

Consolidated Financial Statements of

**ANGOSTURA HOLDINGS LIMITED**

December 31, 2015

*(Expressed in Trinidad and Tobago Dollars)*

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**Independent Auditors' Report to the Shareholders of  
Angostura Holdings Limited**

We have audited the accompanying consolidated financial statements of Angostura Holdings Limited (the Company), which comprise the consolidated statement of financial position as at December 31, 2015, 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 a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2015, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

Chartered Accountants

March 17, 2016  
Port of Spain  
Trinidad and Tobago

# ANGOSTURA HOLDINGS LIMITED

## Consolidated Statement of Financial Position

December 31, 2015

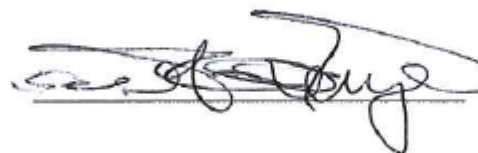
(Expressed in Trinidad and Tobago Dollars)

	Notes	2015 \$'000	2014 \$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	359,638	347,258
Available-for-sale assets	10	109	109
Retirement benefit asset	12	60,642	64,714
		<u>420,389</u>	<u>412,081</u>
<b>Current assets</b>			
Inventories	13	227,077	219,925
Assets held-for-sale	14	3,439	1,423
Trade and other receivables	15	274,365	241,579
Short term investments		29,297	-
Cash and cash equivalents	16	125,302	173,387
		<u>659,480</u>	<u>636,314</u>
<b>Total assets</b>		<u>1,079,869</u>	<u>1,048,395</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	17	118,558	118,558
Other reserves	18	99,915	99,915
Retained earnings		662,274	556,573
<b>Total equity</b>		<u>880,747</u>	<u>775,046</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred tax liability	20	61,284	51,962
<b>Current liabilities</b>			
Borrowings	19	50,600	114,764
Trade and other payables	21	87,238	106,623
		<u>137,838</u>	<u>221,387</u>
<b>Total liabilities</b>		<u>199,122</u>	<u>273,349</u>
<b>Total equity and liabilities</b>		<u>1,079,869</u>	<u>1,048,395</u>

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



Director

 Director

# ANGOSTURA HOLDINGS LIMITED

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended December 31, 2015

(Expressed in Trinidad and Tobago Dollars)

	Notes	2015 \$'000	2014 \$'000
Revenue		649,409	672,234
Cost of goods sold		(266,025)	(271,280)
<b>Gross profit</b>		383,384	400,954
Selling and marketing expenses		(116,455)	(117,784)
Administrative expenses		(54,211)	(62,942)
<b>Results from operating activities</b>		212,718	220,228
Finance costs	23	(1,402)	(3,044)
Finance income		154	108
<b>Results from continuing operations</b>		211,470	217,292
Other income (expenses)	24	2,047	(10,381)
Dividend income	25	1,108	1,245
Foreign exchange gains (losses)	26	620	(1,180)
Fair value gain on assets held-for-sale	14	2,745	-
<b>Profit before tax</b>		217,990	206,976
Taxation expense	27	(54,318)	(53,550)
<b>Profit for the year</b>		163,672	153,426
<b>Other comprehensive income</b>			
<i>Items that will never be reclassified to profit or loss:</i>			
Re-measurements of defined benefit asset	12	(5,778)	10,655
Related tax	20	1,444	(2,664)
		(4,334)	7,991
Revaluation of land and buildings	18	-	9,460
<i>Items that are or may be reclassified to profit or loss:</i>			
Foreign currency differences on translation of foreign operations		-	(69)
<b>Other comprehensive income for the year, net of tax</b>		(4,334)	17,382
<b>Total comprehensive income for the year</b>		159,338	170,808

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

## ANGOSTURA HOLDINGS LIMITED

Consolidated Statement of Comprehensive Income (continued)

Year ended December 31, 2015

*(Expressed in Trinidad and Tobago Dollars)*

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	Notes	2015	2014
		\$'000	\$'000
<b>Profit for the year attributable to:</b>			
Owners of the Company		<u>163,672</u>	<u>153,426</u>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<u>159,338</u>	<u>170,808</u>
<b>Dividend paid per share</b>		<u>26¢</u>	<u>26¢</u>
<b>Earnings per share - Basic and Diluted</b>	28	\$ <u>0.80</u>	<u>0.75</u>

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

## ANGOSTURA HOLDINGS LIMITED

### Consolidated Statement of Changes in Equity

Year ended December 31, 2015

*(Expressed in Trinidad and Tobago Dollars)*

	<b>Note</b>	<b>Share Capital</b>	<b>Other Reserves</b>	<b>Retained Earnings</b>	<b>Total Equity</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
		(Note 17)	(Note 18)		
<b>Balance at January 1, 2014</b>		<u>118,558</u>	<u>87,128</u>	<u>452,184</u>	<u>657,870</u>
Profit for the year		-	-	153,426	153,426
Other comprehensive income		-	9,460	7,922	17,382
<b>Total comprehensive income for the year</b>		<u>-</u>	<u>9,460</u>	<u>161,348</u>	<u>170,808</u>
<b>Transactions with equity holders recognized directly in equity</b>					
Dividends to equity holders		-	-	(53,632)	(53,632)
Transfer of revaluation losses on disposal of land and buildings	18	-	3,732	(3,732)	-
Other reserve movements		-	(405)	405	-
		<u>-</u>	<u>3,327</u>	<u>(56,959)</u>	<u>(53,632)</u>
<b>Balance at December 31, 2014</b>		<u>118,558</u>	<u>99,915</u>	<u>556,573</u>	<u>775,046</u>
<b>Balance at January 1, 2015</b>		<u>118,558</u>	<u>99,915</u>	<u>556,573</u>	<u>775,046</u>
Profit for the year		-	-	163,672	163,672
Other comprehensive income		-	-	(4,334)	(4,334)
<b>Total comprehensive income for the year</b>		<u>-</u>	<u>-</u>	<u>159,338</u>	<u>159,338</u>
<b>Transactions with equity holders recognized directly in equity</b>					
Dividends to equity holders		-	-	(53,637)	(53,637)
<b>Balance at December 31, 2015</b>		<u>118,558</u>	<u>99,915</u>	<u>662,274</u>	<u>880,747</u>

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

# ANGOSTURA HOLDINGS LIMITED

## Consolidated Statement of Cash Flows

Year ended December 31, 2015

*(Expressed in Trinidad and Tobago Dollars)*

	Notes	2015	2014
		\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		217,990	206,976
Adjustments for:			
Depreciation charge	9	15,365	19,968
(Loss) gain on disposal of property, plant and equipment	24	(72)	3,262
Loss on revaluation of land and buildings		-	10,865
Gain on settlement of financial liability		(138)	-
Gain on disposal of investments		(1,480)	-
Fair value gain on assets held-for-sale		(2,745)	-
Finance costs	23	1,402	3,044
Finance income		(154)	(108)
Dividend income	25	(1,108)	(1,245)
Adjustment to property, plant and equipment		2,053	(5,736)
Foreign exchange (gains) losses	26	(620)	1,180
Operating profit before working capital changes		230,493	238,206
Change in employee benefits		(140)	1,651
Change in trade and other receivables		(32,618)	(40,892)
Change in inventories		(7,152)	(21,295)
Change in trade and other payables		(18,735)	(3,719)
<b>Cash generated from operating activities</b>		<b>171,848</b>	<b>173,951</b>
Interest paid		(1,573)	(3,370)
Corporation tax paid		(43,689)	(51,973)
Retirement benefits paid – severance payments		(1,661)	(993)
<b>Net cash from operating activities</b>		<b>124,925</b>	<b>117,615</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of property, plant and equipment		365	72
Proceeds from disposal of investments		1,480	-
Proceeds from disposal of assets held for sale		936	-
Acquisition of property, plant and equipment	9	(30,091)	(44,475)
Additions to investment		(29,297)	-
Dividends received		1,108	1,245
Interest received		154	109
<b>Net cash used in investing activities</b>		<b>(55,345)</b>	<b>(43,049)</b>



## ANGOSTURA HOLDINGS LIMITED

### Consolidated Statement of Cash Flows (continued)

Year ended December 31, 2015

*(Expressed in Trinidad and Tobago Dollars)*

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	Notes	2015	2014
		\$'000	\$'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid		(53,637)	(53,632)
Proceeds from borrowings		50,600	64,451
Repayment of borrowings		(114,628)	(60,000)
<b>Net cash used in financing activities</b>		<b>(117,665)</b>	<b>(49,181)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(48,085)</b>	<b>25,385</b>
<b>Cash and cash equivalents at January 1</b>		<b>173,387</b>	<b>148,002</b>
<b>Cash and cash equivalents at December 31</b>	16	<b><u>125,302</u></b>	<b><u>173,387</u></b>

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

# ANGOSTURA HOLDINGS LIMITED

## Notes to Consolidated Financial Statements

December 31, 2015

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### 1. Reporting Entity

Angostura Holdings Limited (the Company) is a limited liability company incorporated and domiciled in the Republic of Trinidad and Tobago. The address of its registered office is Corner Eastern Main Road and Trinity Avenue, Laventille, Trinidad and Tobago. The Company has its primary listing on the Trinidad and Tobago Stock Exchange. It is a holding company whose subsidiaries are engaged in the manufacture and sale of rum, ANGOSTURA<sup>®</sup> aromatic bitters and other spirits, the bottling of beverage alcohol and other beverages on a contract basis, and the production and sale of food products. The consolidated financial statements of the Company as at and for the year ended December 31, 2015 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as the “Group companies”).

