



**Grant Thornton**

**Dominica Coconut Products Limited**

Consolidated Financial Statements in Liquidation

**December 31, 2018**

(expressed in Eastern Caribbean dollars)



# Grant Thornton

July 8, 2019

## Independent Auditor's Report

### To the Shareholders of Dominica Coconut Products Limited

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## Report on the Audit of the Consolidated Financial Statements in Liquidation

### Opinion

We have audited the consolidated financial statements in liquidation of **Dominica Coconut Products Limited** (the Company) and its subsidiary Refresh Company Limited (together, the Group), which comprise the consolidated statement of net assets in liquidation as of December 31, 2018, and the consolidated statement of changes in net assets in liquidation for the year then ended, and notes to the consolidated financial statements in liquidation, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements in liquidation present fairly, in all material respects, the consolidated statement of net assets in liquidation of the Group as of December 31, 2018, and the consolidated statement of changes in net assets in liquidation for the year then ended in accordance with International Financial Reporting Standards with reference to the accounting principles generally accepted in the United States of America applicable for companies under liquidation.

### Emphasis of a Matter

As discussed in Note 1 to the consolidated financial statements in liquidation, the shareholders of the Group approved a plan of liquidation on December 29, 2015, and the Group determined liquidation is imminent. As a result, the Group has changed its basis of accounting for periods subsequent to December 29, 2015 from the going-concern basis to a liquidation basis as described in Note 2 to the consolidated financial statements in liquidation. Our opinion is not modified with respect to this matter.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements in Liquidation section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Eastern Caribbean, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independent Auditor's Report...continued****Responsibilities of Management and those charged with Governance for the Financial Statements in Liquidation**

Management is responsible for the preparation and fair presentation of the financial statements in liquidation in accordance with International Financial Reporting Standards and other standards applicable for companies under liquidation basis, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**Auditor's Responsibilities for the Audit of the Financial Statements in Liquidation**

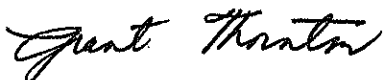
Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Chartered Accountants**

**Dominica Coconut Products Limited**  
Consolidated Statement of Net Assets in Liquidation  
As of December 31, 2018

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(expressed in Eastern Caribbean dollars)

	2018 \$	2017 \$
<b>Assets</b>		
Cash (Note 4)	343,117	517,591
Trade and other receivables (Note 5)	—	372,215
Due from a related party (Note 6)	13,133,486	19,691,750
Income tax recoverable	1,444	—
<b>Total assets</b>	<u>13,478,047</u>	<u>20,581,556</u>
<b>Liabilities</b>		
Trade and other payables (Note 9)	384,534	869,479
Due to related parties (Note 6)	61,711	10,707
Retirement benefit obligation (Note 10)	—	6,634,889
Income tax payable	—	7,595
<b>Total liabilities</b>	<u>446,245</u>	<u>7,522,670</u>
<b>Net assets in liquidation</b>	<u>13,031,802</u>	<u>13,058,886</u>

Approved by the Board of Directors on July 8, 2019

 Director

 Director

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

# Dominica Coconut Products Limited

## Consolidated Statement of Changes in Net Assets in Liquidation For the year ended December 31, 2018

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(expressed in Eastern Caribbean dollars)

	2018 \$	2017 \$
<b>Net assets in liquidation</b> , beginning of year	<u>13,058,886</u>	<u>13,319,089</u>
Other (losses)/gains (Note 11)	(27,084)	142,684
Taxation (Note 12)	<u>—</u>	<u>(402,887)</u>
Loss for the year	<u>(27,084)</u>	<u>(260,203)</u>
<b>Net decrease in net assets in liquidation</b>	<u>(27,084)</u>	<u>(260,203)</u>
<b>Net assets in liquidation</b> , end of year	<u>13,031,802</u>	<u>13,058,886</u>

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

# **Dominica Coconut Products Limited**

## **Notes to Consolidated Financial Statements in Liquidation December 31, 2018**

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(expressed in Eastern Caribbean dollars)

### **1 Corporate status**

Dominica Coconut Products Limited (the Company) and its subsidiary Refresh Company Limited (together, the Group) was incorporated under the Commercial Code of Dominica on April 8, 1965 and February 8, 1988, respectively, and continued under the Companies Act, 1996. The Group was engaged in the production of soap primarily for export. The Group's parent company is Colgate Palmolive (Dominica) Inc., and its ultimate parent company is Colgate Palmolive Company, which are both incorporated in the United States of America.

The registered office and principal place of business of the Group is located at Belfast, Commonwealth of Dominica.

In August of 2015, the island of Dominica was struck by Tropical Storm Erika. This event caused disruption to the business and significantly damaged the Group's manufacturing plant. Following the storm, the shareholders of the Group declared and ratified on their meeting held on December 29, 2015, to shut down the operations of the Group and close the manufacturing plant permanently due to financial constraints to restart production and considering rebuilding cost is not financially viable.

