test: The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Integral to this model is the intention to sell the instruments before the investment matures.

##### *Equity instruments at FVOCI*

The Group measures all equity investments at fair value.

The default approach is for all changes in fair value to be recognised in profit or loss. However, for equity investments that are not held for trading, entities can make an irrevocable election at initial recognition to classify the instruments as at FVOCI, with all subsequent changes in fair value being recognised in other comprehensive income (OCI). This election is available for each separate investment.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

##### *Business model assessment*

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level. A business model refers to how an entity manages its financial assets in order to generate cash flows and is determined at a level that reflects how groups of financial assets are managed (rather than on an instrument by instrument basis).



## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (c) Financial instruments (cont'd)

#### (ii) *Classification and Subsequent Measurement (cont'd)*

##### **Financial Assets (cont'd)**

###### *Business model assessment (cont'd)*

The Group assess financial assets using three types of business models:

- hold to collect
- hold to collect and sell
- other

###### *SPPI Assessment*

The Group assess the different types of cash flows that might arise from the contractual terms of a financial asset:

- Those that are solely payments of principal and interest i.e. cash flows that are consistent with a 'basic lending arrangement', and
- All other cash flows.

Unlike the business model test, an entity is required to make this assessment on an instrument by instrument basis. If a non-equity financial asset fails the SPPI test, it will not be possible to classify it as amortised cost or as FVOCI.

###### *Financial instruments at FVTPL*

A financial asset is classified and measured at FVTPL if the financial asset is:

- A held-for-trading financial asset
- A debt instrument that does not qualify to be measured at amortised cost or FVOCI
- An equity investment which the entity has not elected to classify as at FVOCI
- A financial asset where the entity has elected to measure the asset at FVTPL under the fair value option (FVO).

###### *Financial assets – subsequent measurements and gains and losses*

#### (i) Financial assets at FVTPL

These assets are subsequently measured as fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

#### (ii) Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

#### (iii) Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2019

55

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (c) Financial instruments (cont'd)

#### (ii) *Classification and Subsequent Measurement (cont'd)*

##### **Financial Liabilities**

Financial liabilities are either classified as:

- Financial liabilities at amortised cost; or
- Financial liabilities as at fair value through profit or loss (FVTPL).

Financial liabilities are measured at amortised cost unless either:

- The financial liability is held for trading and is therefore required to be measured at FVTPL; or
- The entity elects to measure the financial liability at FVTPL (using the fair value option).

A financial instrument is classified as a financial liability if it is (1) a contractual obligation to deliver cash or another asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the reporting entity; or (2) a contract that will or may be settled in the reporting entity's own equity instruments under certain circumstances.

##### **Trade Payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. The Group classifies trade payables as current liabilities if the payment is due within one year or less and are carried at amortized cost which is the fair value of the consideration to be paid in the future.

##### **Non-derivative financial assets and financial liabilities - Recognition and derecognition**

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the consolidated statement of profit or loss.

##### **Offsetting**

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a current legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activities.

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (d) Property, plant and equipment

#### (i) *Recognition and measurement*

Items of property, plant and equipment, other than land and buildings, are measured at cost less accumulated depreciation and any accumulated impairment losses.

Land and buildings are measured at revalued amount less accumulated depreciation on buildings.

Land and buildings are revalued by qualified independent experts every five years and gains and losses are treated as follows:

- Gains are recorded in the revaluation reserve unless it represents the reversal of a revaluation decrease of the same asset previously recognised as an expense, in which case it will be recognised in consolidated statement of profit or loss to the extent that it offsets previous losses.
- Losses are recognised directly within profit or loss except to the extent that a loss offsets previous gains, in which case the loss is recognised against the revaluation reserve to the extent that it offsets previous gains. Any additional loss is recognised in profit or loss.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Assets in progress is valued on the basis of expenditure incurred. Assets in Progress are not depreciated. The total cost of an asset is transferred to the relevant asset class on its completion and then it is depreciated.

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment

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

#### (ii) *Subsequent expenditure*

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

#### (iii) *Depreciation*

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss.

Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Freehold land and assets in progress are not depreciated.

Right-of-use assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative years which informed depreciation rates are as follows:

	2019	2018
Buildings	10 – 50 years	10 – 50 years
Plant, machinery and equipment	5 – 50 years	5 – 50 years
Casks and pallets	6 years	6 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2019

57

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (e) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on average cost, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Maturing inventories which are retained for more than one year are classified as current assets, as they are expected to be realised in the normal operating cycle.

Conversion costs include losses sustained in the alcohol aging process for the conversion of current distillate to aged distillate, as inventory is prepared for further blending and processing.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

### (f) Impairment

#### (i) *Non-derivative financial assets*

##### (i) *Financial instruments*

The Group recognises loss allowances for Expected Credit Losses (ECL's) on:

- Financial assets measured at amortised cost;

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instruments) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Group considers a financial asset to be in default when:

- The debtor is unlikely to pay its credit obligations to the group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The financial asset is more than 120 days past due.

The Group considers a debt security to have a low credit risk when its credit rating is equivalent to the globally understood definition of 'investment grade'. The Group considers this to be Baa3 or higher per Moody's or BBB- or higher from Standard & Poor's.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (f) Impairment (cont'd)

#### (i) *Non-derivative financial assets (cont'd)*

##### (i) *Financial instruments (cont'd)*

###### *Measurement of ECL's*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

##### (ii) *Credit-impaired financial assets*

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 120 days past due;
- The restructuring of a loan or advance to the Group on terms that the Group would not consider otherwise;
- Probable that the borrower will enter bankruptcy or other similar financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

##### (iii) *Presentation of allowance for ECL in the statement of financial position*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

##### (iv) *Financial assets write off*

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery or the Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

##### (v) *Non-financial assets*

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets (referred to cash generating units or CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2019

59

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (f) Impairment (cont'd)

#### (i) *Non-derivative financial assets (cont'd)*

#### (v) *Non-financial assets (cont'd)*

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro-rata basis.

### (g) Cash and cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

### (h) Employee benefits

Post retirement pension benefits for employees are provided by retirement benefit schemes. The Group operates two retirement benefit schemes, one trustee-administered and the other self-administered. The assets of the trustee-administered scheme are held in a consolidated fund and the plan is funded by contributions from the Group and its employees. The self-administered scheme is funded entirely by the Group out of cash resources, with no underlying assets. Both schemes are subject to annual valuations by independent qualified actuaries.

#### (i) *Retirement contribution plans*

Obligations for contributions to retirement contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. The Group currently has a retirement contribution plan for post-retirement medical benefits.

#### (ii) *Retirement benefit plans*

The Group's net obligation in respect of retirement benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount, and deducting the fair value of any plan assets.

The calculation of retirement benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Re-measurements of the net retirement benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net retirement benefit asset or liability for the period, by applying the discount rate used to measure the retirement benefit obligation at the beginning of the annual period, to the net retirement benefit asset or liability, taking into account any changes in the net retirement benefit asset or liability during the period resulting from contributions and benefit payments.

Net interest expense and other expenses related to retirement benefit plans are recognised in profit or loss.

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (h) Employee benefits (cont'd)

#### (iii) Retirement benefit plans (cont'd)

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

#### (iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

#### (iv) Termination benefits

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

### (i) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where there are several similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

- (i) Advertising and Promotion – A provision for Advertising and Promotional (A&P) expenditure is recognised when the Group has assessed the outstanding claims for local and foreign A&P expenses incurred by Customers in their individual markets.
- (ii) Legal matters – A provision for legal matters is recognised when the Group has a potential liability for a payment that is probable to be settled in the future.
- (iii) Other – The Group recognizes a provision for incentives, utility and other expenses when the Group has a potential liability for a payment that is probable to be settled in the future.

### (j) Revenue

#### (i) Sale of goods

The Group recognises revenue by applying a five-step model to determine the nature, timing and amount of revenue, as it is recognised at a point in time when control of the goods is transferred to the customer.

Step 1 - Identify the contract(s) with the customer:

The Group has various contracts, both formal and implied, which generate various revenue streams, including the following:

- Revenue from Local Sales via trade customers and retail sales at Solera
- Revenue from International Sales to customers and distributors in the Caribbean, North America, Canada, Latin America and the EMEAA (Europe, Middle East, Asia and Africa) Region.
- Revenue from the sale of bulk blends made to the customers' specification.
- Revenue related to the production and supply of Bulk Bitters and Angostura Lemon Lime Bitters® (LLB) flavour concentrate.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2019

61

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (j) Revenue (cont'd)

#### (i) *Sale of goods (cont'd)*

Step 1 - Identify the contract(s) with the customer (cont'd)

Each contract whether formal or implied, identifies each party's rights regarding the transfer of goods, payment terms and expected future cash flows required for the exchange of goods and services.

Step 2 - Identify the performance obligations in the contract:

The Group has identified the performance obligations of each contract to be the promised goods based on the specific sale. These performance obligations are usually satisfied at a point in time (as opposed to over time), when the Group transfers the promised goods to the customer, whereby control is transferred as the customer obtains the asset transferred.

Step 3 - Determine the transaction price:

For each revenue stream, the Group determines the transaction price, which is the amount of consideration exchanged by the customer in return for the promised goods.

Step 4 - Allocate the transaction price to the performance obligations in the contract:

As denoted above, the selling price may vary based on a customer type or customer contract, however this stand-alone selling price is determined at the inception of the contract, and is specific to the performance obligation.

Step 5 - Recognise revenue as/when the entity satisfies the performance obligation:

Once the contract's performance obligation and transaction price have been determined, the Group will recognise revenue when the performance obligation to the customer is fulfilled, there is an exchange of consideration, and control is passed from the Group to the customer.