The principal subsidiaries are:

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

The Company’s ultimate parent entity is C L Financial Limited (CLF), a company incorporated in the Republic of Trinidad and Tobago.

These consolidated financial statements were approved for issue by the Board of Directors on March 17, 2016.

### 2. Basis of Accounting

#### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

Details of the Group’s accounting policies, including changes during the year, are included in Notes 5 and 6.

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## Notes to Consolidated Financial Statements

December 31, 2015

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### 2. Basis of Accounting (continued)

#### (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:

- non-derivative financial instruments at fair value through profit or loss are measured at fair value;
- available-for-sale financial assets are measured at fair value;
- assets held for sale are measured at fair value;
- net defined 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 defined benefit obligation adjusted by experience gains (losses) on revaluation, limited as explained in Note 5(j)(ii);
- investments in equity-accounted investees are measured using the equity method;
- certain freehold/leasehold land and buildings which are measured at fair value less depreciation.

### 3. Functional and Presentation Currency

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

### 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, 2015 is included in the following notes:

- Note 12 - Retirement benefit (asset) obligation – Measurement of defined benefit assets and obligations

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## Notes to Consolidated Financial Statements

December 31, 2015

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- Note 13 - Inventories – provision for obsolescence

#### 4. Use of Estimates and Judgements (continued)

- Note 15 - Trade and other receivables – provision for impairment
- Note 20 - Deferred taxation – timing differences on accounting and tax values of property, plant and equipment
- Note 31 - Related party transactions – provision for impairment.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 6 - Determination of fair values
- Note 30 - Leases – Determination of the lease classification.

#### 5. Significant Accounting Policies

The Group has consistently applied the accounting policies as set out in Note 5 to all periods presented in these consolidated financial statements.

##### (a) Basis of consolidation

###### (i) *Business combinations*

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. 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.

###### (ii) *Subsidiaries*

Subsidiaries are investees controlled by the Group. The Group ‘controls’ an investee 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. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The Group reassesses whether it has control if there are changes to one or more of the elements of control. 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.

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Notes to Consolidated Financial Statements

December 31, 2015

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## 5. Significant Accounting Policies (continued)

### (a) Basis of consolidation (continued)

#### (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.

#### (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*

Equity-accounted investees include associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control over the financial and operating policies. 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.

Interests in associates and joint ventures are accounted for using the equity method. They are recognised initially 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 11).

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

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

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## Notes to Consolidated Financial Statements

December 31, 2015

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### 5. Significant Accounting Policies (continued)

#### (b) Foreign currency

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

Transactions in foreign currencies are translated to 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 to 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 to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated. However, foreign currency differences arising from the translation of available-for-sale equity 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.

##### (ii) *Foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to the functional currency at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the retained earnings, except to the extent that the translation difference is allocated to non-controlling interests.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in retained earnings related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of an equity-accounted investee while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, then foreign currency differences arising from such item form part of the net investment in the foreign

# ANGOSTURA HOLDINGS LIMITED

## Notes to Consolidated Financial Statements

December 31, 2015

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operation. Accordingly, such differences are recognised in other comprehensive income and accumulated in the retained earnings.

### 5. Significant Accounting Policies (continued)

#### (b) Foreign currency (continued)

##### (ii) Foreign operations (continued)

The Group held no interests in foreign operations for the reported period.

#### (c) Financial instruments

Financial instruments include available-for-sale assets, trade receivables, short-term investments, cash and cash equivalents, borrowings and trade and other payables.

##### (i) Classification

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale assets.

Loans and receivables are created by the Group providing money to a debtor other than those created with the intention of short-term profit taking. Loans and receivables comprise trade receivables.

Financial assets at fair value through profit or loss are securities which are either acquired for generating a profit from short-term fluctuations in price, or are securities included in a portfolio in which a pattern of short-term profit taking exists.

Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturity that the Group has the intent and ability to hold to maturity. These include certain debt investments.

Available-for-sale financial assets are those non-derivative financial assets that are designated as such, or are not financial assets at fair value through profit or loss, loans and receivables, or held-to-maturity. Available-for-sale instruments include certain equity investments.

The Group classifies non-derivative financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities.

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

**ANGOSTURA HOLDINGS LIMITED**

Notes to Consolidated Financial Statements

December 31, 2015

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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.



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Notes to Consolidated Financial Statements

December 31, 2015

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## 5. Significant Accounting Policies (continued)

### (c) Financial instruments (continued)

#### (ii) *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.

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 derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

#### (iii) *Non-derivative financial assets-Measurement*

##### *Financial assets at fair value through profit or loss*

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in profit or loss.

##### *Held-to-maturity financial assets*

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

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## Notes to Consolidated Financial Statements

December 31, 2015

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### 5. Significant Accounting Policies (continued)

#### (c) Financial instruments (continued)

##### (iii) *Non-derivative financial assets – Measurement* (continued)

###### *Loans and receivables*

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method except for instances where indications of impairment exist, in which case they are measured at fair value.

The ‘effective interest rate’ is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial assets or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability and is not revised subsequently. When calculating the effective interest rate, the Group estimates the future cash flows considering all contractual terms of the financial instrument, but not the future credit losses

###### *Available-for-sale assets*

These assets are initially recognised at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments, are recognised in other comprehensive income and accumulated in the investment revaluation reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

##### (iv) *Non-derivative financial liabilities-Measurement*

A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognised in profit or loss.

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

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## Notes to Consolidated Financial Statements

December 31, 2015

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### 5. Significant Accounting Policies (continued)

#### (c) Financial instruments (continued)

##### (v) *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 legally enforceable right to offset the recognised amounts and 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.

##### (vi) *Amortised cost measurement*

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method, of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

##### (vii) *Fair value measurement*

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

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

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

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## Notes to Consolidated Financial Statements

December 31, 2015

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### 5. Significant Accounting Policies (continued)

#### (c) Financial instruments (continued)

##### (vii) *Fair value measurement* (continued)

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability, nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The Group recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

##### (viii) *Designation at fair value through profit or loss*

The Group has designated financial assets and financial liabilities at fair value through profit or loss in either of the following circumstances.

- The assets or liabilities are managed, evaluated and reported internally on a fair value basis.
- The designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Note 6 sets out the amount of each class of financial asset or financial liability that has been designated at fair value through profit or loss. A description of the basis for each designation is set out in the note for the relevant asset or liability class.

# ANGOSTURA HOLDINGS LIMITED

Notes to Consolidated Financial Statements

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## 5. Significant Accounting Policies (continued)

### (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 except where a gain directly offsets previous losses, in which case the gain is recognised in profit or loss to the extent that it offsets previous losses. Any additional gains are recognised within the revaluation reserve.
- losses are recognized directly in 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 recognized 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.

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

#### (ii) *Subsequent costs*

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 based on the market value or cost of an asset less its residual value. 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.

# ANGOSTURA HOLDINGS LIMITED

Notes to Consolidated Financial Statements

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## 5. Significant Accounting Policies (continued)

### (d) Property, plant and equipment (continued)

#### (iii) Depreciation (continued)

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method for buildings and reducing balance method for all other assets, to allocate their cost or revalued amounts to their residual values over their estimated useful lives.

Leased 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 are as follows:

- Buildings	25 - 40 years
- Plant, machinery and equipment	3 - 15 years
- Casks and pallets	6 years.

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

### (e) Intangible assets

#### (i) Research and development

Expenditure on research is recognised in profit or loss as incurred.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

#### (ii) Other intangible assets

Other intangible assets, including customer relationships, patents and trademarks, which are acquired by the Group and have finite useful lives, are measured at cost less accumulated amortisation and any accumulated impairment losses.

# ANGOSTURA HOLDINGS LIMITED

## Notes to Consolidated Financial Statements

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### 5. Significant Accounting Policies (continued)

#### (e) Intangible assets (continued)

##### (iii) *Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

##### (iv) *Amortisation*

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Goodwill is not amortised.

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

The Group currently has no intangible assets.

#### (f) 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.

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.

#### (g) Impairment

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

Financial assets not classified as at fair value through profit or loss, including any interest in equity-accounted investees, are assessed at each reporting date to determine whether there is objective evidence of impairment.

# ANGOSTURA HOLDINGS LIMITED

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## 5. Significant Accounting Policies (continued)

### (g) Impairment (continued)

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

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor
- restructuring of an amount due to the Group on terms that the Group would not otherwise consider
- indications that a debtor or issuer will enter bankruptcy
- adverse changes in the payment status of borrowers or issuers
- the disappearance of an active market for a security
- observable data indicating that there is a measurable decrease in expected cash flows from a group of financial assets

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Group considers a decline of 20% to be significant and a period of nine months to be prolonged.

#### *Financial assets measured at amortised cost*

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.



**5. Significant Accounting Policies** (continued)

**(g) Impairment** (continued)

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

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

*Available-for-sale assets*

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss.

*Equity-accounted investees*

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

**(ii) 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. Goodwill is tested annually for impairment.

# ANGOSTURA HOLDINGS LIMITED

## Notes to Consolidated Financial Statements

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### 5. Significant Accounting Policies (continued)

#### (g) Impairment (continued)

##### (ii) *Non-financial assets* (continued)

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). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

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.

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.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### (h) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand.

#### (i) Assets held-for-sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro-rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies.