Under the plan of liquidation, the Company:

1. sold its remaining tangible assets
2. collected receivables as they become due;
3. used available cash to settle its obligations; and
4. will pay out distributions to its shareholder.

The Board of Directors anticipates that the liquidation of the Group will be completed in about one year and has determined that the likelihood is remote that the Group will return from liquidation.

### **2 Summary of significant accounting policies**

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

#### **Basis of measurement and presentation**

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) with reference to the accounting principles generally accepted in the United States of America applicable for companies under liquidation.

Under the liquidation basis of accounting, assets are measured at the estimated amount of cash or other consideration that the Group expects to collect in settling or disposing of those assets. Liabilities are measured at their estimated settlement amounts, including costs that the Group expects to incur through the end of its liquidation ("liquidation value"). These estimated amounts are undiscounted and are recorded to the extent the Group has a reasonable basis for estimation.

# **Dominica Coconut Products Limited**

Notes to Consolidated Financial Statements in Liquidation  
December 31, 2018

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(expressed in Eastern Caribbean dollars)

## **2 Summary of significant accounting policies...continued**

### **Cash**

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

### **Trade receivables**

Trade receivables are amounts due from customers for services performed or merchandise sold in the ordinary course of business.

### **Investments in subsidiary undertakings**

Subsidiary undertakings are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies.

### **Investment property**

Investment properties are properties held to earn rentals or for capital appreciation. The Group accounts for its investment property based on its estimated proceeds under the liquidation basis. Any increase or decrease in the carrying value would be presented in the statement of changes in net assets in liquidation.

### **Property, plant and equipment**

Land and buildings comprise mainly factories and offices. The Group accounts for its property, plant and equipment based on its estimated proceeds under the liquidation basis. Any increase or decrease in the carrying value would be presented in the statement of changes in net assets in liquidation.

### **Accrued liquidation costs**

Estimated costs associated with the dissolution and wind up of operations of the Group, which include expenses expected to be incurred over the liquidation period, are estimated based upon the most recent information available to management, with the associated estimates periodically reviewed and adjusted as appropriate. The Group will continue to incur operating expenses throughout the liquidation period, which is expected to take one year. Actual costs may differ from management's estimates, and the differences could be material. Costs associated with the dissolution and wind up are included under "accrued liquidation costs" on the statement of net assets in liquidation and the statement of changes in net assets in liquidation.

### **Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

# **Dominica Coconut Products Limited**

## **Notes to Consolidated Financial Statements in Liquidation December 31, 2018**

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(expressed in Eastern Caribbean dollars)

### **2 Summary of significant accounting policies...continued**

#### **Employee benefits**

The Group operated a defined benefit pension plan (the Scheme), the assets of which were held in a separate trustee-administered fund. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive upon retirement, usually dependent on one or more factors such as age, years of service and compensation. The pension plan was funded by payments from employees and by the Group taking account of the recommendations of independent qualified actuaries.

The liability recognised on the statement of net assets in liquidation in respect of defined benefit pension plans was the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation was calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related pension obligation.

#### **Income taxes**

The tax expense for the period comprises current tax. Tax is recognised in the statement of changes in net assets in liquidation.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### **Dividend distribution**

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Group's shareholders.

#### **Foreign currency translation**

##### Functional and presentation currency

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

##### Transactions and balances

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

#### **Comparatives**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.



# Dominica Coconut Products Limited

## Notes to Consolidated Financial Statements in Liquidation December 31, 2018

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(expressed in Eastern Caribbean dollars)

### 3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions in determining the reported amounts of assets and liabilities, including the estimated liquidation values of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets in liquidation during the reporting period. The resulting accounting estimates will be, by definition, seldom equal the related actual results. The estimates and assumptions that could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is addressed below:

#### Income taxes

The Group is subject to income taxes. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

### 4 Cash

	2018 \$	2017 \$
Cash on hand	800	800
Cash at bank	342,317	516,791
	<u>343,117</u>	<u>517,591</u>

### 5 Trade and other receivables

	2018 \$	2017 \$
Other receivables	<u>—</u>	<u>372,215</u>

Other receivables pertain to recovery of funds of the Group's defined benefit plan invested at BAICO which was previously written off.

After meeting with its policyholders in October 2017, BAICO arrived at a decision to return 10% of the value of the policyholders' investments.

# Dominica Coconut Products Limited

## Notes to Consolidated Financial Statements in Liquidation December 31, 2018

(expressed in Eastern Caribbean dollars)

### 6 Related party balances and transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party by making financial and operational decisions.

Related party balances as at end of the year are as follows:

	2018 \$	2017 \$
<b>Due from a related party</b>		
Colgate Palmolive Support Services (ETC)	13,133,486	19,691,750
<b>Due to related parties</b>		
Colgate Palmolive Company, New York	10,264	10,707
Colgate Palmolive Co. Distributors	51,447	—
	61,711	10,707

The Group is related to the above companies by common ownership and management.