#### (ii) *Co-Packing Manufacturing agreements*

The Group also generates revenue from co-packing manufacturing arrangements made to the customers' specification.

#### (iii) *Loyalty program*

The Group has a loyalty program for its retail business, Solera. Customers who purchase products may enter the Group's customer loyalty program and earn points that are redeemable against any future purchases of the Group's products. The points accumulate and do not expire. A loyalty point liability is created upon issuing of the points under the program and is thereafter reduced upon the redemption of the points for Group products.

The Group allocates a portion of the consideration received to loyalty points. This allocation is based on the relative stand-alone selling prices. The amount allocated to the loyalty program is deferred and is recognised as revenue when loyalty points are redeemed or the likelihood of the customer redeeming the loyalty points becomes remote. As a consequence, revenue is recognised at the point in time when control of the goods is transferred to the customer.

#### (iv) *Returns*

Customers have a right to return products to the Group for quality and other issues. The customer is issued with a credit note or replacement product for the same value of goods returned. These returns are not material and as such the Group has not provided for a liability on returns.

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (k) Leases

The Group 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 January 1, 2019**

At inception of a contract, the Group 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 Group uses the definition of a lease in IFRS 16.

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

#### (i) **As a lessee**

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

The Group 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 Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group 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 Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group 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 Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2019

63

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (k) Leases (cont'd)

#### (i) As a lessee (cont'd)

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 Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group 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.

The Group discloses right-of-use assets that do not meet the definition of investment property and lease liabilities in the financial statements.

#### *Short-term leases and leases of low-value assets*

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

#### *Policy applicable before January 1, 2019*

For contracts entered into before January 1, 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether;

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group'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.

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (l) Finance income, finance costs and dividend income

The Group's finance income and finance costs include:

- interest income
- interest expense
- dividend income

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in consolidated statement of profit or loss on the date that the Group's right to receive payment is established. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

### (m) Taxation

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items are recognised directly in equity or in other comprehensive income.

#### *Current tax*

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, and any adjustment to tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

#### *Deferred tax*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Group and the reversal of temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2019

65

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (m) Taxation (cont'd)

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities

Deferred tax assets and liabilities are offset only if certain criteria are met.

### (n) Segment reporting

Segment results that are reported to the Chief Executive Officer, Executive Management team, and those charged with Governance include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise assets and liabilities, finance costs and income, other income and expenses, dividend income, impairment charges, foreign exchange gains and losses, legal claim expense and tax expenses and income.

### (o) Share capital

#### *Ordinary shares*

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction are accounted for in accordance with IAS 12 Income Tax.

### (p) New and forthcoming standard amendments and interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

- Amendments to *References to Conceptual Framework in IFRS Standards*, effective for accounting periods beginning on or after January 1, 2020, have been amended for companies that use the Conceptual Framework to develop accounting policies when no IFRS Standard applies to a particular transaction.
- Amendment to IFRS 3 Business Combinations, *Definition of a Business*, effective for accounting periods beginning on or after January 1, 2020, have been amended to introduce clarifications and narrowing of the current definition of a business. The amendments may require a complex assessment to decide whether a transaction is a business combination or an asset acquisition. This assessment involves using an optional concentration test to get an asset acquisition. The concentration test is a simplified assessment that results in an asset acquisition, if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If the concentration test is not applied or failed, then the assessment focuses on the existence of a substantive process. The amendment applies to businesses acquired in annual reporting periods beginning on or after January 1, 2020.
- Amendment to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*, effective for accounting periods beginning on or after January 1, 2020, have been amended to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the IFRS standards themselves.

The preceding amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

## 6. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

### (a) IFRS 16 Leases

The Group 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 Group's financial statements.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at January 1, 2019. Accordingly, the comparative information presented for 2018 under IAS 17 and related interpretations are not restated. 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.

#### (i) *Definition of a lease*

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 5(k),

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group 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.

#### (ii) *As a lessee*

As a lessee, the Group leases many assets including property and retail space, vehicles and office equipment. The Group 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 Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most of these leases. Therefore, these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group 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 Group classified property and retail space, vehicles and office equipment leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019 (see Note 5((k) (i)). Right-of-use assets are measured at:

- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Group applied this approach to all leases.
- The Group 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.

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

- 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;

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2019

67

## 6. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (a) IFRS 16 Leases (cont'd)

#### (ii) As a lessee (cont'd)

- excluded initial direct costs from the measurement of the right-of-use assets at the date of initial application; and
- used hindsight when determining the lease term

#### (iii) Impact on transition

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group 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.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted average rate applied is 6.75%.

	<b>January 1, 2019 \$'000</b>
Operating lease commitments at December 31, 2018 as disclosed under IAS 17 in the Group's consolidated financial statements	6,642
Recognition exemption for leases with less than 12 months of lease term at transition	(199)
Operating lease commitments at December 31, 2018 as disclosed under IAS 17 excluding recognition exemption	6,443
Discounted using the incremental borrowing rate at January 1, 2019	9,247
Lease liabilities recognised at January 1, 2019	<u>9,247</u>

The impact on transition was immaterial and the Group has elected to not recognize a retained earnings adjustment in the financial statements.

	<b>January 1, 2019 \$'000</b>
Right-of-use assets – property and office space	6,189
Right-of-use assets – vehicles	3,008
Right-of-use assets – office equipment	50
Lease liabilities	(9,247)
Retained earnings	<u>-</u>

### (b) IFRIC 23 Uncertainty over Income Tax Treatments

The Group's existing accounting policy for uncertain income tax treatments is consistent with the requirement in IFRIC 23, which became effective on January 1, 2019. There is no impact to the current or prior period Financial statements. This is due to the Group's current judgements, assumptions and other estimates used which are consistent with prior period treatments.

## 7. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods described below. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

### a) Fair value measurement

#### (i) *Property, plant and equipment*

The fair value of property, plant and equipment is the estimated amount for which property could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing, wherein the parties had each acted knowledgeably. The fair value of items of property is based on a combination of the market approach, market value (direct comparison) and investment method.

#### (ii) *Equity securities – at FVOCI*

The fair values of investments in equity securities are determined with reference to their quoted closing bid price at the measurement date, or if unquoted, determined using a valuation technique. Valuation techniques employed include market multiples and discounted cash flow analysis using expected future cash flows and a market-related discount rate.

### b) Valuation models

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

### c) Financial instruments measured at fair value – fair value hierarchy

At year end, the following financial instruments were measured at fair value.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Fair Value \$'000
<b>2019</b>				
Other Investments	-	-	108	108
<b>2018</b>				
Other Investments	-	-	108	108



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2019

69

## 7. DETERMINATION OF FAIR VALUES (CONT'D)

### d) Non-financial instruments measured at fair value

The Group's freehold land and buildings were last revalued during November 2019 by Linden Scott & Associates Limited, Chartered valuation surveyors. Revaluations are done every five years in accordance of the Group's policy, or more frequently if there are any indicators of significant volatility in the market. The valuation surveyors used the direct comparison and investment method to determine the values of land and buildings respectively.

This basis of valuation was used due to the specialised nature of the properties, derived from the exigencies of the operations. The surplus thus arising was credited to revaluation surplus in equity.

**Fair value measurements as at December 31, 2019 using:**

	Quoted prices in active markets for identical assets (Level 1) \$'000	Significant other observable inputs (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000
<b>Recurring fair value measurements</b>			
Land and buildings	<u>-</u>	<u>-</u>	<u>190,330</u>

	Fair value as at January 1, 2019 \$'000	Additions (disposals) \$'000	Depreciation \$'000	Revaluations \$'000	Fair value carried forward \$'000
Land and buildings Level 3	<u>190,629</u>	<u>751</u>	<u>(3,284)</u>	<u>2,234</u>	<u>190,330</u>

**Fair value measurements as at December 31, 2018 using:**

	Quoted prices in active markets for identical assets (Level 1) \$'000	Significant other observable inputs (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000
<b>Recurring fair value measurements</b>			
Land and buildings	<u>-</u>	<u>-</u>	<u>190,629</u>

	Fair value as at January 1, 2018 \$'000	Additions (disposals) \$'000	Depreciation \$'000	Revaluations \$'000	Fair value carried forward \$'000
Land and buildings Level 3	<u>191,945</u>	<u>-</u>	<u>(2,870)</u>	<u>1,554</u>	<u>190,629</u>

There were no transfers between levels 1 and 2 during the year.

*Transfers between levels 2 and 3*

The Group's management annually reviews the latest valuations performed by the independent valuator for financial reporting purposes. A full Revaluation is done every five years in accordance of the Group's policy.

## 7. DETERMINATION OF FAIR VALUES (CONT'D)

### d) Non-financial instruments measured at fair value (cont'd)

At each financial year end, the finance department:

- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the most recent valuation report;
- holds discussions with the independent valuator.

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

The main level 3 inputs used by the Group are derived and evaluated as follows:

*Land:*

The direct comparable method was used. In using this method, evidence of arm's length open market transactions of similar lands are analysed and the results applied to the subject lands after taking into consideration appropriate adjustments for location, size and other relevant factors.

*Buildings:*

Buildings are valued using a combination of direct comparison and investment method. Under this method the gross replacement cost of the buildings and other site works are then estimated from which appropriate deductions are then made to allow for the age, condition and obsolescence (economic and functional) of the buildings and site works. The total net replacement cost is then added to the estimated value of the land.

*Inputs considered in the valuation:*

- i) Most of the properties are located in an old and well-established industrial area located immediately east of Port of Spain and is well serviced by transportation routes and a pool of both skilled and unskilled labour.
- ii) Measurements and condition – The square footage of the site is taken into consideration in the valuation. Based on the valuation, the building appears to be in good structural decorative repair.

