

ST. VINCENT BREWERY LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

ST. VINCENT BREWERY LIMITED

REGISTERED OFFICE

**Campden Park Industrial Estate
Campden Park, St. Vincent and the Grenadines**

DIRECTORS

**H. J. Barth - Chairman
C. Christensen – Deputy Chairman
M. Ballantyne - Director
S. Goodluck - Director
C. Niemeyer - Director
I. Trier - Director**

COMPANY SECRETARY

H. A. Bailey

SOLICITOR

Samuel Commissiong

BANKERS

**FirstCaribbean International Bank (Barbados) Limited
The Bank of Nova Scotia**

AUDITORS

**Pannell Kerr Forster
Chartered Accountants**

ST. VINCENT BREWERY LIMITED
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For the Year Ended December 31, 2004

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AUDITORS' REPORT

To the Shareholders of
St. Vincent Brewery Limited

We have audited the accompanying balance sheet of St. Vincent Brewery Limited as of December 31, 2004, and the related statements of changes in equity, income and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as of December 31, 2004, and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards.

*****, 2005

ST. VINCENT BREWERY LIMITED
Balance Sheet
As of December 31, 2004
(Expressed in Eastern Caribbean Currency)

| | Notes | 2004 \$ | 2003 \$ |
|---|-------|-------------------|-------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash | | 6,649,324 | 4,188,267 |
| Trade accounts receivable | | 2,208,965 | 1,941,731 |
| Other receivables | | 166,304 | 257,435 |
| Due from affiliated companies | 4 | 112,980 | 231,777 |
| Inventories | 5 | 9,522,866 | 8,328,941 |
| Prepaid expenses | | 368,350 | 232,219 |
| Total Current Assets | | 19,028,789 | 15,180,370 |
| Property, Plant and Equipment | 6 | 20,198,281 | 18,910,443 |
| Total Assets | | 39,227,070 | 34,090,813 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current Liabilities | | | |
| Accounts payable and accrued liabilities | | 5,192,494 | 2,536,495 |
| Due to affiliated companies | 7 | 666,887 | 320,820 |
| Income tax payable | | 373,701 | 289,497 |
| Dividend payable | | 57,060 | 40,074 |
| Total Current Liabilities | | 6,290,142 | 3,186,886 |
| Deferred Tax Liability | 8 | 2,256,238 | 2,106,227 |
| | | 8,546,380 | 5,293,113 |
| Shareholders' Equity | | | |
| Stated capital | 9 | 18,309,880 | 18,309,880 |
| Reserve for plant extension | 10 | 1,000,000 | 800,000 |
| Retained earnings | | 11,370,810 | 9,687,820 |
| Total Shareholders' Equity | | 30,680,690 | 28,797,700 |
| Total Liabilities and Shareholders' Equity | | 39,227,070 | 34,090,813 |

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

APPROVED ON BEHALF OF THE BOARD:-

Henry J. Barth – Chairman

Samuel G. Goodluck - Director

Helen A. Bailey – Company Secretary

ST. VINCENT BREWERY LIMITED
Statement of Changes in Equity
For the Year Ended December 31, 2004
(Expressed in Eastern Caribbean Currency)

| | Stated Capital \$ | Reserve for Plant Extension \$ | Retained Earnings \$ | Total \$ |
|--|----------------------------------|---|-------------------------------------|---------------------|
| Balance as of December 31, 2002 | 18,309,880 | 600,000 | 8,520,612 | 27,430,492 |
| Net Income for the Year | - | - | 3,192,208 | 3,192,208 |
| Reserve for Plant Extension | - | 200,000 | (200,000) | - |
| Final Cash Dividend - 2002 | - | - | (912,500) | (912,500) |
| Interim Cash Dividend -2003 | - | - | (912,500) | (912,500) |
| Balance as of December 31, 2003 | 18,309,880 | 800,000 | 9,687,820 | 28,797,700 |
| Net Income for the Year | - | - | 3,707,990 | 3,707,990 |
| Reserve for Plant Extension | - | 200,000 | (200,000) | - |
| Final Cash Dividend - 2003 | - | - | (912,500) | (912,500) |
| Interim Cash Dividend -2004 | - | - | (912,500) | (912,500) |
| Balance as of December 31, 2004 | <u>18,309,880</u> | <u>1,000,000</u> | <u>11,370,810</u> | <u>30,680,690</u> |