# ANGOSTURA HOLDINGS LIMITED

## Notes to Consolidated Financial Statements

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### 5. Significant Accounting Policies (continued)

#### (i) Assets held-for-sale (continued)

Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on re-measurement are recognised, in profit or loss. Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

#### (j) Employee benefits

Retirement benefits for employees are provided by defined benefit schemes. The Group operates two defined 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) *Defined contribution plans*

Obligations for contributions to defined 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 defined contribution plan for post-retirement medical benefits. None of the Group's pension plans are defined contribution plans.

##### (ii) *Defined benefit plans*

The Group's net obligation in respect of defined 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 defined 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.

**5. Significant Accounting Policies** (continued)

**(j) Employee benefits** (continued)

**(ii) Defined benefit plans** (continued)

Re-measurements of the net defined 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 defined benefit asset or liability for the period, by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period, to the net defined benefit asset or liability, taking into account any changes during the period resulting from contributions and benefit payments.

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

When the benefits of 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 defined benefit plan when the settlement occurs.

**(iii) Other long-term employee benefits**

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit and loss in the period in which they arise.

**(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 end of the reporting period, then they are discounted to their present value.

**(v) 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.

# ANGOSTURA HOLDINGS LIMITED

## Notes to Consolidated Financial Statements

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### 5. Significant Accounting Policies (continued)

#### (k) 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. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

##### *Warranties*

A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

##### *Restructuring*

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

##### *Site restoration*

A provision for site restoration in respect of contaminated land, and the related expense, is recognised when the land is contaminated.

##### *Onerous contracts*

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

#### (l) Revenue

##### (i) *Sale of goods*

Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of excise taxes, returns, trade discounts and volume rebates.

# ANGOSTURA HOLDINGS LIMITED

## Notes to Consolidated Financial Statements

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### 5. Significant Accounting Policies (continued)

#### (l) Revenue (continued)

##### (i) *Sale of goods* (continued)

If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised. The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement.

##### (ii) *Rendering of services*

If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated on a relative fair value basis between the different services, across the reporting periods.

The Group recognises revenue from rendering of services in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed based on surveys of work performed.

#### (m) Leases

##### (i) *Determining whether an arrangement contains a lease*

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

##### (ii) *Leased assets*

Leases of property, plant and equipment that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to the asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's consolidated statement of financial position.

# ANGOSTURA HOLDINGS LIMITED

## Notes to Consolidated Financial Statements

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### 5. Significant Accounting Policies (continued)

#### (m) Leases (continued)

##### (iii) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

#### (n) 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 profit or loss on the date that the Group's right to receive payment is established.

#### (o) 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.

# ANGOSTURA HOLDINGS LIMITED

## Notes to Consolidated Financial Statements

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### 5. Significant Accounting Policies (continued)

#### (o) Taxation (continued)

##### *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 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. 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.

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. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

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



**5. Significant Accounting Policies** (continued)

**(p) Discontinued operations**

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

**(q) 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, fair value gains and losses, fair value gain on assets held-for-sale, gain on disposal of investments, share of profits from equity-accounted investee, net of tax, and tax expenses and income.

**(r) 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.

*Repurchase and reissue of share capital (treasury shares)*

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are classified within share capital as a deduction. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented within share premium.

**5. Significant Accounting Policies** (continued)

**(s) New and forthcoming standards and interpretations**

*(i) New and forthcoming standards adopted*

A number of new standards, amendments to standards and interpretations effective for annual periods beginning after January 1, 2015, have been reviewed for applicability in preparing these consolidated financial statements. Details of these standards are set out below with further information on the potential impact of changes on the consolidated financial statements where assessed as relevant.

- *IFRS 2 Share Based Payment*

The standard has been amended to clarify the definition of ‘vesting condition’ by separately defining ‘performance condition’ and ‘service condition’. The amendments provide qualifying criteria for classification as a performance condition, and set out requirements for the definition of performance targets. Finally, clarification is provided on how to distinguish between market and non-market performance conditions, and the basis for differentiation of performance condition from non-vesting conditions.

The amendment did not impact the Group’s consolidated financial statements.

- *IFRS 3 Business Combinations*

The amendments clarify the classification and measurement of contingent consideration in a business combination. Where contingent consideration is a financial instrument its classification as a liability or equity is determined by reference to IAS 32 *Financial Instruments: Presentation*, and where classified as an asset or liability, contingent consideration is always subsequently measured at fair value, with changes in fair value recognised in profit or loss. Consequential amendments are also made to IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 9 *Financial Instruments* and IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The amendment also clarifies that the standard does not apply to the formation of all types of joint arrangements in IFRS 11 *Joint Arrangements* in the financial statements of the joint arrangements themselves.

The amendment did not impact the Group’s consolidated financial statements.

- *IFRS 8 Operating Segments*

The standard has been amended to explicitly require the disclosure of judgments made by management in applying aggregation criteria to operating segments. Disclosures must include a brief description of the operating segments that have been aggregated and the economic indicators that were assessed in determining that the operating segments share similar economic characteristics.

# ANGOSTURA HOLDINGS LIMITED

## Notes to Consolidated Financial Statements

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### 5. Significant Accounting Policies (continued)

#### (s) New and forthcoming standards and interpretations (continued)

##### (i) *New and forthcoming standards adopted* (continued)

- *IFRS 8 Operating Segments* (continued)

Furthermore, the amendments clarify that similar to segment liabilities, a reconciliation of the reportable segments' assets to the entity's assets is required only if regularly reported to the chief operating decision maker.

The amendment has resulted in additional disclosures concerning the aggregation of operating segments into reportable segments.

- *IFRS 13 Fair Value Measurement*

The amendment clarifies that consequential amendments to IAS 39 and IFRS 9 resulting from the issue of IFRS 13, do not preclude entities from measuring short term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial.

Clarity was also provided on the scope of certain portfolio exceptions provided by the standard.

The amendment did not impact the Group's consolidated financial statements.

- *IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets*

The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation or amortisation is not always proportionate to the change in the gross carrying amount of the asset. In particular, observable market data and accumulated impairment losses impact the restatement.

The amendment did not impact the Group's consolidated financial statements.

- *IAS 24 Related Party Disclosures*

The amendments include an extension of the definition of a 'related party' to include a management entity that provides key management personnel to the reporting entity, either directly or through a group entity. In this instance, disclosures must be made for all amounts transacted with the management entity including but not limited to: fees paid for key management personnel; loans granted or taken; and regular trading of goods and services.

The amendment did not impact the Group's consolidated financial statements.

# ANGOSTURA HOLDINGS LIMITED

Notes to Consolidated Financial Statements

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## 5. Significant Accounting Policies (continued)

### (s) New and forthcoming standards and interpretations (continued)

#### (i) *New and forthcoming standards adopted* (continued)

- *IAS 40 Investment Property*

The amendments clarify that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

The amendment did not impact the Group's consolidated financial statements.

#### (ii) *New and forthcoming standards not yet adopted*

The following standards or amendments to standards are effective for annual periods beginning on or after January 1, 2016, and have not been early adopted by the Group.

- *IFRS 5 Non-current assets held-for-sale and discontinued operations*

The amendment clarifies the accounting implications if an entity changes its plans for a disposal or distribution of assets. If the method of disposal changes, but the plan to disposal remains in place, then there will be no impact on the accounting for the assets. If the asset is no longer available for immediate distribution or distribution is no longer highly probable, then there will be an impact on accounting.

The amendment when effective, will not impact the Group's 2016 consolidated financial statements.

- *IFRS 7 Financial instruments: Disclosures*

Proposed amendments will clarify that servicing arrangements are generally in the scope of IFRS 7 disclosures on continuing involvement in transferred financial assets that are derecognised in their entirety. Additional amendments clarify that offsetting disclosures prescribed by the standard are not required for condensed interim financial statements, unless required by IAS 34 *Interim Financial Reporting*.

The amendments when effective, will not impact the Group's 2016 consolidated financial statements.

**5. Significant Accounting Policies** (continued)

(s) **New and forthcoming standards and interpretations** (continued)

(ii) *New and forthcoming standards not yet adopted* (continued)

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

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

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

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

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

# ANGOSTURA HOLDINGS LIMITED

## Notes to Consolidated Financial Statements

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### 5. Significant Accounting Policies (continued)

#### (s) New and forthcoming standards and interpretations (continued)

##### (ii) *New and forthcoming standards not yet adopted* (continued)

- IFRS 16, *Leases* (continued)

Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases. Finance lease accounting will be based on IAS 17 lease accounting, with recognition of net investment in lease comprising lease receivable and residual asset. Operating lease accounting will be based on IAS 17 operating lease accounting.

Early adoption is permitted if IFRS 15, *Revenue from Contracts with Customers* is also adopted.

The Group is assessing the impact that this amendment will have on its 2019 financial statements.

- *IAS 19 Employee Benefits*

The standard has been amended to clarify the basis for determination of the discount rate for post-employment benefit obligations in regional markets that share a common currency. In such instances, the discount rate should be in the currency of benefit payments.

The amendment when effective, will not impact the Group's consolidated financial statements.

- *IAS 34 Interim Financial Reporting*

The amendments clarify that certain disclosures, if not included in the notes to interim financial statements, may be disclosed elsewhere in the interim financial report. The interim financial report would be made available to users of the interim financial statements on the same terms and at the same time as the interim financial statements themselves.

The amendment when effective, will not impact the Group's consolidated financial statements.