### e) Non-financial instruments measured at fair value

*If the freehold land and buildings were stated on the historical cost basis the amounts would be as follows:*

	2019 \$'000	2018 \$'000
Cost	147,205	148,876
Accumulated depreciation	(34,039)	(33,405)
Net book amount	<u>113,166</u>	<u>115,471</u>
	2019 \$'000	2018 \$'000 Reclassified
<i>Depreciation expense is included in profit or loss as follows:</i>		
Amount included in cost of goods sold	17,040	15,295
Amount included in selling and marketing expenses (Note 21)	2,491	973
Amount included in administrative expenses (Note 21)	<u>6,613</u>	<u>5,231</u>
	<u>26,144</u>	<u>21,499</u>

## 8. FINANCIAL RISK MANAGEMENT

### Risk Management Framework

The Group recognizes that an overall, unified Enterprise Risk Management (ERM) framework is essential to create, protect, enhance shareholder/stakeholder value, and achieve its strategic aspirations. As such, the Group is committed to ensuring that ERM practices are embedded into all business processes to drive consistent, effective, and accountable decision making and management practices. In light of this a Risk Management Committee (RMC) is in place that is led by the Chief Executive Officer (CEO) and the Executive Management team. The RMC ensures that key risks are actively and continuously identified, evaluated, controlled, monitored and reported by process owners. The Group's Risk Manager provides guidance to the RMC to ensure the ERM framework is effectively implemented and managed, and the risk culture and ERM process of the Group continually improves.

The principal risks are reviewed regularly to ensure identification of emerging risks or previously identified risks that may have different impacts. Effectively managing risks is the responsibility of all employees. Managers are accountable for allocating required resources to successfully manage risks to acceptable levels.

To ensure that the risk management and reporting system remains effective a range of independent internal and external assurance processes are in place : Internal Audit , external certifications ( ISO 9001:2015 , ISO 14001:2015), assessment or reviews by regulatory bodies and the Group's external auditors.

The Group's Audit Committee oversees compliance with the Group's policies, procedures and the risk management and the internal audit control system. The Group's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of internal controls and procedures, the results of which are reported to the Audit Committee.

As part of the overall risk management process, the Risk Management Committee has reviewed the activities of the Group in consideration of its natural and commercial operating environments and has identified the major risks faced by the Group. The Group's risks have been classified into the following major categories and are assessed on the basis of residual exposure after consideration of the level of management and control activities designed and implemented to specifically mitigate against them:

- Financial and Reporting
- Operational
- Compliance
- Strategic
- Emerging
- Opportunities

The determined inherent risk levels (defined by their potential impact, and likelihood of occurrence in the absence of controls) are compared to management control levels to determine the appropriate risk response specifically, whether risks should be monitored or accepted or conversely, whether controls should be monitored or improved.

The Risk Management Committee manages and updates the Risk Register which details for each core functional area, the major risks identified, key drivers and metrics related to each risk, risk owner (with direct responsibility for managing the risk), the response adopted, type and frequency of monitoring, and action plan for implementation of the documented risk response.

The Risk Register is reviewed at least twice per year by functional areas to ensure that documented risks and related ratings, responses and actions plans are relevant in the context of the Group's operations. The Group's insurance structures are influenced by the findings of the risk management reviews. The Group's risk management methodology is in accordance with the principles of ISO 31000 Risk Management, and certain elements of the COSO Enterprise Risk Management-Integrated Framework.

## 8. FINANCIAL RISK MANAGEMENT (CONT'D)

### Risk Management Framework (cont'd)

The risk management process is dynamic and requires ongoing review and revision to enable the Group to maintain a position of strength in relation to inherent and residual risks. The process is continuously refined in response to environmental changes from the internal and external context of the Group.

### Operational Risk Management

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- capital risk

This Note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

### a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and/or distributors.

The carrying amount of financial assets represents the maximum credit exposure.

Expected credit losses on financial assets recognised in profit or loss were as follows.

	2019 \$'000	2018 \$'000
Expected credit loss on trade receivables	<u>4,304</u>	<u>2,487</u>

There are no major concentrations of credit risk with respect to trade receivables as the Group has a large number of customers that are internationally dispersed.

The following table provides information about exposures to credit risk and ECLs for trade receivables from individual customers as at December 31, 2019

	Gross carrying amount \$'000	ECL Allowance \$'000	ECL allowance %	Credit Impaired
Not past due	131,270	4,798	11%	No
Past due 0-30 days	33,819	3,422	7%	No
Past due 31-60 days	1,079	275	1%	No
Past due 61-90 days	468	-	0%	No
Past due 91-120 days	702	-	0%	No
Past due more than 120 days	<u>37,708</u>	<u>36,311</u>	<u>81%</u>	Yes
	<u>205,046</u>	<u>44,806</u>	<u>100%</u>	



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2019

73

## 8. FINANCIAL RISK MANAGEMENT (CONT'D)

### Risk Management Framework (cont'd)

#### a) Credit risk (cont'd)

The following table provides information about exposures to credit risk and ECLs for trade receivables from individual customers as at December 31, 2018

	Gross carrying amount	ECL Allowance	ECL allowance	Credit Impaired
	\$'000	\$'000	%	
Not past due	112,935	3,836	10%	No
Past due 0-30 days	28,105	915	2%	No
Past due 31-60 days	679	65	0%	No
Past due 61-90 days	646	-	0%	No
Past due 91-120 days	315	-	0%	No
Past due more than 120 days	<u>37,277</u>	<u>35,686</u>	<u>88%</u>	Yes
	<u>179,957</u>	<u>40,502</u>	<u>100%</u>	

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and/or distributor. However, management also considers factors which may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate.

The Group has identified certain concentrations of credit risk related to the geographic dispersion of export customers. It has instituted policies and procedures to ensure that credit sales are made to customers with an appropriate credit history. The Group's Credit Committee continues to enforce its credit policy under which each new customer is analysed for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings when available, and in some cases bank references. Sales limits are established for each customer/distributor and are reviewed on an ongoing basis. Any sales exceeding those limits require approval in accordance with the credit approval hierarchy as set out in the Group's credit policy. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on an advance payment basis.

For the purpose of credit risk assessment, customers are segregated into categories and reviews take account of the specific trading relationship of each category of debtor with the Group. Credit risk assessment presents significant implications for two major categories of debtors: trade receivables and related party receivables.

*Trade receivables* – Management assesses the creditworthiness of major trade customers on an ongoing basis and revises credit limits based on the findings of analyses performed. Discretionary allowances are made for individual customers where temporary breaches in credit limits are deemed acceptable. Eligible local customers who trade in high volumes may benefit from adjustments to their credit terms at the year-end. The Group is closely monitoring the economic environment internationally in various markets and is taking actions to limit its exposure to customers in countries experiencing economic volatility. Measures adopted in relation to high risk customers include the establishment of standby letters of credit for certain sales, and requirement for advance payments from certain customers in regions where availability of currency is challenging.

## 8. FINANCIAL RISK MANAGEMENT (CONT'D)

### Risk Management Framework (cont'd)

#### a) Credit risk (cont'd)

*Cash and Cash Equivalents* – Credit risk with banks and financial institutions is managed through the purchase and sale of foreign currency, transfer of balances between financial institutions to take advantage of interest rates, investment in short term, easily convertible, liquid assets and maintenance of flexible lines of credit. The Group maintains banking relationships with prominent local and foreign banks with a proven history of stability and corporate resilience. The financial results of banking institutions are monitored by Management and frequent liaison with representatives of banks ensures early warnings are received if banks encounter the risk of financial or operational difficulties. The Group has assessed Cash and Cash Equivalents to be low risk and has not applied a loss allowance.

*Other Investments* – The Group's policy on short term investments is that underlying instruments must comprise Trinidad and Tobago Government bonds, with bonds held directly by the Group. Where qualifying underlying assets are unavailable, the Group can consider other low risk products such as Mutual Funds, Repurchase Agreements and Certificates of Deposit. The Group's Treasury Management Policy provides requirements for investments and addresses inter alia, investment counterparties and concentration risk. As far as possible, not more than 30% of any Group surplus and/or 20% of the Group surplus must be placed with any one counterparty. Other Investments are categorised as money market instruments. The fixed deposits and repurchase agreements held have government bonds as the underlying assets. As such, these are low risk and the Group has not applied a loss allowance.

*Related party receivables* – Trade with related parties occurs on terms comparable with those offered to third parties. Significant transactions falling outside the scope of regular trade require approval by the Board of Directors. Transactions undertaken with related parties are monitored during the year to ensure agreement of balances by relevant parties.

#### **Basis for Measurement of Expected Credit Losses for Trade Receivables**

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

The Group applied the simplified approach to measuring expected credit losses which used a provision matrix based on historic default rates over the expected life of the trade receivables and was adjusted for forward-looking estimates.

For the purpose of measuring ECLs, grouping of trade receivables may be based on geographical region, product type, customer credit rating, the type of collateral or whether covered by trade credit insurance and the type of customer (such as wholesale or retail).

In addition, one of the approaches suggested in the standard is the use of a provision matrix as a practical expedient for measuring ECLs. For the Group's local trade receivables; sales channel was identified as the most accurate representation of the portfolio. While for the Group's foreign receivables, geographic location was selected as the best representation of the portfolio. These key segments are shown in the below tables.