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

ST. VINCENT BREWERY LIMITED
Statement of Income
For the Year Ended December 31, 2004
(Expressed in Eastern Caribbean Currency)

| | Note | 2004 \$ | 2003 \$ |
|---|------|-------------------|------------|
| Turnover | | 32,652,942 | 28,880,175 |
| Production, Marketing and Administrative Expenses | | 25,028,763 | 22,029,240 |
| Trading Profit before Charging the Following Items:- | | 7,624,179 | 6,850,935 |
| Interest Income | | (103,082) | (145,688) |
| Amortisation | | - | 92,405 |
| Depreciation | | 2,492,329 | 2,329,341 |
| Income before Income Tax | | 5,234,932 | 4,574,877 |
| Income Tax | 11 | 1,526,942 | 1,382,669 |
| Net Income for the Year | | 3,707,990 | 3,192,208 |
| Earnings per Share | 12 | 2.03 | 1.75 |
| The following expense is included in the foregoing:- | | | |
| Staff cost | | 4,451,559 | 4,362,955 |

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

ST. VINCENT BREWERY LIMITED
Statement of Cash Flows
For the Year Ended December 31, 2004
(Expressed in Eastern Caribbean Currency)

| | 2004 | 2003 |
|---|-------------|-------------|
| | \$ | \$ |
| Cash Flows from Operating Activities | | |
| Income before income tax | 5,234,932 | 4,574,877 |
| Adjustment for | | |
| Depreciation | 2,492,329 | 2,329,341 |
| Amortisation of brands | - | 92,405 |
| Gain on disposal of property, plant and equipment | (14,260) | (67,755) |
| Interest income | (103,082) | (145,688) |
| Operating Profit before Working Capital Changes | 7,609,919 | 6,783,180 |
| (Increase) Decrease in trade accounts receivable | (267,234) | 858,376 |
| Decrease in other receivables | 91,131 | 350,958 |
| Decrease (Increase) in amounts due from affiliated companies | 118,797 | (206,777) |
| (Increase) Decrease in prepaid expenses | (136,131) | 182,981 |
| Increase in inventories | (1,193,925) | (174,595) |
| Increase (Decrease) in accounts payable and accrued liabilities | 2,655,999 | (272,129) |
| Increase (Decrease) in amounts due to affiliated companies | 346,067 | (208,674) |
| Cash Generated from Operations | 9,224,623 | 7,313,320 |
| Income tax paid | (1,292,727) | (1,278,811) |
| Interest received | 103,082 | 145,688 |
| Net Cash Generated from Operating Activities | 8,034,978 | 6,180,197 |
| Cash Flows from Investing Activities | | |
| Purchase of property, plant and equipment | (3,796,531) | (3,487,177) |
| Proceeds from disposal of property, plant and equipment | 30,624 | 86,146 |
| Net Cash Used in Investing Activities | (3,765,907) | (3,401,031) |
| Cash Flows from Financing Activities | | |
| Dividend paid | (1,808,014) | (1,820,438) |
| Net Cash Used in Financing Activities | (1,808,014) | (1,820,438) |
| Increase in Net Cash | 2,461,057 | 958,728 |
| Net Cash – Beginning of Year | 4,188,267 | 3,229,539 |
| Net Cash – End of Year | 6,649,324 | 4,188,267 |
| Represented by:- | | |
| Bank and cash balances | 6,649,324 | 4,188,267 |

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

ST. VINCENT BREWERY LIMITED
Notes to the Financial Statements
For the Year Ended December 31, 2004
(Expressed in Eastern Caribbean Currency)

1. Incorporation and Principal Activities

The company was incorporated as a public company limited by shares, under the laws of St. Vincent and the Grenadines on October 31, 1979, and has been continued as company 34 of 1979 under Section 365 of the Companies Act of 1994. Its principal activities are brewing, manufacturing and merchandising of beer and other beverages.

2. Date of Authorisation of Issue

These financial statements were authorised for issue by the Board of Directors on *****, 2005.