# ANGOSTURA HOLDINGS LIMITED

## Notes to Consolidated Financial Statements

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### 5. Significant Accounting Policies (continued)

#### (s) New and forthcoming standards and interpretations (continued)

##### (ii) *New and forthcoming standards not yet adopted* (continued)

- IAS 1, *Presentation of Financial Statements*, effective for accounting periods beginning on or after January 1, 2016, has been amended to clarify or state the following:
  - specific single disclosures that are not material do not have to be presented even if they are minimum requirements of a standard;
  - the order of notes to the financial statements is not prescribed;
  - line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Line items can be aggregated if they are not material;
  - specific criteria is now provided for presenting subtotals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirements for the statement of profit or loss and OCI; and
  - the presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method follows the IAS 1 approach of splitting items that may, or that will never, be reclassified to profit or loss.

The Group is assessing the impact that this amendment will have on its 2016 financial statements.

- Amendments to IAS 16 and IAS 38, *Clarification of Acceptable Methods of Depreciation and Amortisation*, are effective for accounting periods beginning on or after January 1, 2016.
- The amendment to IAS 16, *Property, Plant and Equipment* explicitly states that revenue-based methods of depreciation cannot be used. This is because such methods reflect factors other than the consumption of economic benefits embodied in the assets.
- The amendment to IAS 38, *Intangible Assets* introduces a rebuttable presumption that the use of revenue-based amortisation methods is inappropriate for intangible assets.

The Group is assessing the impact that this amendment will have on its 2016 financial statements.

# ANGOSTURA HOLDINGS LIMITED

## Notes to Consolidated Financial Statements

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### 5. Significant Accounting Policies (continued)

#### (s) New and forthcoming standards and interpretations (continued)

##### (ii) *New and forthcoming standards not yet adopted* (continued)

- Amendments to IAS 16, *Property, Plant and Equipment*, and IAS 41, *Biological Assets*, which are effective for annual reporting periods beginning on or after January 1, 2016, require a bearer plant, defined as a living plant, to be accounted for as property, plant and equipment and included in the scope of IAS 16 instead of IAS 41. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41.

The Group is assessing the impact that this amendment will have on its 2016 financial statements.

- Amendments to IAS 27, *Equity Method in Separate Financial Statements*, effective for accounting periods beginning on or after January 1, 2016 allow the use of the equity method in separate financial statements, and apply to the accounting for subsidiaries, associates, and joint ventures.

The Group is assessing the impact that this amendment will have on its 2016 financial statements.

- Amendments to IFRS 10, *Consolidated Financial Statements*, and IAS 28, *Investments in Associates and Joint Ventures*, in respect of *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, are effective for annual reporting periods beginning on or after January 1, 2016. The amendments require that when a parent loses control of a subsidiary in a transaction with an associate or joint venture, the full gain be recognised when the assets transferred meet the definition of a 'business' under IFRS 3, *Business Combinations*.

The Group is assessing the impact that this amendment will have on its 2016 financial statements.

- Amendments to IFRS 11, *Accounting for Acquisitions of Interests in Joint Operations*, effective for accounting periods beginning on or after January 1, 2016, require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value but previously held interests will not be remeasured.

The Group is assessing the impact that this amendment will have on its 2016 financial statements.



**5. Significant Accounting Policies** (continued)

**(s) New and forthcoming standards and interpretations** (continued)

**(ii) New and forthcoming standards not yet adopted** (continued)

- Amendments to IFRS 10, *Consolidated Financial Statements*, IFRS 12, *Disclosure of Interests in Other Entities* and IAS 28, *Investments in Associates and Joint Ventures*, effective for accounting periods beginning on or after January 1, 2016, have been amended to introduce clarifications on which subsidiaries of an investment entity are consolidated instead of being measured at fair value through profit or loss. IFRS 10 was amended to confirm that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity. An investment entity shall measure at fair value through profit or loss all of its subsidiaries that are themselves investment entities. IAS 28 was amended to provide an exemption from applying the equity method for investment entities that are subsidiaries and that hold interests in associates and joint ventures. IFRS 12 was amended to clarify that the relevant disclosure requirements in the standard apply to an investment entity in which all of its subsidiaries are measured at fair value through profit or loss.

The Group is assessing the impact that these amendments will have on its 2017 financial statements.

- *Improvements to IFRS 2012-2014 cycle*, contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2016. The main amendments applicable to the Group are as follows:
  - IAS 34, *Interim Financial Reporting*, has been amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements, may be disclosed “elsewhere in the interim financial report”. The interim financial report is incomplete if the interim financial statements and any disclosures incorporated by cross-reference are not made available to users of the interim financial statements on the same terms and at the same time.

The Group is assessing the impact that this amendment will have on its 2016 financial statements.

- IFRS 9, *Financial Instruments*, which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

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## Notes to Consolidated Financial Statements

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### 5. Significant Accounting Policies (continued)

#### (s) New and forthcoming standards and interpretations (continued)

##### (ii) *New and forthcoming standards not yet adopted* (continued)

- IFRS 9, *Financial Instruments* (continued)

Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ model, which means that a loss event will no longer need to occur before an impairment allowance is recognized.

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

### 6. 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 recognised as a result of a business combination 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 the market approach and cost approaches using quoted market prices for similar items when available and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

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## Notes to Consolidated Financial Statements

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### 6. Determination of Fair Values (continued)

#### a) Fair value measurement (continued)

##### (ii) *Intangible assets*

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that are expected to be avoided as a result of the patents or trademarks being owned. The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

##### (iii) *Inventories*

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

##### (iv) *Available-for-sale assets*

The fair values of investments in equity and debt 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. Subsequent to initial recognition, the fair values of held-to-maturity investments are determined for disclosure purposes only.

##### (v) *Assets held-for-sale*

The fair value of assets held for sale is determined by market valuations performed by independent experts, where all significant inputs of the valuation technique are directly or indirectly observable from market data.

##### (vi) *Trade and other receivables*

The fair values of trade and other receivables, excluding construction work in progress, are estimated at the present value of future cash flows, discounted at the market rate of interest at the measurement date. Short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial. Fair value is determined at initial recognition and, for disclosure purposes, at each annual reporting date.

**6. Determination of Fair Values** (continued)

**a) Fair value measurement** (continued)

*(vii) Other non-derivative financial liabilities*

Other non-derivative financial liabilities are measured at fair value, at initial recognition and for disclosure purposes, at each annual reporting date. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date.

In respect of the liability component of convertible notes, the market rate of interest is determined with reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined with reference to similar lease agreements.

*(viii) Contingent consideration*

The fair value of contingent consideration arising in a business combination is calculated using the income approach based on the expected payment amounts and their associated probabilities. When appropriate, it is discounted to present value.

**b) Valuation models**

The Group's accounting policy on fair value measurements is discussed in accounting policy 5(c) (vii) and (viii).

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

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.

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### 6. Determination of Fair Values (continued)

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

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

#### 2015

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Available-for-sale assets	1	-	108	109
Short-term investments	<u>29,297</u>	<u>-</u>	<u>-</u>	<u>29,297</u>

#### 2014

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Available-for-sale assets	<u>1</u>	<u>-</u>	<u>108</u>	<u>109</u>

#### d) Financial instruments not measured at fair value

The table below is an analysis of financial instruments *not* measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is an approximation of fair value.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>	<u>Total Carrying Amount</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
<b>As at December 31, 2015</b>					
Borrowings	<u>-</u>	<u>50,600</u>	<u>-</u>	<u>50,600</u>	<u>50,600</u>
<b>As at December 31, 2014</b>					
Borrowings	<u>-</u>	<u>114,764</u>	<u>-</u>	<u>114,761</u>	<u>114,764</u>

The fair value of borrowings is estimated using discounted cash flow techniques, applying the rates that are offered for debt securities of similar maturities and terms. The repayment date for borrowings is March 2016.

## 7. Financial Risk Management

### *Risk Management Framework*

The Executive Management has set up a Risk Management Committee (RMC) to institute a formal Enterprise Risk Management (ERM) program to ensure that key risks are actively and continuously identified, managed, monitored and reported. The aim is to establish a risk management culture and communicate the importance of risk management activities to all staff, and specify the responsibilities and accountability for risk management throughout operations. Input is obtained from all key stakeholders including management, those charged with Governance, legal counsel, internal and external auditors. The Risk Management Committee also considers the emergence of new risks, and operational management is required to report on such risks and assist in the development of mitigating strategies to address them. The Risk Management Committee is guided by the Group's Risk Leader.

The Group's Audit Committee oversees how management monitors compliance with the Group's policies and procedures. The Group's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and *ad hoc* reviews of 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 Company in consideration of its natural and commercial operating environments and has identified the major risks faced by the Company.

In order to better focus the risk management efforts, risks have been classified into the following major categories and 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.

The 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.

**7. Financial Risk Management** (continued)

***Risk Management Framework*** (continued)

During the year, the Group undertook a workshop which was facilitated by external consultants, to formalize its approach to risk review and documentation, and establish a prescribed risk management framework. The exercise was focused on thoroughly analyzing the Group's identified highest risk, and included input by all affected and contributing functions, as well as other relevant support areas (including Finance, Internal Audit and Quality Assurance). The methodology adopted for the exercise was underpinned by the principles of *ISO 31000:2009 Risk Management*, with certain elements of the *COSO Enterprise Risk Management – Integrated Framework* also adopted.