The Group uses the simple average of the Loss rates per year by sales channel for the local portfolio and geographic location for the foreign portfolio. The Loss rates were determined as follows: (Bad debts written off + Provision accrued) ÷ (Bad debts written off + Total amount outstanding). On this basis, the loss allowance as at 31 December 2019 was determined as follows:

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2019

75

## 8. FINANCIAL RISK MANAGEMENT (CONT'D)

### Risk Management Framework (cont'd)

#### a) Credit risk (cont'd)

The following table provides information about exposure to credit risk and ECLs for the Group's local trade and other receivables, as at December 31, 2019

Local Trade Receivables - Sales Channel	Average Loss Rate	Gross carrying amount exclusive of specific provisions \$'000	Specific expected credit losses \$'000	Total \$'000
<b>December 31, 2019</b>				
Duty Free	1%	9	25	34
Large and medium supermarkets	1%	539	90	629
Restaurants and night clubs	9%	155	388	543
Tobago	4%	302	364	666
Small supermarkets	2%	325	431	756
Bars and Casinos	6%	217	389	606
Wholesaler	5%	1,744	16,372	18,116
TDL Specific	57%	-	44	44
Bulk sales	6%	30	7	37
Other trade	80%	108	271	379
Other	100%	-	8,139	8,139
		<u>3,429</u>	<u>26,520</u>	<u>29,949</u>
<b>December 31, 2018</b>				
Duty Free	1%	14	17	31
Large and medium supermarkets	1%	452	318	770
Restaurants and night clubs	9%	142	220	362
Telemarketing sales	5%	300	720	1,020
Tobago	4%	247	191	438
Small supermarkets	2%	236	299	535
Bars and Casinos	6%	111	197	308
Wholesaler	5%	841	17,507	18,348
Bulk sales	6%	38	16	54
Other trade	80%	51	375	426
Other	100%	-	7,739	7,739
		<u>2,432</u>	<u>27,599</u>	<u>30,031</u>

Other consist of prior year balances for employee loans, education allowances and non-trade amounts which were fully provided for.

## 8. FINANCIAL RISK MANAGEMENT (CONT'D)

### Risk Management Framework (cont'd)

#### a) Credit risk (cont'd)

Related Group balances of \$6,608 thousand were provided for as at December 31, 2019 (Note 31 (vi)).

The following table provides information about exposure to credit risk and ECLs for the Group's foreign trade receivables, as at December 31, 2019

Foreign Trade Receivables - Geographic Location	Average Loss Rate	Gross carrying amount exclusive of specific provisions	Specific expected credit losses	Total
<i>December 31, 2019</i>		\$'000	\$'000	\$'000
Africa	15%	494	7	501
Asia	40%	82	-	82
Australasia	9%	1,073	-	1,073
Caribbean	10%	557	28	585
Central America	10%	179	764	943
Europe	1%	345	30	375
Middle East	40%	290	-	290
North America	1%	354	414	768
United Kingdom	0.3%	119	465	584
Australasia Bulk	27%	66	106	172
Caribbean Bulk	26%	193	1,748	1,941
Europe Bulk	3%	54	280	334
North America Bulk	4%	13	2,258	2,271
South America Bulk	39%	-	2,052	2,052
United Kingdom Bulk	36%	897	-	897
Foreign currency translation	1,989	-	1,989	31
		<u>6,705</u>	<u>8,152</u>	<u>14,857</u>
<i>December 31, 2018</i>				
Africa	15%	275	4	279
Asia	40%	357	-	357
Caribbean	10%	382	28	410
Europe	1%	62	-	62
Middle East	40%	215	-	215
North America	1%	150	2	152
South America	79%	251	-	251
United Kingdom	0.3%	15	118	133
Australasia Bulk	27%	61	1,440	1,501
Caribbean Bulk	26%	139	2,173	2,312
Europe Bulk	3%	104	155	259
North America Bulk	4%	386	2,000	2,386
South America Bulk	39%	-	2,152	2,152
United Kingdom Bulk	36%	-	2	2
		<u>2,397</u>	<u>8,074</u>	<u>10,471</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2019

77

## 8. FINANCIAL RISK MANAGEMENT (CONT'D)

### Risk Management Framework (cont'd)

#### (b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available. The Group currently has access to an overdraft facility to cover its working capital needs in the amount of \$12m.

The Group uses Standard and Traditional costing to cost its products and services, which assists it in managing cash flow requirements and optimizing its cash return on investments. Typically, the Group ensures that it has sufficient cash on hand to meet expected working capital requirements and operational expenses including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following table provides information on the maturity profile of significant contractual obligations.

	Contractual Cash Flows						
	Carrying Amount \$'000	Total \$'000	2 months or Less \$'000	2-12 months \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000
<b>December 31, 2019</b>							
Lease Liabilities	12,034	(16,920)	(688)	(3,303)	(3,141)	(3,557)	(6,231)
Trade Payables	30,139	(30,139)	(30,139)	-	-	-	-
Other payables	74,750	(74,750)	(26,775)	(47,975)	-	-	-
Due to related party	2,410	(2,410)	(2,410)	-	-	-	-
Bank overdraft	7,480	(7,480)	(7,480)	-	-	-	-
	<u>126,813</u>	<u>(131,699)</u>	<u>(67,492)</u>	<u>(51,278)</u>	<u>(3,141)</u>	<u>(3,557)</u>	<u>(6,231)</u>
<b>December 31, 2018</b>							
Trade Payables	25,448	(25,448)	(25,448)	-	-	-	-
Other Payables	53,071	(53,071)	(9,068)	(44,003)	-	-	-
Due to related party	2,410	(2,410)	(2,410)	-	-	-	-
	<u>80,929</u>	<u>(80,929)</u>	<u>(36,926)</u>	<u>(44,003)</u>	<u>-</u>	<u>-</u>	<u>-</u>

#### (c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return to the Group.

##### (i) Currency risk

The Group operates internationally and is exposed to foreign exchange currency risk arising from various currency exposures, primarily with respect to the US dollar, Euro and Pound Sterling. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

## 8. FINANCIAL RISK MANAGEMENT (CONT'D)

### Risk Management Framework (cont'd)

#### (c) Market risk (cont'd)

##### (i) Currency risk (cont'd)

The following significant exchange rates have been applied:

	<b>Mid Rates</b>	
	<b>2019</b>	<b>2018</b>
United States Dollar	6.7003	6.7003
Canadian Dollar	5.2257	4.9997
GBP	9.1141	8.8053
EURO	7.7506	7.9109

#### Exposure to currency risk

The Group analyses the exposure of its major export receivables to fluctuations in the United States (US) dollar exchange rate. The US dollar exchange rate has been assessed as presenting the greatest exposure to market risk in the form of currency risk, since the majority of export sales are invoiced and collected in US dollars.

	<b>USD in (TTD \$'000)</b>	<b>Total (TTD \$'000)</b>	<b>% of Total</b>
<i>Year ended December 31, 2019</i>			
Trade Receivables	73,769	205,046	35%
Cash and Cash Equivalents	81,825	95,671	85%
Other Investments	385,493	385,495	100%
Trade Payables	(15,459)	(30,139)	51%
Net exposure	<u>523,472</u>	<u>654,084</u>	<u>80%</u>
<i>Year ended December 31, 2018</i>			
Trade Receivables	64,015	179,957	36%
Cash and Cash Equivalents	91,180	119,075	77%
Other Investments	274,524	294,368	93%
Trade Payables	(16,428)	(25,448)	65%
Net exposure	<u>413,291</u>	<u>567,952</u>	<u>73%</u>

The management of foreign currency risk against exchange gap limits is further supplemented by monitoring the sensitivity of the possible impact on net profits before tax and on equity of fluctuations of the US dollar foreign exchange rate relative to the Trinidad and Tobago dollar.

The table below sets out the effect on the Group's profit or loss of a shift in the US dollar exchange rate against the Trinidad and Tobago dollar. The sensitivity was a 0.7% depreciation/appreciation in the rate of exchange (2018: 0.3%).

The analysis assumes that all other variables, in particular interest rates, remain constant.

	<b>2019</b>	<b>2018</b>
Appreciation/depreciation of TT dollar	0.7%	0.3%
Increase (decrease) in profit before taxation		
Effect of a depreciation of the TT dollar	(3,664)	(1,240)
Effect of an appreciation of the TT dollar	3,664	1,240

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2019

79

## 8. FINANCIAL RISK MANAGEMENT (CONT'D)

### Risk Management Framework (cont'd)

#### (c) Market risk (cont'd)

##### (i) Currency risk (cont'd)

The Group prepared the sensitivity analysis above by applying the percentages rate to the net foreign currency position of financial instruments as at December 31 of the respective years. An analysis of financial instruments by currency is shown in Note 8(c)(i).

The Group considers revenue and receivables in US dollars to be the greatest source of currency risk, especially where customers are domiciled in non-US territories. Sales to EMEAA countries are invoiced in US dollars as is the case for all export customers. The primary mitigating factor against currency exposure from sales and receivables is the Group's US dollar denominated purchases and payables. The Group is a net earner of US dollars.

##### (ii) Price risk

The Group does not have a policy for managing price risk arising from the investments held in foreign currencies. No significant price risk in respect of such investments have been identified at the year-end since all investments in foreign currencies have been fair valued and foreign operations are not significant to the Group.

#### (d) Capital risk

The Group's policy is to maintain a strong capital base to ensure investor, creditor and market confidence, and to sustain future development of the business. Management monitors the return on capital as well as the level of dividends to ordinary shareholders. The Board of Directors 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.

In managing capital, the Group aims to safeguard its going concern status; provide returns to shareholders and benefits for other stakeholders; and maintain an optimal structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

## 9. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by chief operating decision makers to make strategic decisions.