3. Principal Accounting Policies

These financial statements are stated in Eastern Caribbean dollars and have been prepared in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board.

The preparation of the financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. The following are the significant accounting policies adopted by the company:-

a. Basis of Accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of freehold land and buildings and plant and machinery, as described in note 6.

b. Inventories

Inventories are valued at the lower of cost and net realisable value. In general, cost is determined on the first-in, first-out basis and, in the case of finished and semi-finished products, includes direct costs and attributable production overheads. Net realisable value is the price at which inventories can be realised in the normal course of business.

c. Depreciation

Depreciation is provided on a straight line basis at rates which are expected to write off the cost of depreciable assets over the period of their estimated useful lives. Depreciation is charged at the following annual rates:-

| | | | |
|--------------------------------|----|---|---------|
| Freehold buildings | 3 | - | 15% |
| Plant and machinery | 3 | - | 20% |
| Office furniture and equipment | 10 | - | 33 1/3% |
| Motor vehicles | | | 20% |

ST. VINCENT BREWERY LIMITED
Notes to the Financial Statements (Cont'd)
For the Year Ended December 31, 2004
(Expressed in Eastern Caribbean Currency)

3. Principal Accounting Policies (Cont'd)

d. Income Tax

Income tax expense is determined on the basis of tax effect accounting using the liability method. Accordingly, temporary differences between the tax bases of assets and liabilities and their carrying values for financial reporting purposes are accounted for as deferred tax at the current tax rate. Deferred tax assets relating to unutilised tax losses are recognised only when it is probable that future taxable profits will be available against which losses can be utilised.

e. Foreign Currency Transactions

The company uses the current rate method of accounting for foreign currency transactions. Accordingly, assets and liabilities denominated in foreign currencies at balance sheet date are converted to the Eastern Caribbean dollar at the prevailing rates of exchange at that date. Foreign currency transactions are effected at the rates of exchange prevailing at the dates of the transactions. Foreign currency gains or losses arising from the conversion or settlement of foreign currency denominated balances are reflected in operations.

f. Customer Deposits/Refunds

Customer deposits and refunds on bottles and crates are reflected in current operations.

g. Pension Expenses

Current service costs are charged to operations as they accrue based on services rendered by employees during the year.

Pension benefit obligations are determined by independent actuaries based on the length of service and rate of pay. Adjustments arising from plan amendments, changes in assumptions, experienced gains and losses, and the difference between the actuarial present value of accrued benefits and the value of pension fund assets are amortised over the expected average remaining service life of the employee group.

h. Impairment of Assets

The company periodically evaluates the carrying value of its assets for potential impairment. The company considers projected future operating results, cash flows, trends and other circumstances in making such estimates and evaluation. Generally, any impairment in the value of an asset is charged to current operations. In the case of revalued assets, an impairment in value is charged to revaluation surplus to the extent that previous increases credited thereto were not utilised and amounts in excess of previous credits for the same asset are charged to operations.

ST. VINCENT BREWERY LIMITED
Notes to the Financial Statements (Cont'd)
For the Year Ended December 31, 2004
(Expressed in Eastern Caribbean Currency)

3. Principal Accounting Policies (Cont'd)

i. Financial Instruments

The company recognises a financial asset or financial liability on its balance sheet using the settlement date method. Accordingly, a financial asset or a financial liability is recognised on the date of receipt or delivery to or by the company respectively. Any gain or loss arising from price, interest rate, or currency changes between the trade date, the date the company commits to the purchase or sale of an asset, and balance sheet date is recorded in current operations.

4. Due from Affiliated Companies

The amounts due from affiliated companies are unsecured and non-interest bearing.

5. Inventories

| | 2004 | 2003 |
|-------------------------------------|------------------|-----------|
| | \$ | \$ |
| Raw materials | 805,697 | 891,015 |
| Packaging materials | 434,374 | 410,553 |
| Finished and semi-finished products | 1,665,187 | 1,566,736 |
| Other | 50,406 | 46,446 |
| Fuel | 20,519 | 24,639 |
| Bottles and crates | 5,037,450 | 4,855,798 |
| | 8,013,633 | 7,795,187 |
| Goods-in-transit | 1,509,233 | 533,754 |
| | 9,522,866 | 8,328,941 |