The Risk Leader through liaison with external consultants, will review the output of the workshop to devise an Action Plan for addressing the risk via the following:

- Performance of a root cause analysis
- Development of specific responses to identified weaknesses
- Identification of operational steps to be undertaken to close identified gaps

Once determined to be effective, this process will be repeated for additional risks across all areas of the Organisation, and the resulting documented risk analysis, will form the Group's ERM Framework.

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 both a natural and operating perspective.

***Operational Risk Management***

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

- credit risk
- liquidity risk
- capital risk.



**7. Financial Risk Management** (continued)

***Operational Risk Management*** (continued)

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.

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. 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 of products are made to customers with an appropriate credit history. The Group's Credit Committee has established a 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 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 a cash basis.

For the purposes 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 Company. 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. Preferred customers who trade in high volumes typically benefit from adjustments to their credit terms at the year-end.

# ANGOSTURA HOLDINGS LIMITED

## Notes to Consolidated Financial Statements

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### 7. Financial Risk Management (continued)

#### *Operational Risk Management* (continued)

##### (a) Credit risk (continued)

*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.

In 2015, the Group adopted a new model for export trading with EMEAA (Europe, Middle East, Asia, and Africa) countries. As a result, the Group now trades directly with approximately sixty (60) overseas distributors where previously, a master distributor managed these distributors. The new model has exposed the Group to increased credit and market risks (market risk in the form of currency risk, discussed below in Note 7(c)(i)).

Credit risk in this respect has been managed through the credit review process, as all new distributors were verified using external ratings (and bank and other references where necessary), to determine the extent of credit facilities to be offered. None of the new distributors have presented payment issues since trading commenced.

The Group is closely monitoring the economic environment in the Eurozone and is taking actions to limit its exposure to customers in countries experiencing particular economic volatility. Measures adopted in 2015 included the establishment of a standby letter of credit for certain sales, and requirement for advance payments from certain customers who have cited difficulty in sourcing currency for payment.

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 and where beneficial to the Company, investment in short term, easily convertible, liquid assets. The Group's policy on short term investments is that underlying instruments must comprise Trinidad and Tobago Government bonds only. In addition, 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 in the event that banks encounter the risk of financial or operational difficulties.

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## Notes to Consolidated Financial Statements

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### 7. Financial Risk Management (continued)

#### *Operational Risk Management* (continued)

##### (a) Credit risk (continued)

The table below shows the carrying values at the reporting date of major categories of debtors and financial institutions.

	<u>2015</u>	<u>2014</u>
	\$'000	\$'000
Trade receivables:		
Third party – net (Note 15)	260,371	228,882
Related party – net (Note 31(v))	<u>4,131</u>	<u>3,247</u>
	264,502	232,129
Short-term investments	<u>29,297</u>	<u>-</u>
	<u>293,799</u>	<u>232,129</u>

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. Unimpaired amounts that are past due by more than 30 days are considered collectible in full, based on historical payment behaviour and extensive analysis of customer credit risk, including underlying customers' credit ratings where analysed. Information on the exposures to credit risk is provided in Note 15.

##### (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 uses activity-based standard costing to cost its products and services, which assists it in monitoring 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. Information on the maturity profile of significant contractual obligations is provided in Notes 19 and 21.

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# ANGOSTURA HOLDINGS LIMITED

## Notes to Consolidated Financial Statements

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### 7. Financial Risk Management (continued)

#### *Operational Risk Management* (continued)

##### (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.

##### (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.

As at the year end all debt carried by the Group was held in the functional currency of the Group and as such, no currency exposure was noted in respect of borrowings.

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. Information on the exposures to currency risk is provided in Note 15.

##### (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 has 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.

##### (iii) *Interest rate risk*

The Group has significant interest-bearing liabilities in the form of revolving term borrowings. There are no significant interest-bearing assets. Revolving term borrowings at variable rates expose the Group to interest rate risk.

Differences in contractual re-pricing or maturity dates and changes in interest rates expose the Group to interest rate risk. The Group's exposure to interest rate risks on its financial liabilities are disclosed in Note 19.

**7. Financial Risk Management** (continued)

*Operational Risk Management* (continued)

(c) **Market risk** (continued)

(iii) *Interest rate risk* (continued)

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the interest rate shift is determined based on expected market movements and anticipated changes arising from ongoing negotiations. The scenarios are run only for liabilities that represent the major interest-bearing positions.

The Group assesses its interest burden and ranks its debt from high to low in relation to the demands placed on working capital for servicing. High interest facilities and facilities denominated in volatile currencies are considered first for refinancing, followed by lower interest rate borrowings and borrowings denominated in stable currencies or the functional currency of the Group.

(d) **Capital risk**

The Group's policy is to maintain a strong capital base in order 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 for 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.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents.

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# ANGOSTURA HOLDINGS LIMITED

## Notes to Consolidated Financial Statements

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### 8. Segment Information

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

The segment results for the year ended December 31, 2015 are as follows:

	<b>Branded Trade \$'000</b>	<b>Commodity Trade \$'000</b>	<b>Total \$'000</b>
<b>Revenue</b>	<u>511,515</u>	<u>137,894</u>	<u>649,409</u>
<b>Results from operating activities</b>	<u>199,055</u>	<u>13,663</u>	<u>212,718</u>
Finance cost	-	-	(1,402)
Finance income	-	-	<u>154</u>
<b>Results from continuing operations</b>	-	-	211,470
Other Income	-	-	567
Dividend income	-	-	1,108
Foreign exchange gains	-	-	620
Gain on disposal of investment	-	-	1,480
Fair value gains on asset held-for-sale	-	-	<u>2,745</u>
<b>Group profit before tax</b>	-	-	217,990
Tax expense	-	-	<u>(54,318)</u>
<b>Profit for the year</b>			<u><u>163,672</u></u>

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



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### 8. Segment Information (continued)

The segment results for the year ended December 31, 2014 were as follows:

	<b>Branded Trade</b>	<b>Commodity Trade</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>	<u>550,593</u>	<u>121,641</u>	<u>672,234</u>
<b>Results from operating activities</b>	<u>211,695</u>	<u>8,533</u>	<u>220,228</u>
Finance cost	-	-	(3,044)
Finance income	-	-	<u>108</u>
<b>Results from continuing operations</b>	-	-	217,292
Other expense	-	-	(10,381)
Dividend income	-	-	1,245
Foreign exchange loss	-	-	<u>(1,180)</u>
<b>Group profit before tax</b>	-	-	206,976
Tax expense	-	-	<u>(53,550)</u>
<b>Profit for the year</b>			<u>153,426</u>

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

Segments are aggregated on the basis of 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.

Branded trade refers to 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. Commodity trade refers to products that possess characteristics which can reasonably be attained by comparable producers in the spirits industry. These products are generally not heavily marketed, and provide strategic benefits to the Group apart from outright contribution to profits.

**ANGOSTURA HOLDINGS LIMITED**

## Notes to Consolidated Financial Statements

December 31, 2015

**9. Property, Plant and Equipment**

	<b>Land and Buildings</b>	<b>Plant, Machinery &amp; Equipment</b>	<b>Casks and Pallets</b>	<b>Assets in Progress</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>December 31, 2015</b>					
<i>Cost or revaluation</i>					
Balance as at January 1	193,052	268,085	36,262	34,265	531,664
Additions	2,441	20,710	2,694	4,246	30,091
Transfers	4,245	26,881	-	(31,126)	-
Disposals	-	(547)	(1,150)	-	(1,697)
Adjustments	(1,511)	(1,505)	6,319	2,317	5,620
Balance as at December 31	<u>198,227</u>	<u>313,624</u>	<u>44,125</u>	<u>9,702</u>	<u>565,678</u>
<i>Accumulated depreciation</i>					
Balance as at January 1	(3,580)	(159,794)	(21,032)	-	(184,406)
Depreciation charge	(1,682)	(10,699)	(2,984)	-	(15,365)
Disposals	-	495	909	-	1,404
Adjustments	(3,284)	3,402	(7,791)	-	(7,673)
Balance as at December 31	<u>(8,546)</u>	<u>(166,596)</u>	<u>(30,898)</u>	<u>-</u>	<u>(206,040)</u>
<b>At December 31, 2015</b>					
Cost or valuation	198,227	313,624	44,125	9,702	565,678
Accumulated depreciation	<u>(8,546)</u>	<u>(166,596)</u>	<u>(30,898)</u>	<u>-</u>	<u>(206,040)</u>
Net book value	<u>189,681</u>	<u>147,028</u>	<u>13,227</u>	<u>9,702</u>	<u>359,638</u>

The net book value of land and buildings, excluding fair value adjustment is \$353,983 (2014: \$345,530).