The segment results for the year ended December 31, 2019 are as follows:

	Rum \$'000	Bitters \$'000	LLB \$'000	Bulk \$'000	Other \$'000	Total \$'000
Revenue	542,670	178,555	24,392	54,707	46,876	847,200
Results from operating activities	108,322	70,806	1,895	8,564	(5,332)	184,255
Finance costs						(555)
Finance income						8,648
Results from continuing operations						192,348
Other income						5,234
Dividend income						173
Foreign exchange gains						4,023
Group profit before tax						201,778
Tax expense						(59,935)
Profit for the year						141,843

## 9. SEGMENT INFORMATION (CONT'D)

The segment results for the year ended December 31, 2018 are as follows:

	Rum \$'000	Bitters \$'000	LLB \$'000	Bulk \$'000	Other \$'000	Total \$'000
Revenue	<u>515,511</u>	<u>160,373</u>	<u>24,812</u>	<u>34,638</u>	<u>48,358</u>	<u>783,692</u>
Results from operating activities	<u>109,658</u>	<u>62,358</u>	<u>6,630</u>	<u>72</u>	<u>(4,667)</u>	<u>174,051</u>
Finance cost						(312)
Finance income						5,201
Results from continuing operations						178,940
Other expenses						(1,961)
Dividend income						45
Foreign exchange gains						548
Gain on disposal of investment						31
Group profit before tax						177,603
Tax expense						(47,685)
Profit for the year						<u>129,918</u>

The assets and liabilities of the Group are not allocated by segment.

Segments are aggregated based on product nature, as this quality has been assessed as having the greatest impact on trading criteria. Specifically, the following characteristics of trade are influenced by the nature of products:

- Geographical location of customer
- Type of customer
- Extent of marketing investment
- Treatment of selling and logistics expenses.

Rum, Bitters and LLB are branded trade products that carry specific differentiating characteristics, which make them unique to the Group and distinguishable from competitor products. These products are marketed in accordance with approved brand plans. Bulk items are commodity trade products that possess characteristics which can reasonably be attained by comparable producers in the spirits industry.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2019

81

## 10. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings \$'000	Plant, Machinery & Equipment \$'000	Casks and Pallets \$'000	Assets in Progress \$'000	Total \$'000
<b>December 31, 2019</b>					
<b>Cost or revaluation</b>					
Balance as at January 1	206,019	281,471	48,220	3,367	539,077
Right of use asset as at January 1	<u>6,189</u>	<u>3,058</u>	<u>-</u>	<u>-</u>	<u>9,247</u>
Revised balance as at January 1	212,208	284,529	48,220	3,367	548,324
Revaluation (Note 10a)	2,234	-	-	-	2,234
Adjustments	-	160	-	-	160
Additions	2,173	12,964	-	12,248	27,385
Impairment	-	(388)	-	-	(388)
Disposals	<u>-</u>	<u>(541)</u>	<u>(1,174)</u>	<u>-</u>	<u>(1,715)</u>
Balance as at December 31	<u>216,615</u>	<u>296,724</u>	<u>47,046</u>	<u>15,615</u>	<u>576,000</u>
<b>Accumulated depreciation</b>					
Balance as at January 1	(15,390)	(162,234)	(41,238)	-	(218,862)
Impairment	(1,982)	388	-	-	(1,594)
Reversal of revaluation loss	2,610	-	-	-	2,610
Depreciation charge	(5,340)	(15,725)	(5,079)	-	(26,144)
Disposals	<u>-</u>	<u>457</u>	<u>1,029</u>	<u>-</u>	<u>1,486</u>
Balance as at December 31	<u>(20,102)</u>	<u>(177,114)</u>	<u>(45,288)</u>	<u>-</u>	<u>(242,504)</u>
<b>At December 31, 2019</b>					
Cost or valuation	216,615	296,724	47,046	15,615	576,000
Accumulated depreciation	<u>(20,102)</u>	<u>(177,114)</u>	<u>(45,288)</u>	<u>-</u>	<u>(242,504)</u>
<b>Net book value</b>	<u>196,513</u>	<u>119,610</u>	<u>1,758</u>	<u>15,615</u>	<u>333,496</u>

The impairment of plant, machinery and equipment was due to recent earthquake activity that damaged several pieces of assets. These assets were fully depreciated. The impairment of Land and Buildings was due to the revaluation done in November 2019.

The net book value of property, plant and equipment, excluding fair value adjustment for land and buildings, is \$256,368 thousand (2018: \$245,057 thousand).

Additions include right of use assets of \$5,799 thousand (note 29 (i)). Also included in right of use assets at January 1, 2019 is a short-term lease valued at \$1,172 thousand. Assets in progress consists of cost to acquire new machinery and equipment for the upgrade of the manufacturing process. These projects are currently ongoing as at year end and are expected to be completed in 2020.



## 10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Land & Buildings \$'000	Plant, Machinery & Equipment \$'000	Casks and Pallets \$'000	Assets in Progress \$'000	Total \$'000
<b>December 31, 2018</b>					
<b>Cost or revaluation</b>					
Balance as at January 1	204,478	315,612	48,684	1,095	569,869
Reclassification	1,541	(3,294)	-	129	(1,624)
Adjustments	-	(8,079)	-	517	(7,562)
Additions	-	1,755	5,851	95	7,701
Disposals	-	(28,619)	(559)	(129)	(29,307)
Balance as at December 31	<u>206,019</u>	<u>281,471</u>	<u>48,220</u>	<u>3,367</u>	<u>539,077</u>
<b>Accumulated depreciation</b>					
Balance as at January 1	(12,533)	(182,985)	(36,550)	-	(232,068)
Reclassification	13	1,624	-	(13)	1,624
Adjustments	-	4,497	-	-	4,497
Depreciation charge	(2,870)	(13,549)	(5,080)	-	(21,499)
Disposals	-	28,179	392	13	28,584
Balance as at December 31	<u>(15,390)</u>	<u>(162,234)</u>	<u>(41,238)</u>	<u>-</u>	<u>(218,862)</u>
<b>At December 31, 2018</b>					
Cost or valuation	206,019	281,471	48,220	3,367	539,077
Accumulated depreciation	<u>(15,390)</u>	<u>(162,234)</u>	<u>(41,238)</u>	<u>-</u>	<u>(218,862)</u>
<b>Net book value</b>	<u>190,629</u>	<u>119,237</u>	<u>6,982</u>	<u>3,367</u>	<u>320,215</u>

### (a) Revaluation surplus

	2019 \$'000	2018 \$'000
At beginning of the year	75,158	75,158
Gain on revaluation	<u>2,234</u>	<u>-</u>
At the end of the year	<u>77,392</u>	<u>75,158</u>

The Group's freehold land and buildings were last revalued during November 2019 by an Independent Professional Chartered Valuation Surveyor. The valuation surveyors used a combination of the market approach, market value (direct comparison) and investment method to determine the values of land and buildings respectively.

This basis of valuation was used due to the specialist nature of the properties, derived from the exigencies of the operations. The surplus thus arising was credited to revaluation surplus in within 'capital reserves' in other reserves (Note 18).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2019

83

## 11. OTHER ASSETS AND INVESTMENTS

	2019 \$'000	Reclassified 2018 \$'000
Non-current assets and investments		
Equity securities – at FVOCI	108	108
Other assets	6,377	6,377
	<u>6,485</u>	<u>6,485</u>
Other assets relates to an amount held for our US entity which the Group intends to use for future in-market growth opportunities.		
<b>Current investments</b>		
Corporate debt securities – at amortised cost	<u>385,495</u>	<u>294,368</u>

Corporate debt securities as at amortised cost have interest rates ranging from 1.54% to 3.15% and mature in 12 months. These consist of a TTD Fixed Deposit and repurchase agreements supported by US dollar bonds issued by the Government of the Republic of Trinidad and Tobago. Finance income generated from investments amounted to \$8,648 thousand (2018: \$5,201 thousand).

	2019 \$'000	2018 \$'000
Balance at January 1	294,368	216,682
Additions	401,459	289,598
Redemptions	(317,635)	(216,682)
Interest amortised	6,177	4,770
Exchange rate difference	1,126	-
Balance at December 31	<u>385,495</u>	<u>294,368</u>

The carrying amounts of the Group's investments are denominated in the following currencies:

	2019 \$'000	2018 \$'000
Trinidad and Tobago dollar	2	19,844
United States dollar	<u>385,493</u>	<u>274,524</u>
	<u>385,495</u>	<u>294,368</u>

## 12. INVESTMENT IN JOINT VENTURE

Group	Country of incorporation	Percentage Owned	
		2019	2018
Tobago Plantations Limited	Trinidad and Tobago	50%	50%

The carrying value of the joint venture operation was reduced to nil in 2007 when the Group's share of the operating losses incurred by the joint venture surpassed the carrying value of the investment. This position has not since reversed and the accumulated losses still exceed the value of the investment. It is the Group's policy to recognise a share of losses only to the extent of its investment in the joint venture operation.

## 13. RETIREMENT BENEFIT NET ASSET AND RETIREMENT BENEFIT OBLIGATION

The Group's pension fund is funded by the Group and employees. The lump sum arrangement and unfunded pension benefit obligation plan are funded by the Group. The funding requirements are based on the pension fund's actuarial measurement performed by an independent qualified actuary.

The plan exposes the Group to actuarial risks such as longevity risk, currency risk, interest rate risk and market risk.

### **Consolidated Statement of Financial Position**

The amounts recognised in the consolidated statement of financial position are represented by:

	2019 \$'000	2018 \$'000
Fair value of plan assets (Note 13 (i))	367,403	357,709
Present value of retirement benefit obligation (Note 13 (i))	(319,025)	(297,292)
Retirement benefit net asset	<u>48,378</u>	<u>60,417</u>
This approved pension plan will provide/provides pension payments to the current and former employees of the Group.		
Lump sum benefit obligation (Note 13 (ii))	-	(294)
Unfunded pension benefit obligation (Note 13 (ii))	<u>(7,503)</u>	<u>(8,186)</u>
Retirement benefit obligation	<u>(7,503)</u>	<u>(8,480)</u>

The lump sum arrangement provides a lump sum benefit to employees based on service. The unfunded pension benefit obligation plan provides pension payments to certain former employees. Both these plans are serviced by the Group.

### **i. Movement in retirement benefit net asset**

	Retirement Benefit Obligation		Pension Plan Fair Value of Plan Assets		Retirement Benefit Net Asset	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<b>Balance at January 1</b>	(297,292)	(293,869)	357,709	349,063	60,417	55,194
<b>Included in profit and loss</b>						
Current service cost	(10,609)	(9,337)	-	-	(10,609)	(9,337)
Interest (cost) income	(15,865)	(15,830)	19,468	19,192	3,603	3,362
Administrative expenses	-	-	(302)	(280)	(302)	(280)
	<u>(26,474)</u>	<u>(25,167)</u>	<u>19,166</u>	<u>18,912</u>	<u>(7,308)</u>	<u>(6,255)</u>
<b>Included in other comprehensive income</b>						
Remeasurement (gain) loss:						
Actuarial (gain) loss arising from:						
- demographic assumptions	1,207	-	-	-	1,207	-
- experience adjustments	(10,776)	13,160	-	-	(10,776)	13,160
- Return on plan assets excluding interest income	-	-	(2,183)	(10,304)	(2,183)	(10,304)
	<u>(9,569)</u>	<u>13,160</u>	<u>(2,183)</u>	<u>(10,304)</u>	<u>(11,752)</u>	<u>2,856</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2019

85

## 13. RETIREMENT BENEFIT NET ASSET AND RETIREMENT BENEFIT OBLIGATION (CONT'D)

### i. Movement in retirement benefit net asset (cont'd)

	Retirement Benefit Obligation		Pension Plan Fair Value of Plan Assets		Retirement Benefit Net Asset	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<b>Other</b>						
Contributions paid by						
Employer and members	(3,612)	(3,695)	10,633	12,317	7,021	8,622
Benefits paid	<u>17,922</u>	<u>12,279</u>	<u>(17,922)</u>	<u>(12,279)</u>	<u>-</u>	<u>-</u>
	<u>14,310</u>	<u>8,584</u>	<u>(7,289)</u>	<u>38</u>	<u>7,021</u>	<u>8,622</u>
<b>Balance as at December 31</b>	<u>(319,025)</u>	<u>(297,292)</u>	<u>367,403</u>	<u>357,709</u>	<u>48,378</u>	<u>60,417</u>

### ii. Movement in retirement benefit liability

	Retirement Benefit Obligation Plans					
	Lump sum Plan		Unfunded Pension Plan		Total Liability	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<b>Balance at January 1</b>	(294)	(274)	(8,186)	(8,524)	(8,480)	(8,798)
Included in profit and loss						
Current service cost	(3)	(5)	-	-	(3)	(5)
Interest (cost) income	<u>(9)</u>	<u>(15)</u>	<u>(419)</u>	<u>(438)</u>	<u>(428)</u>	<u>(453)</u>
	<u>(12)</u>	<u>(20)</u>	<u>(419)</u>	<u>(438)</u>	<u>(431)</u>	<u>(458)</u>
<b>Included in other comprehensive income</b>						
Remeasurement (gain) loss:						
Actuarial (gain) loss arising from:						
- demographic assumptions	-	-	346	-	346	-
- experience adjustments	<u>36</u>	<u>-</u>	<u>(397)</u>	<u>(377)</u>	<u>(361)</u>	<u>(377)</u>
	<u>36</u>	<u>-</u>	<u>(51)</u>	<u>(377)</u>	<u>(15)</u>	<u>(377)</u>
<b>Other</b>						
Benefits paid	<u>270</u>	<u>-</u>	<u>1,153</u>	<u>1,153</u>	<u>1,423</u>	<u>1,153</u>
	<u>270</u>	<u>-</u>	<u>1,153</u>	<u>1,153</u>	<u>1,423</u>	<u>1,153</u>
<b>Balance as at December 31</b>	<u>-</u>	<u>(294)</u>	<u>(7,503)</u>	<u>(8,186)</u>	<u>(7,503)</u>	<u>(8,480)</u>

### iii. Summary of principal actuarial assumptions as at December 31 for the Retirement Benefit Net Asset

	Pension Plan	
	2019	2018
Discount rate	5.5%	5.5%
Average individual salary increases	4.5%	4.5%
Future pension increases	0.0%	0.0%

## 13. RETIREMENT BENEFIT NET ASSET AND RETIREMENT BENEFIT OBLIGATION (CONT'D)

### iii. *Summary of principal actuarial assumptions as at December 31 for the Retirement Benefit Net Asset (cont'd)*

Assumptions regarding future mortality rates are based on the published mortality tables.

The life expectancies underlying the value of the retirement benefit obligation as at December 31 are as follows:

	2019	2018
Life expectancy at age 60 for current pensioner in years:		
- Male	21.7	21.8
- Female	26.0	25.6
Life expectancy at age 60 for current members age 40 in years:		
- Male	22.6	21.8
- Female	26.9	25.6

The change in life expectancy was due to a review of the assumed post-retirement mortality rates which was used for valuations of local pension plans. This review was based on the mortality experience for larger plans, together with mortality data published in recent valuation reports on the local National Insurance System.

### Summary of principal actuarial assumptions as at December 31 for the Retirement Benefit Obligation Plans

	2019	2018
Discount rate	5.5%	5.5%

The discount rate relates to both the lump sum and unfunded pension plan.

	Pension Plan	
	2019 \$'000	2018 \$'000
iv. <i>Asset allocation</i>		
Insured managed fund contract	365,014	355,068
Immediate annuity policies	<u>2,389</u>	<u>2,641</u>
<b>Fair value of plan assets</b>	<u><u>367,403</u></u>	<u><u>357,709</u></u>

The value of the Plan's investment in the managed fund contract at December 31, 2019 was provided by the insurer Colonial Life Insurance Group (CLICO).

The Plan's assets are mostly invested in an insured managed fund contract with CLICO. The value of this policy is reliant on the financial strength of CLICO.

	2019 %	2018 %
Plan assets are comprised as follows:		
Debt Securities	96.3	92.8
Other (short-term securities)	<u>3.7</u>	<u>7.2</u>
	<u><u>100</u></u>	<u><u>100</u></u>

In 2019, none of the managed fund asset was invested in the Group's ordinary shares.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2019

87

## 13. RETIREMENT BENEFIT NET ASSET AND RETIREMENT BENEFIT OBLIGATION (CONT'D)

### v. *Sensitivity Analysis Retirement Benefit Net Asset*

The calculation of the retirement benefit obligation is sensitive to the assumptions used. The following table summarises how the retirement benefit obligation as at December 31, 2019 would have changed as a result of a change in the assumptions used.

	<b>Pension Plan</b>	
	<b>1% pa Increase \$'000</b>	<b>1% pa Decrease \$'000</b>
Discount rate	(40,852)	51,884
Future salary increases	<u>16,560</u>	<u>(14,333)</u>

An increase of 1 year in the assumed life expectancies shown above would increase the retirement benefit obligation at the year-end by \$4,362 thousand (2018: \$4,040 thousand).

### *Sensitivity Analysis Retirement Benefit Obligation*

This is the last year IAS 19 figures are required for this arrangement as all benefit payments due have been made for the Lump Sum Plan.

The sensitivity was calculated by re-calculating the retirement benefit obligation using the revised assumptions.

	<b>Unfunded Pension Plan</b>	
	<b>1% pa Increase \$'000</b>	<b>1% pa Decrease \$'000</b>
Discount rate	<u>(371)</u>	<u>411</u>

An increase of 1 year in the assumed life expectancies shown above would increase the retirement benefit obligation at the year-end by \$310 thousand (2018: \$338 thousand).

### vi. *Funding*

The Group meets the balance of the cost of funding the retirement benefit plan and must pay contributions at least equal to those paid by the members, which are fixed. The funding requirements are based on the regular (at least every 3 years) actuarial valuations of the Plan and the assumptions used to determine the funding required may differ from those set out above.

The Group expects to pay the following in 2020:

	<b>\$'000</b>
Pension Plan contribution	8,647
Medical Plan contribution	90
- Unfunded pension plan	<u>1,075</u>
	<u>9,812</u>

## 14. INVENTORIES

	<b>2019 \$'000</b>	<b>Reclassified 2018 \$'000</b>
Raw and packaging materials	57,728	67,481
Maturing inventories	89,978	85,322
Work in progress	37,069	40,787
Consumable spares	2,067	2,628
Finished goods	<u>69,159</u>	<u>51,580</u>
	256,001	247,798
Provision for obsolescence	<u>(2,232)</u>	<u>(2,307)</u>
	<u>253,769</u>	<u>245,491</u>

The cost of inventory recognized as an expense in "cost of goods sold" amounted to \$381,578 (2018: 289,669). Maturing inventories consist of aged rums which are expected to be utilized after more than one year in the normal operating cycle.

## 15. TRADE AND OTHER RECEIVABLES

	<b>2019 \$'000</b>	<b>Reclassified 2018 \$'000</b>
Trade receivables - Gross	205,046	179,957
Expected Credit Loss allowance (Note 8 (a))	<u>(44,806)</u>	<u>(40,502)</u>
	160,240	139,455
Receivables from related parties – net (Note 31 (v))	<u>2,503</u>	<u>2,237</u>
Trade receivables – net	162,743	141,692
Prepayments and other receivables	<u>23,127</u>	<u>4,050</u>
	<u>185,870</u>	<u>145,742</u>

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	<b>2019 \$'000</b>	<b>2018 \$'000</b>
United States dollar	73,769	64,015
Trinidad and Tobago dollar	126,896	109,732
Canadian dollar	411	465
Euro	901	1,073
GBP	<u>3,069</u>	<u>4,672</u>
	<u>205,046</u>	<u>179,957</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2019

89

## 15. TRADE AND OTHER RECEIVABLES (CONT'D)

Movements during the year in the expected credit loss allowance for trade and other receivables were as follows:

	2019 \$'000	2018 \$'000
At January 1	40,502	25,154
Write off against provision	(5,258)	(1,766)
Increase in Expected Credit Loss allowance	<u>9,562</u>	<u>17,114</u>
At December 31	44,806	40,502
Related party provision (Note 31 (v))	<u>6,608</u>	<u>6,608</u>
Total expected credit loss allowance	<u>51,414</u>	<u>47,110</u>

Amounts charged to the expected credit loss allowance account are generally written off when there is no expectation of recovering additional cash. None of the classes within trade and other receivables contain impaired assets other than as disclosed above.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. None of the trade and other receivables of the Group are pledged as collateral for borrowings.