# ANGOSTURA HOLDINGS LIMITED

## Notes to Consolidated Financial Statements

December 31, 2015

### 9. Property, Plant and Equipment (continued)

	<b>Land and Buildings</b>	<b>Plant, Machinery &amp; Equipment</b>	<b>Casks and Pallets</b>	<b>Assets in Progress</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>December 31, 2014</b>					
<i>Cost or revaluation</i>					
Balance as at January 1	177,475	217,489	30,789	80,592	506,345
Additions	2,718	13,558	6,304	21,895	44,475
Transfers	23,833	40,260	1,212	(65,305)	-
Disposals	(1,142)	(9,937)	(2,808)	(140)	(14,027)
Adjustments	1,033	6,715	765	(2,777)	5,736
Revaluation charge	(10,865)	-	-	-	(10,865)
Balance as at December 31	<u>193,052</u>	<u>268,085</u>	<u>36,262</u>	<u>34,265</u>	<u>531,664</u>
<i>Accumulated depreciation</i>					
Balance as at January 1	(12,478)	(154,198)	(18,553)	-	(185,229)
Depreciation charge	(2,597)	(12,726)	(4,645)	-	(19,968)
Transfers	(140)	140	-	-	-
Disposals	601	7,926	2,166	-	10,693
Adjustments	4,408	(936)	-	-	3,472
Reversal due to revaluation	6,626	-	-	-	6,626
Balance as at December 31	<u>(3,580)</u>	<u>(159,794)</u>	<u>(21,032)</u>	<u>-</u>	<u>(184,406)</u>
<b>At December 31, 2014</b>					
Cost or valuation	193,052	268,085	36,262	34,265	531,664
Accumulated depreciation	<u>(3,580)</u>	<u>(159,794)</u>	<u>(21,032)</u>	<u>-</u>	<u>(184,406)</u>
Net book value	<u>189,472</u>	<u>108,291</u>	<u>15,230</u>	<u>34,265</u>	<u>347,258</u>

The net book value of land and buildings, excluding fair value adjustment is \$345,530.

# ANGOSTURA HOLDINGS LIMITED

## Notes to Consolidated Financial Statements

December 31, 2015

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### 9. Property, Plant and Equipment (continued)

The Group's land and buildings are subject to revaluation every five years and were last revalued on December 31, 2014 by qualified independent experts. Valuations were done on the basis of market value. Revaluation surpluses and losses were recognised within 'revaluation surpluses' in other reserves (Note 18) or 'other expenses' in profit or loss, as described in Note 5(d)(i).

### 10. Available-for-Sale Assets

	<u>2015</u>	<u>2014</u>
	\$'000	\$'000
Balance at January 1 and December 31	<u>109</u>	<u>109</u>
Available-for-sale assets include the following:		
Listed equity securities – English speaking Caribbean	1	1
Unlisted securities	<u>108</u>	<u>108</u>
	<u>109</u>	<u>109</u>

### 11. Investment in Joint Venture

Company	Country of incorporation	Percentage Owned	
		<u>2015</u>	<u>2014</u>
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. It is the Group's policy to recognise a share of losses only to the extent of its investment in the joint venture operation.

# ANGOSTURA HOLDINGS LIMITED

## Notes to Consolidated Financial Statements

December 31, 2015

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### 12. Retirement Benefit (Asset) Obligation

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

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

#### *i. Consolidated Statement of Financial Position*

The amounts recognised in the consolidated statement of financial position are determined as follows:

	<u>2015</u>	<u>2014</u>
	<u>\$'000</u>	<u>\$'000</u>
Fair value of plan assets	(355,237)	(339,964)
Deferred benefit obligation	<u>294,595</u>	<u>275,250</u>
	<u>(60,642)</u>	<u>(64,714)</u>

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

	<u>2015</u>	<u>2014</u>
	<u>\$'000</u>	<u>\$'000</u>
Net defined benefit asset	(69,561)	(75,829)
Net defined benefit liability:		
- Asset-backed post-retirement benefit obligation	1,191	1,512
- Cash funded post-retirement benefit obligation	<u>7,728</u>	<u>9,603</u>
	<u>(60,642)</u>	<u>(64,714)</u>

# ANGOSTURA HOLDINGS LIMITED

## Notes to Consolidated Financial Statements

December 31, 2015

### 12. Retirement Benefit (Asset) Obligation (continued)

#### ii. Movement in net defined benefit (asset) liability

	<b>Defined Benefit Obligation</b>		<b>Fair Value of Plan Assets</b>		<b>Net Defined Benefit (Asset) Liability</b>	
	<b>2015 \$'000</b>	<b>2014 \$'000</b>	<b>2015 \$'000</b>	<b>2014 \$'000</b>	<b>2015 \$'000</b>	<b>2014 \$'000</b>
<b>Balance at January 1</b>	<u>275,250</u>	<u>266,280</u>	<u>(339,964)</u>	<u>(319,831)</u>	<u>(64,714)</u>	<u>(53,551)</u>
<b>Included in profit and loss</b>						
Current service cost	11,375	10,285	-	-	11,375	10,285
Past service cost	-	1,447	-	-	-	1,447
Interest cost (income)	13,437	13,088	(16,995)	(16,002)	(3,558)	(2,914)
Administrative expenses	-	-	290	264	290	264
	<u>24,812</u>	<u>24,820</u>	<u>(16,705)</u>	<u>(15,738)</u>	<u>8,107</u>	<u>9,082</u>
<b>Included in other comprehensive income</b>						
Remeasurement (gain) loss:						
- Actuarial (gain) loss arising from experience adjustments	4,176	(6,910)	-	-	4,176	(6,910)
- Return on plan assets excluding interest income	-	-	1,602	(3,745)	1,602	(3,745)
	<u>4,176</u>	<u>(6,910)</u>	<u>1,602</u>	<u>(3,745)</u>	<u>5,778</u>	<u>(10,655)</u>
<b>Other</b>						
Contributions paid by employer and members	3,532	3,170	(11,774)	(10,598)	(8,242)	(7,428)
Benefits paid	(13,175)	(12,110)	11,604	9,948	(1,571)	(2,162)
	<u>(9,643)</u>	<u>(8,940)</u>	<u>(170)</u>	<u>(650)</u>	<u>(9,813)</u>	<u>(9,590)</u>
<b>Balance as at December 31</b>	<u>294,595</u>	<u>275,250</u>	<u>(355,237)</u>	<u>(339,964)</u>	<u>(60,642)</u>	<u>(64,714)</u>

# ANGOSTURA HOLDINGS LIMITED

## Notes to Consolidated Financial Statements

December 31, 2015

### 12. Retirement Benefit (Asset) Obligation (continued)

#### iii. Summary of principal actuarial assumptions at the year-end

	<u>2015</u>	<u>2014</u>
Discount rate	5.0%	5.0%
Average individual salary increase	4.5%	4.5%
Future pension increases	0.0%	0.0%

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

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

	<u>2015</u>	<u>2014</u>
Life expectancy at age 60 for current pensioner in years:		
-Male	21.8	21.8
-Female	25.6	25.6
Life expectancy at age 60 for current members age 40 in years:		
-Male	21.8	21.8
-Female	25.6	25.6

	<u>2015</u>	<u>2014</u>
	<u>\$'000</u>	<u>\$'000</u>
iv. Asset allocation		
Insured managed fund contract	352,104	335,228
Endowment policies	-	1,416
Immediate annuity policies	<u>3,133</u>	<u>3,248</u>
	<u>355,237</u>	<u>339,892</u>

The value of the Plan's investment in the managed fund contract at December 31, 2015 was provided by the insurer (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. Other than for the purchase of immediate annuity policies for some of the Plan's pensioners, there are no asset-liability matching strategies used by the Plan.

# ANGOSTURA HOLDINGS LIMITED

## Notes to Consolidated Financial Statements

December 31, 2015

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### 12. Retirement Benefit (Asset) – Obligation (continued)

#### iv. Asset allocation (continued)

	<u>2015</u>	<u>2014</u>
	%	%
Plan assets are comprised as follows:		
Equity	50.0	61.4
Debt securities	41.8	23.8
Other (short-term securities)	<u>8.2</u>	<u>14.8</u>

11.7% (2014: 12.1%) of the managed fund asset are invested in the Company's ordinary shares.

#### v. Sensitivity Analysis

The calculation of the defined benefit obligation is sensitive to the assumptions used. The following table summarises how the defined benefit obligation as at December 31, 2015 would have changed as a result of a change in the assumptions used.

	1% pa decrease \$'000	1% pa increase \$'000
- Discount rate	50,841	(39,669)
- Future salary	<u>(14,903)</u>	<u>(17,297)</u>

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at the year-end by \$4,249 thousand (2014: \$4,013 thousand).

#### vi. Funding

The Group meets the balance of the cost of funding the defined pension plan and must pay contributions as 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 \$9,811 thousand to the pension plan during 2016.



**ANGOSTURA HOLDINGS LIMITED**

## Notes to Consolidated Financial Statements

December 31, 2015

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	<u>2015</u>	<u>2014</u>
	<u>\$'000</u>	<u>\$'000</u>
<b>13. Inventories</b>		
Raw and packaging materials	69,961	73,626
Work in progress	117,418	116,153
Finished goods	41,829	31,496
	<u>229,208</u>	<u>221,275</u>
Provision for obsolescence	(2,131)	(1,350)
	<u>227,077</u>	<u>219,925</u>
<b>14. Assets Held-for-Sale</b>		
Balance at January 1	1,423	3,598
Fair value gains	2,745	-
Disposal	(729)	-
Transfer to property, plant and equipment	-	(2,175)
	<u>3,439</u>	<u>1,423</u>
Balance at December 31	<u>3,439</u>	<u>1,423</u>

There were no impairment provisions on assets held-for-sale at the year-end (2014: \$NIL).

	<u>2015</u>	<u>2014</u>
	<u>\$'000</u>	<u>\$'000</u>
<b>15. Trade and Other Receivables</b>		
Trade receivables	278,129	243,570
Provision for impairment of trade receivables	(17,758)	(14,688)
	<u>260,371</u>	<u>228,882</u>
Receivables from related parties – net (Note 31 (v))	4,131	3,247
	<u>264,502</u>	<u>232,129</u>
Trade receivables – net	264,502	232,129
Prepayments and other receivables	824	502
Taxation recoverable	9,039	8,948
	<u>274,365</u>	<u>241,579</u>

# ANGOSTURA HOLDINGS LIMITED

## Notes to Consolidated Financial Statements

December 31, 2015

### 15. Trade and Other Receivables (continued)

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 group has identified new receivables from EMEAA customers as a potential source of credit risk and has taken appropriate steps to manage this exposure as explained in Note 7(a).