## 16. CASH AND CASH EQUIVALENTS

	2019 \$'000	2018 \$'000
United States dollar	81,825	91,180
Trinidad and Tobago dollar	19,763	26,288
Euro	<u>1,563</u>	<u>1,607</u>
Cash at bank and in hand	<u>103,151</u>	<u>119,075</u>

The Group maintains banking relationships with prominent local and foreign banks with a proven history of stability and corporate resilience.

## 17. SHARE CAPITAL

	2019 \$'000	2018 \$'000
<b>Authorised</b>		
Number of ordinary shares in issue (000)	<u>205,820</u>	<u>205,820</u>
<b>Issued and fully paid</b>		
Ordinary shares (\$'000)	<u>118,558</u>	<u>118,558</u>

Issued and fully paid up shares comprise ordinary shares of no par value.

## 18. OTHER RESERVES

	Capital Reserves \$'000	General Reserves \$'000	Total \$'000
<b>Balance at January 1, 2019</b>	75,158	25,638	100,796
2019 Revaluations gain	2,234	-	2,234
<b>Balance at December 31, 2019</b>	<u>77,392</u>	<u>25,638</u>	<u>103,030</u>
<b>Balance at December 31, 2018</b>	<u>75,158</u>	<u>25,638</u>	<u>100,796</u>

Capital reserves represent gains on revaluation of land and buildings held by the Group. Land and buildings were revalued in November 2019 by an independent professional chartered valuation surveyor in accordance with the Group's accounting policies.

## 19. DEFERRED TAXATION

The movement in deferred tax assets and liabilities during the year is as follows:

	2018 \$'000	Charge to profit or loss \$'000	Charge to OCI \$'000	2019 \$'000
<b>Deferred tax assets</b>				
IFRS 16 Leases	-	99	-	99
	-	99	-	99
<b>Deferred tax liabilities</b>				
Revalued Buildings	-	(188)	-	(188)
Accelerated tax depreciation	(49,709)	3,140	-	(46,569)
Pension Asset	(15,581)	(211)	3,530	(12,262)
Unrealised gain	(1,935)	(177)	-	(2,112)
	<u>(67,225)</u>	<u>2,564</u>	<u>3,530</u>	<u>(61,131)</u>
<b>Net deferred tax liability</b>	<u>(67,225)</u>	<u>2,663</u>	<u>3,530</u>	<u>(61,032)</u>

	2017 \$'000	Charge to profit or loss \$'000	Charge to OCI \$'000	2018 \$'000
<b>Deferred tax liabilities</b>				
Accelerated tax depreciation	(55,381)	5,672	-	(49,709)
Pension asset	(13,919)	(918)	(744)	(15,581)
Unrealised gain	-	(1,935)	-	(1,935)
<b>Net deferred tax liabilities</b>	<u>(69,300)</u>	<u>2,819</u>	<u>(744)</u>	<u>(67,225)</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2019

91

## 20. TRADE AND OTHER PAYABLES

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade payables	30,139	25,448
Amounts due to related parties (Note 31(viii))	2,410	2,410
Provisions	26,385	16,949
Accruals	35,011	32,589
Other payables	<u>13,354</u>	<u>3,533</u>
	<u>107,299</u>	<u>80,929</u>

Provisions comprise mainly the estimated marketing costs of the Group for which expenses are expected to be incurred in the future.

Accruals comprise amounts due in respect of known obligations of the Group at the year-end. These include statutory obligations, administrative, selling and marketing costs.

Other payables comprise amounts due in respect of statutory obligations and operating costs which were incurred by the reporting date.

The table below analyses the Group's contractual obligations based on the remaining period at the financial position date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows. Balances due within one year equal their carrying balances as the impact of discounting is not significant.

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade and other payables < 1 year	<u>107,299</u>	<u>80,929</u>

No interest is charged on these balances.



## 21. EXPENSES BY NATURE

During 2019, the Group modified the classification of Expenses by nature to reflect more appropriately the way in which these expenses are disclosed. Comparative amounts were also reclassified. Included in results from operating activities are the following operating expense items:

### (i) *Selling and Marketing Expenses*

		Reclassified
	2019 \$'000	2018 \$'000
Excise Costs	(718)	(774)
Inventory write-off	(1,264)	(773)
Brand, selling & trade support expenses	(73,979)	(73,828)
Facilities expenses	(4,210)	(6,715)
Salaries, wages & employee benefits	(37,622)	(38,528)
Depreciation (Note 7 (e))	(912)	(973)
Depreciation on right of use assets (Note 7 (e))	(1,579)	-
Technical & advisory services	(11,135)	(10,022)
Corporate services expenses	(1,163)	(2,432)
Travel & related expenses	(818)	(4,668)
Transport & handling services	(5,672)	(4,839)
Other expenses	<u>(1,133)</u>	<u>(1,458)</u>
Total selling & marketing expenses	<u>(140,205)</u>	<u>(145,010)</u>

### (ii) *Administrative Expenses*

Facilities expenses	(8,629)	(8,810)
Salaries, wages & employee benefits	(36,655)	(31,079)
Depreciation (Note 7 (e))	(6,441)	(5,231)
Depreciation on right of use assets (Note 7 (e))	(172)	-
Technical & advisory services	(10,311)	(8,928)
Corporate services expenses	(14,415)	(13,094)
Travel & related expenses	(341)	(587)
Claims & settlement	(5,932)	(1,126)
Green fund Levy	(3,964)	(3,635)
Other expenses	<u>(1,853)</u>	<u>2,555</u>
Total administrative expenses	<u>(88,713)</u>	<u>(69,935)</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2019

93

## 22. FINANCE COSTS

	2019 \$'000	2018 \$'000
Lease interest (Note 29 (ii))	(555)	-
Unsecured borrowings	-	(312)
	<u>(555)</u>	<u>(312)</u>

## 23. OTHER INCOME/EXPENSES

	2019 \$'000	2018 \$'000
Loss on disposal of property, plant and equipment	(9)	(566)
Other income/(expenses)	<u>5,243</u>	<u>(1,395)</u>
	<u>5,234</u>	<u>(1,961)</u>

## 24. DIVIDEND INCOME

	2019 \$'000	2018 \$'000
Dividend income	<u>173</u>	<u>45</u>

## 25. FOREIGN EXCHANGE GAINS

	2019 \$'000	2018 \$'000
Foreign exchange gains	<u>4,023</u>	<u>548</u>

During the year the Group revalued its bank, investments, receivable and payable accounts which resulted in the above foreign exchange gains. Historically the Group only revalued its bank and investments accounts.

## 26. TAXATION EXPENSE

	2019 \$'000	2018 \$'000
Current charge	(62,598)	(50,504)
Deferred tax credit (Note 19)	<u>2,663</u>	<u>2,819</u>
	<u>(59,935)</u>	<u>(47,685)</u>

## 26. TAXATION EXPENSE (CONT'D)

The tax on the Group's profit before tax differs from that calculated at the statutory tax rate applicable to profits of the Group companies as follows:

	2019 \$'000	2018 \$'000
Profit before tax	201,778	177,603
Tax charge at statutory rate	60,533	53,281
Non-deductible expenses	2,684	1,738
Tax effect on transition adjustments	-	(4,131)
Tax effect on uplift	(4,150)	(4,709)
Income not subject to tax	(52)	(14)
Prior year under provision	920	1,520
	<u>59,935</u>	<u>47,685</u>

## 27. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Group by the number of ordinary shares in issue during the year.

	2019 \$'000	2018 \$'000
Profit for the year, attributable to the owners of the Group (\$'000)	<u>141,843</u>	<u>129,918</u>
Number of ordinary shares in issue ('000) (Note 17)	<u>205,820</u>	<u>205,820</u>
Basic earnings per share (\$)	<u>0.69</u>	<u>0.63</u>

## 28. EMPLOYEE BENEFITS

	2019 \$'000	2018 \$'000
Wages, salaries and other benefits	134,988	123,093
Pension costs – retirement benefit plans (Notes 13 (i) (ii))	<u>7,739</u>	<u>6,713</u>
	<u>142,727</u>	<u>129,806</u>

## 29. LEASES

The Group leases property and retail space, vehicles and office equipment. The leases typically run for a period ranging between two to four (2-4) years, with an option to renew the lease after that date. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

Property leases were previously classified as operating leases under IAS 17. These property leases were entered into many years ago, while the retail space, vehicle and office equipment leases were renegotiated at the end of the lease terms which ranges between two to four (2-4) years.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2019

95

## 29. LEASES (CONT'D)

### (i) *Right-of-use assets*

Right-of-use assets related to leased properties that do not meet the definition of investment property are disclosed in the financial statements (see Note 5(k)).