The aging of trade and other receivables at the year-end was:

	<b>Gross 2015</b>	<b>Impairment 2015</b>	<b>Gross 2014</b>	<b>Impairment 2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Not past due	160,192	-	158,985	-
Past due 0 – 30 days	66,021	-	61,317	-
Past due 31 – 60 days	13,076	-	17,014	-
Past due 61 – 90 days	9,883	-	2,234	-
Past due 90 – 120 days	4,253	-	1,063	-
Past due more than 120 days	<u>43,412</u>	<u>(24,472)</u>	<u>22,586</u>	<u>(21,620)</u>
	<u>298,837</u>	<u>(24,472)</u>	<u>263,199</u>	<u>(21,620)</u>

As of December 31, 2015, trade receivables of \$18,940 thousand (2014: \$966 thousand) were more than 120 days past due but not impaired. This balance related to a number of third party customers for whom there was no history of default and management held the opinion that these amounts were collectible. The ageing of these receivables is as disclosed above.

Impaired receivables of \$24,472 (2014: \$21,620) relate primarily to wholesalers and retailers that have defaulted on payments.

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

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
United States dollar	107,706	91,857
Trinidad and Tobago dollar	165,243	148,406
Canadian dollar	143	43
Euro	<u>1,273</u>	<u>1,273</u>
	<u>274,365</u>	<u>241,579</u>

# ANGOSTURA HOLDINGS LIMITED

## Notes to Consolidated Financial Statements

December 31, 2015

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### 15. Trade and Other Receivables (continued)

#### *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.

#### *Year ended December 31, 2015*

<b>Currency</b>	<b>TTD</b>	<b>% of Trade receivables</b>
USD	107,706	39.3%

#### *Year ended December 31, 2014*

<b>Currency</b>	<b>TTD</b>	<b>% of Trade receivables</b>
USD	91,857	38.0%

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 TT dollar.

The table below sets out the effect on the Group's profit or loss and 'Trade and other receivables' of a shift in the US dollar exchange rate against the Trinidad and Tobago dollar. For the purposes of the analysis, the movement in the rate from the year end to March 15, 2016 was assessed, and imputed as the sensitivity range. The sensitivity was a 2.4% depreciation in the rate of exchange.

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

	<u>2015</u>	<u>2014</u>
	<u>\$'000</u>	<u>\$'000</u>
Net impact on profit or loss and trade and other receivables	<u>2,590</u>	<u>2,209</u>
Resulting % of trade and other receivables	<u>40.2%</u>	<u>38.9%</u>

# ANGOSTURA HOLDINGS LIMITED

## Notes to Consolidated Financial Statements

December 31, 2015

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### 15. Trade and Other Receivables (continued)

Movements during the year in the provision for impaired trade receivables were as follows:

	<u>2015</u>	<u>2014</u>
	<u>\$'000</u>	<u>\$'000</u>
At January 1	14,688	13,153
Increase in provision	<u>3,070</u>	<u>1,535</u>
At December 31	17,758	14,688
Related party provision (Note 31(v))	<u>6,714</u>	<u>6,932</u>
Total provision for impaired trade and other receivables	<u>24,472</u>	<u>21,620</u>

The creation and release of provision for impaired receivables have been included in 'selling and marketing expenses' in profit or loss. Amounts charged to the 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 (2014: \$NIL).

	<u>2015</u>	<u>2014</u>
	<u>\$'000</u>	<u>\$'000</u>
16. Cash and Cash Equivalents		
Cash at bank and in hand	<u>125,302</u>	<u>173,387</u>

The Group had no material exposure to interest rate risk arising from cash and cash equivalents held at the year-end.

# ANGOSTURA HOLDINGS LIMITED

## Notes to Consolidated Financial Statements

December 31, 2015

### 17. Share Capital

	<u>2015</u>	<u>2014</u>
<i>Authorised</i>		
Number of ordinary shares in issue (000)	206,277	206,277
Treasury shares (000)	<u>(457)</u>	<u>(457)</u>
	<u>205,820</u>	<u>205,820</u>
<i>Issued and fully paid</i>		
Ordinary shares (\$'000)	119,369	119,369
Treasury shares (\$'000)	<u>(811)</u>	<u>(811)</u>
	<u>118,558</u>	<u>118,558</u>

Issued and fully paid up shares comprise 119,369 thousand (2014: 119,369 thousand) ordinary shares of no par value.

### 18. Other Reserves

	<u>Revaluation Surplus</u>	<u>Capital Reserves</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
<b>Balance at January 1, 2014</b>	77,877	9,251	87,128
Revaluation of land and buildings	9,460	-	9,460
Other reserve movements – depreciation on revalued land and buildings	-	(405)	(405)
Transfer of revaluation losses to retained earnings on disposal of land and buildings	<u>3,732</u>	<u>-</u>	<u>3,732</u>
<b>Balance at December 31, 2014</b>	<u>91,069</u>	<u>8,846</u>	<u>99,915</u>
<b>Balance at January 1, 2015 and December 31, 2015</b>	<u>91,069</u>	<u>8,846</u>	<u>99,915</u>

# ANGOSTURA HOLDINGS LIMITED

## Notes to Consolidated Financial Statements

December 31, 2015

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### 18. Other Reserves (continued)

Revaluation surplus represents the gain on revaluation of land and buildings of certain of the Group companies. Land and buildings were revalued on December 31, 2014 by qualified independent experts in accordance with the Group's accounting policies. As part of the 2014 revaluation exercise further disaggregation of the asset class was obtained and revealed that for certain of the Group's land and buildings, revaluation losses were carried in the reserve. These losses amounted to \$3,732 thousand, and were reclassified to retained earnings in 2014.

Capital reserves represent general reserves as well as accumulated foreign exchange gains and losses recognised in equity upon revaluation of the Group's interest in foreign operations.

	<u>2015</u>	<u>2014</u>
	\$'000	\$'000
<b>19. Borrowings</b>		
Unsecured borrowings	50,600	114,764
Facilities held by the Group are as follows:		
Demand loans	-	50,000
Trade revolver	50,600	64,764
	<u>50,600</u>	<u>114,764</u>

Demand loans are subject to interest at a fixed rate, payable in quarterly instalments. Outstanding principal will mature in less than twelve months.

The trade revolver is subject to floating interest, payable quarterly and re-set every six months. Principal payments are due six months after each drawdown.

The effective interest rates on debt servicing for the year were as follows:

	<u>2015</u>	<u>2014</u>
	\$'000	\$'000
<b>Type of borrowing</b>		
Unsecured borrowings	<u>2.4%</u>	<u>2.2%</u>

# ANGOSTURA HOLDINGS LIMITED

## Notes to Consolidated Financial Statements

December 31, 2015

### 19. Borrowings (continued)

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

	<u>2015</u>	<u>2014</u>
	<u>\$'000</u>	<u>\$'000</u>
Trinidad and Tobago dollar	50,600	114,628
Pound sterling	-	136
	<u>50,600</u>	<u>114,764</u>

#### *Interest rate risk*

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the reporting date are as follows:

	<u>2015</u>	<u>2014</u>
	<u>\$'000</u>	<u>\$'000</u>
6 months or less	50,600	50,628
Between 6 months to 1 year	-	14,000
Between 1 - 5 years	-	136
	<u>50,600</u>	<u>64,764</u>
Fixed rate borrowings	-	50,000
	<u>50,600</u>	<u>114,764</u>

#### *Liquidity risk*

The undiscounted contractual cash flows are as follows:

Due in 6 months	50,794	50,923
Between 6 months and 1 years	-	64,294
Over 1 year	-	136
	<u>50,794</u>	<u>115,353</u>

Undiscounted cash flows include estimated interest payments.

There were no loans from related parties at the year-end (2014: NIL).

### 20. Deferred Taxation

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net

**ANGOSTURA HOLDINGS LIMITED**

Notes to Consolidated Financial Statements

December 31, 2015

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basis. The Group does not offset deferred tax assets and deferred tax liabilities within the consolidated statement of financial position.



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## Notes to Consolidated Financial Statements

December 31, 2015

**20. Deferred Taxation** (continued)

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

	<u>2014</u>	<u>Charged to</u>	<u>Charged</u>	<u>2015</u>
	<u>\$'000</u>	<u>Profit or Loss</u>	<u>to OCI</u>	<u>\$'000</u>
<b>Deferred tax liabilities</b>				
Accelerated tax depreciation	(35,783)	(10,340)	-	(46,123)
Pension asset	(16,179)	(426)	1,444	(15,161)
	<u>(51,962)</u>	<u>(10,766)</u>	<u>1,444</u>	<u>(61,284)</u>
	<u>2013</u>	<u>Charged to</u>	<u>Charged</u>	<u>2014</u>
	<u>\$'000</u>	<u>Profit or Loss</u>	<u>to OCI</u>	<u>\$'000</u>
<b>Deferred tax assets</b>				
Tax losses carried forward	<u>5,037</u>	<u>(5,037)</u>	<u>-</u>	<u>-</u>
<b>Deferred tax liabilities</b>				
Accelerated tax depreciation	(32,863)	(2,920)	-	(35,783)
Pension asset	(13,388)	(127)	(2,664)	(16,179)
	<u>(46,251)</u>	<u>(3,047)</u>	<u>(2,664)</u>	<u>(51,962)</u>
<b>Net deferred tax liability</b>	<u>(41,214)</u>	<u>(8,084)</u>	<u>(2,664)</u>	<u>(51,962)</u>

ii. The gross movement on the deferred tax account is as follows:

	<u>2015</u>	<u>2014</u>
	<u>\$'000</u>	<u>\$'000</u>
Balance at January 1	(51,962)	(41,214)
Deferred tax charged to profit or loss (Note 27)	(10,766)	(8,084)
OCI	<u>1,444</u>	<u>(2,664)</u>
Balance at December 31	<u>(61,284)</u>	<u>(51,962)</u>

# ANGOSTURA HOLDINGS LIMITED

## Notes to Consolidated Financial Statements

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	<u>2015</u>	<u>2014</u>
	<u>\$'000</u>	<u>\$'000</u>
<b>21. Trade and Other Payables</b>		
Trade payables	30,047	31,870
Amounts due to related parties (Note 31(vi))	2,410	2,410
Provisions	31,255	28,515
Accruals	19,841	28,393
Other payables	<u>3,685</u>	<u>15,435</u>
	<u>87,238</u>	<u>106,623</u>

Provisions comprise mainly the estimated costs related to legal matters and other amounts 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.

The maturity profile of trade and other payables is stated below:

	<u>2015</u>	<u>2014</u>
	<u>\$'000</u>	<u>\$'000</u>
< 1 year	<u>87,238</u>	<u>106,623</u>

## 22. Operating Profit

Included in operating profit are the following operating income (expense) items:

	<u>2015</u>	<u>2014</u>
	<u>\$'000</u>	<u>\$'000</u>
Depreciation (Note 9)	(15,365)	(19,968)
Employee benefits (Note 29)	(98,095)	(102,233)
Operating lease payments (Note 30)	(3,034)	(3,544)
Research and development	(414)	(708)
Repairs and maintenance	<u>(12,503)</u>	<u>(14,501)</u>

## 23. Finance Costs

Unsecured borrowings	<u>1,402</u>	<u>3,044</u>
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The effective rates of interest on debt servicing for the year are included in Note 19.

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	<u>2015</u>	<u>2014</u>
	\$'000	\$'000
<b>24. Other Income (Expenses)</b>		
Gain (loss) on disposal of property, plant and equipment	72	(3,262)
Loss on revaluation of land and buildings	-	(10,865)
Other income	495	3,746
Gain on disposal of investment	<u>1,480</u>	<u>-</u>
	<u>2,047</u>	<u>(10,381)</u>

During the year, the Group received its share of the disposal proceeds from sale of a subsidiary of Burn Stewart Distillers (International Beverage Corporation, (IBC)), which is domiciled in North America. The Group previously held a 28.91% interest in Burn Stewart Distillers and disposed of that investment in 2013.

	<u>2015</u>	<u>2014</u>
	\$'000	\$'000
<b>25. Dividend Income</b>		
Dividend income	<u>1,108</u>	<u>1,245</u>
<b>26. Foreign Exchange Gains (Losses)</b>		
Foreign exchange gains (losses)	<u>620</u>	<u>(1,180)</u>

Foreign exchange gains and losses represent amounts arising on the settlement of foreign currency transactions at arm's length, in the normal course of business.

	<u>2015</u>	<u>2014</u>
	\$'000	\$'000
<b>27. Taxation Expense</b>		
Current charge	(42,419)	(44,285)
Deferred tax expense (Note 20(ii))	(10,766)	(8,084)
Revenue based taxes – Green Fund levy	<u>(1,133)</u>	<u>(1,181)</u>
Net expense	<u>(54,318)</u>	<u>(53,550)</u>

# ANGOSTURA HOLDINGS LIMITED

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### 27. Taxation Expense (continued)

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:

	<u>2015</u>	<u>2014</u>
	\$'000	\$'000
Profit before tax	217,990	206,976
Tax charge at statutory rate of 25%	54,498	51,744
Non-deductible expenses	1,355	9,522
Income not subject to tax	(2,668)	(8,897)
Revenue based taxes – Green Fund levy	1,133	1,181
	<u>54,318</u>	<u>53,550</u>

### 28. 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, excluding ordinary shares purchased by the Group and held as treasury shares.

	<u>2015</u>	<u>2014</u>
Profit attributable to equity holders of the Company (\$'000)	163,672	153,426
Number of ordinary shares in issue (000) (Note 17)	205,820	205,820
Basic and diluted earnings per share (\$)	<u>0.80</u>	<u>0.75</u>

### 29. Employee Benefits

	<u>2015</u>	<u>2014</u>
	\$'000	\$'000
Wages, salaries and other benefits	97,960	100,505
Pension costs – defined benefit plans	135	1,728
	<u>98,095</u>	<u>102,233</u>

# ANGOSTURA HOLDINGS LIMITED

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### 30. Leases

The Group has non-cancellable operating leases for vehicles and office space.

	<u>2015</u>	<u>2014</u>
	<u>\$'000</u>	<u>\$'000</u>
Expense for the year	(3,034)	(3,544)
Future minimum lease payments under these leases at December 31 are as follows:		
Within 1 year	2,307	2,711
Between 2 and 5 years	2,648	2,377
Over 5 years	-	-
	<u>4,955</u>	<u>5,088</u>

### 31. Related Party Transactions

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

	<u>2015</u>	<u>2014</u>
	<u>\$'000</u>	<u>\$'000</u>
<i>i) Sales of goods and services</i>		
Sales of goods:		
- Entities controlled by Parent	<u>7,541</u>	<u>9,111</u>
Interest, dividends and other income:		
- Entities controlled by Parent	77	9
- Key management	<u>65</u>	<u>13</u>
	<u>142</u>	<u>22</u>
	<u>7,683</u>	<u>9,333</u>
<i>ii) Purchases of goods and services</i>		
Purchases of goods:		
- Entities controlled by Parent	<u>526</u>	<u>174</u>
Purchases of services and interest charges:		
- Entities controlled by Parent	<u>12,112</u>	<u>11,066</u>
	<u>12,638</u>	<u>11,240</u>

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	<u>2015</u>	<u>2014</u>
	<u>\$'000</u>	<u>\$'000</u>
<b>31. Related Party Transactions (continued)</b>		
<i>iii) Key management compensation</i>		
Salaries and other short-term employee benefits	15,327	11,305
Pension contributions	842	848
	<u>16,169</u>	<u>12,153</u>
<p>Compensation of the Group's key management personnel includes salaries, non-cash benefits and contributions to a post-employment defined benefit plan (Note 12).</p>		
<p>From time to time directors of the Group, or other related entities, may buy goods from the Group. These purchases are on the same terms and conditions as those entered into by other company employees or customers.</p>		
<i>iv) Year-end balances arising from sales/purchases of goods/services</i>		
Current receivables from related parties:		
- Parent	984,559	984,611
- Provision for impairment of receivable	(984,559)	(984,611)
	<u>-</u>	<u>-</u>
<p>There were no movements in the provision related to the Group's parent company receivable during the year.</p>		
	<u>2015</u>	<u>2014</u>
	<u>\$'000</u>	<u>\$'000</u>
<i>v) Year-end balances arising from sales/purchases of goods/services</i>		
- Entities controlled by Parent	10,209	9,959
- Provision for impairment of receivables	(6,714)	(6,932)
	3,495	3,027
- Key management	636	220
	<u>4,131</u>	<u>3,247</u>

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	<u>2015</u>	<u>2014</u>
	<u>\$'000</u>	<u>\$'000</u>
<b>31. Related Party Transactions (continued)</b>		
v) <i>Year-end balances arising from sales/purchases of goods/services (continued)</i>		
Analysis of movements in related party impairment provisions:		
Opening balance	6,932	7,044
Amounts written off against provision	<u>(218)</u>	<u>(112)</u>
Closing provision	<u>6,714</u>	<u>6,932</u>
<p>All outstanding balances with these related parties are conducted on an arm's length basis. None of the balances are secured.</p>		
vi) <i>Payables and provisions in respect of related parties (Note 20)</i>		
	<u>2015</u>	<u>2014</u>
	<u>\$'000</u>	<u>\$'000</u>
- Parent	<u>2,410</u>	<u>2,410</u>
vii) <i>Other charges due to related parties</i>		
- Entities controlled by Parent	1,634	2,726
- Key management	<u>3,258</u>	<u>4,912</u>
	<u>4,892</u>	<u>7,638</u>
viii) <i>Loans to related parties</i>		
- Equity-accounted investees	4,989	4,989
- Provision for impairment of receivables	<u>(4,989)</u>	<u>(4,989)</u>
	<u>-</u>	<u>-</u>

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# ANGOSTURA HOLDINGS LIMITED

## Notes to Consolidated Financial Statements

December 31, 2015

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### **32. Contingencies**

The Group was party to certain legal issues at the reporting date for which provisions have been made in the consolidated 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 21) on the consolidated statement of financial position.

### **33. Capital Commitments**

At the year-end, capital commitments amounted to \$59,711 thousand (2014: \$56,676 thousand).

### **34. Events after the Reporting Date**

On March 11, 2016 the Board of Directors declared a final dividend in respect of 2015 of 20¢ per share. The total dividend declared in respect of 2015 was 30¢ (2014: 26¢) per share.

There were no events occurring after the reporting date and before the date of approval of the consolidated financial statements by the Board of Directors that require adjustment to or disclosure in the consolidated financial statements.