#### 2019

	Property & retail space	Vehicles	Office equipment	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 January	6,189	3,009	49	9,247
Additions to right-of-use assets (Note 10)	2,070	3,098	631	5,799
Depreciation charge for the year	(2,076)	(1,144)	(84)	(3,304)
<b>Balance at 31 December</b>	<u>6,183</u>	<u>4,963</u>	<u>596</u>	<u>11,742</u>

### (ii) *Amounts recognised in profit and loss*

**2019  
\$'000**

#### 2019 - Leases under IFRS 16

Interest on lease liabilities	(555)
Expenses relating to short-term leases	(1,062)
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>(38)</u>

**2018  
\$'000**

#### 2018 - Operating leases under IAS 17

Expense for the year	<u>(3,874)</u>
Future minimum lease payments under these leases at December 31 are as follows:	
Within 1 year	3,514
Between 2 and 5 years	<u>3,128</u>
	<u>6,642</u>

### (iv) *Amounts recognized in statement of cash flows*

**2019  
\$'000**

Interest on lease liabilities	(555)
Present value of lease liability	<u>(3,013)</u>
Total cash outflow for leases	<u>(3,568)</u>

## 29. LEASES (CONT'D)

### (v) *Finance Lease*

Lease liabilities at December 31, 2019 are payable as follows:

	Future minimum lease payments \$'000	Interest \$'000	Present Value of minimum lease payments \$'000
Less than one year	3,991	(660)	3,331
Between one and five years	6,698	(1,353)	5,345
More than five years	6,231	(2,873)	3,358
	<u>16,920</u>	<u>(4,886)</u>	<u>12,034</u>
Current	3,991	(660)	3,331
Non-current	<u>12,929</u>	<u>(4,226)</u>	<u>8,703</u>
	<u>16,920</u>	<u>(4,886)</u>	<u>12,034</u>

### (vi) *Extension options*

The Group has a lease of property that contains options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessor. The Group assesses at lease commencement whether it is reasonably certain to exercise the options if there is a significant event change in circumstances within its control. The Group currently has one lease expiring in 2021 and it is reasonably certain this lease will be extended for a further 30 years at a total cost of \$7.4m.

## 30. BANK OVERDRAFT

	2019 \$'000	2018 \$'000
Bank overdraft	<u>7,480</u>	<u>-</u>

The Group has access to an overdraft facility that is unsecured in the amount of \$12m. This amount is repayable on demand and incur interest at the rate of 9.75% per annum.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2019

97

## 31. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties during the year:

	2019 \$'000	2018 \$'000
(i) <i>Sales of goods and services</i>		
Sales of goods:		
- Entities controlled by the Ultimate Parent	<u>4,352</u>	<u>5,576</u>
(ii) <i>Purchases of goods and services</i>		
Purchases of services:		
- Entities controlled by the Ultimate Parent	<u>12,290</u>	<u>9,773</u>
The group purchases of services relate to group life, health and pension plans.		
(iii) <i>Key management compensation</i>		
Short-term employee benefits	4,823	5,614
Post-employment benefits	<u>536</u>	<u>524</u>
	<u>5,359</u>	<u>6,138</u>
Key management compensation includes salaries, incentives, medical contributions, non-cash benefits and contributions to a savings plan and retirement benefit pension plan (Note 13).		
(iv) <i>Receivable from ultimate parent</i>		
- Ultimate Parent	984,559	984,559
- Provision for impairment of receivable	<u>(984,559)</u>	<u>(984,559)</u>
	<u>-</u>	<u>-</u>

There were no movements in the provision related to the Group's ultimate parent Group receivable during the year.

During 2019 negotiations continued between management of the Group and its parent Group, with respect to the settlement of the intergroup receivable. In July 2017, provisional liquidators were appointed to the parent Group, and management submitted the claim to the liquidators requesting settlement of the intergroup receivable. As at year end and date of approval of these consolidated financial statements there were no indications that the provision for impairment related to the receivable should be revised.

(v) <i>Receivable from related parties</i>	2019 \$'000	2018 \$'000
- Entities controlled by Ultimate Parent	9,112	8,839
- Provision for impairment of receivables	<u>(6,608)</u>	<u>(6,608)</u>
	<u>2,504</u>	<u>2,231</u>
- Key management	<u>(1)</u>	<u>6</u>
	<u>2,503</u>	<u>2,237</u>

## 31. RELATED PARTY TRANSACTIONS (CONT'D)

	2019 \$'000	2018 \$'000
(vi) <i>Analysis of movements in related party impairment provisions:</i>		
Opening balance	6,608	6,686
Write off against provision	-	(78)
Closing provision	6,608	6,608
None of the balances are secured.		
(vii) <i>Loans to related parties</i>		
- Equity-accounted investees	4,989	4,989
- Provision for impairment of receivables	(4,989)	(4,989)
	-	-
(viii) <i>Payables and provisions in respect of related parties (Note 20)</i>		
-Ultimate Parent	2,410	2,410
(ix) <i>Other charges due to related parties</i>		
- Entities controlled by Ultimate Parent	1,227	1,206
- Key management	-	-
	1,227	1,206

## 32. DIVIDENDS PAID ON ORDINARY SHARES

	2019 \$'000	2018 \$'000
Final dividend prior year	30,942	24,753
First interim dividend	18,565	18,565
	49,507	43,318

A final dividend in respect of 2019 of \$0.17 cents per share (2018: \$0.15 cents per share) amounting to \$34,989,461 (2018: \$30,941,644) is to be approved at the Annual Meeting to be held at a date to be announced. If approved, the total dividend for the year will be \$0.26 cents per share (2018: \$0.24 cents per share) or 8% higher than the previous year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2019

99

## 33. RECLASSIFICATIONS

### (a) Reclassification of Prior Period Balances

#### (i) Other Assets reclassified from Trade and Other Receivables

The amount of \$6,377 thousand was reclassified from Trade and other receivables to Other assets and investments non-current from the prior year balances. This relates to an amount held for our US entity which the Group intends to use for future in-market growth opportunities.

#### Impact of Reclassification

The following summarises the impact of reclassification on the Group's financial statements:

	As previously reported \$'000	Reclassification \$'000	As reclassified \$'000
Other assets and investments	108	6,377	6,485
Trade and other receivables	152,119	(6,377)	145,742
	<u>152,227</u>	<u>-</u>	<u>152,227</u>

#### (ii) Expected credit loss on trade Receivables from Selling and marketing expenses

Expected credit loss on trade receivables was reclassified from selling and marketing expenses to improve the disclosure on the nature of these expenses.

	As previously reported \$'000	Reclassification \$'000	As reclassified \$'000
Selling and marketing expenses	(147,497)	2,487	(145,010)
Expected credit loss on trade receivables	-	(2,487)	(2,487)
	<u>(147,497)</u>	<u>-</u>	<u>147,497</u>

There were no impact on profit before tax for the period ending December 31, 2018 due to these reclassifications.

### (b) Reclassification of Disclosure notes

#### (i) Inventory (note 14)

The reclassification was done to separate Maturing inventories from Work in Progress. Maturing inventories consist of aged rums which are expected to be utilized after more than one year in the normal operating cycle.

## 33. RECLASSIFICATIONS (CONT'D)

### (b) Reclassification of Disclosure notes (cont'd)

#### (i) Inventory (note 14) (cont'd)

##### Impact of Reclassification

The following summarises the impact of reclassification on the Group's financial statements:

	As previously reported \$'000	Reclassification \$'000	As reclassified \$'000
Raw and packaging materials	67,481	-	67,481
Maturing inventories	-	85,322	85,322
Work in progress	126,109	(85,322)	40,787
Consumable Spares	2,628	-	2,628
Finished goods	51,580	-	51,580
	247,798	-	247,798
Provision for obsolescence	(2,307)	-	(2,307)
	<u>245,491</u>	<u>-</u>	<u>245,491</u>

#### (ii) Expenses by Nature (note 21)

The reclassification was done to align expenses by nature to the functional presentation disclosed in the consolidated statement of profit or loss and other comprehensive income. Expenses by nature was apportioned between (i) Selling and marketing expenses and (ii) Administrative expenses to improve the disclosure on the nature of these expenses.

## 34. CONTINGENCIES

The Group was party to certain legal issues at the reporting date for which provisions have been made in these financial statements. Management is satisfied that provisions held at the year-end in respect of legal matters were reasonable, and such amounts are reported within 'Provisions' in 'Trade and Other Payables' (Note 20) on the statement of financial position. For other legal matters, Management is confident of success and as such have assessed these to be contingent liabilities.

## 35. CAPITAL COMMITMENTS

At the year-end, capital commitments amounted to \$4,968 thousand (2018: \$1,303 thousand).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2019

101

## 36. EVENTS AFTER THE REPORTING DATE

On April 22, 2020 the Board of Directors recommended a final dividend in respect of 2019 of \$0.17 cents per share. The total dividend recommended in respect of 2019 was \$0.26 cents per share (2018: \$0.24 cents per share).

The Group has evaluated events occurring after December 31, 2019 in order to assess and determine the need for potential recognition or disclosure in these financial statements. Such events were evaluated through April 22, 2020, the date these financial statements were available to be issued. Based upon this evaluation, the Group has determined the following subsequent event requires disclosure:

In March 2020, a global pandemic was declared by the World Health Organization related to the novel coronavirus disease 2019 (COVID-19). COVID-19 and the actions being taken to respond to same have already begun to impact individuals and businesses in the markets and communities where the Company operates. These impacts currently or in the near future may, among others, include:

- Production and supply chain disruptions;
- Unavailability of Company personnel;
- Reductions in sales, earnings, and productivity;
- Delays in collections;
- Reduced hours of operations in facilities;
- Delays in projects and planned business expansions, including those of customers;
- Capital market disruptions; and
- Reduced tourism, disruptions in public gatherings including non-essential travel and sports, cultural and other leisure activities;

The Company does not have an estimate of the potential impact of these or other factors related to COVID-19 and no provision for such has therefore been made in its 2019 results.





[www.angostura.com](http://www.angostura.com)