The due from a related party pertains to a note receivable from an affiliate bearing interest on the principal amount equal to London Interbank Bid Rate (LIBID) minus a margin of 20 bps.

### 7 Investment property

	Land \$	Buildings \$	Total \$
<b>Year ended December 31, 2017</b>			
Opening net book amount	1,479,620	540,000	2,019,620
Decrease in estimated liquidation value (Note 11)	(1,479,620)	(540,000)	(2,019,620)
Closing net book amount	—	—	—
<b>Year ended December 31, 2018</b>			
Opening net book amount	—	—	—
Sale of investment property during the year	—	—	—
Closing net book amount	—	—	—

The rental income from investment property recognised in the changes of net assets in liquidation during the year is zero (2017 - \$60,760) (Note 11).

# Dominica Coconut Products Limited

Notes to Consolidated Financial Statements in Liquidation  
December 31, 2018

(expressed in Eastern Caribbean dollars)

## 8 Property, plant and equipment

	Land and improvements \$	Buildings \$	Total \$
<b>As at December 31, 2016</b>			
Opening net book amount	3,650,380	3,375,000	7,025,380
Sale of fixed assets during the year	(3,650,380)	(3,375,000)	(7,025,380)
Closing net book amount	—	—	—
<b>As at December 31, 2017</b>			
Net book value	—	—	—
<b>Year ended December 31, 2018</b>			
Sale of fixed assets during the year	—	—	—
Closing net book amount	—	—	—
<b>As at December 31, 2018</b>			
Net book value	—	—	—

# Dominica Coconut Products Limited

## Notes to Consolidated Financial Statements in Liquidation December 31, 2018

(expressed in Eastern Caribbean dollars)

### 9 Trade and other payables

	2018 \$	2017 \$
Accrued liquidation costs	246,249	785,240
Other payables and accrued expense	138,285	84,239
	<u>384,534</u>	<u>869,479</u>

### 10 Retirement benefit obligation

The Company paid a lump sum benefit to the participants of the scheme. The amount recognized in the statement of net assets in liquidation based on the last actuarial valuation, performed in 2017 was \$6,634,889.

The amounts recognised in the statement of net assets in liquidation based on the actuary's valuation are as follows:

	2018 \$	2017 \$
Present value of obligations	<u>—</u>	<u>6,634,889</u>

### 11 Other (losses)/gains

	2018 \$	2017 \$
Recovery of Pension Scheme's investments	1,799	372,215
Interest income	233,922	125,453
Rental income (Note7)	—	60,760
Accrual of liquidation expenses	(257,794)	(407,535)
Other losses	—	(8,209)
Refund of Insurance policy	3,219	—
Penalties	(8,230)	—
	<u>(27,084)</u>	<u>142,684</u>

# Dominica Coconut Products Limited

Notes to Consolidated Financial Statements in Liquidation  
December 31, 2018

(expressed in Eastern Caribbean dollars)

## 12 Taxation

	2018 \$	2017 \$
Current tax	—	7,595
Prior year under accrual	—	395,292
	—	402,887

The tax on the Group's net profit before tax differs from the theoretical amount that would arise using the local statutory rate as follows:

	2018 \$	2017 \$
Net profit/(loss) before taxation	(27,084)	142,684
Tax calculated at a rate of 25%	(6,771)	35,671
Prior year under accrual	—	395,292
Tax losses utilized	—	(7,595)
Expenses not deductible for tax purposes	2,058	—
Deferred tax not recognized	4,713	—
Others	—	(20,481)
Tax charge	—	402,887

The Group has unutilised tax losses of \$556,189 (2017 – \$529,105) which may be carried forward and deducted against future taxable income within five years following the year in which the loss was incurred. The loss recovered is restricted to 50% of taxable income in any one year.

Income year	Incurred \$	Utilised \$	Carried forward \$	Expiry year
2016	559,485	(30,380)	529,105	2021
2018	27,084	—	27,084	2023
	586,569	(30,380)	556,189	

# Dominica Coconut Products Limited

Notes to Consolidated Financial Statements in Liquidation  
December 31, 2018

(expressed in Eastern Caribbean dollars)

## 13 Statement of changes in equity

	Share capital \$	Revaluation surplus \$	Retained earnings \$	Total equity \$
Balance at December 31, 2016	10,496,978	795,998	2,026,113	13,319,089
Loss for the year	—	—	(260,203)	(260,203)
Transfer of revaluation surplus to retained earnings (Note 15)	—	(795,998)	795,998	—
Balance at December 31, 2017	<u>10,496,978</u>	<u>—</u>	<u>2,561,908</u>	<u>13,058,886</u>
Balance at December 31, 2017	10,496,978	—	2,561,908	13,058,886
Loss for the year	—	—	(27,084)	(27,084)
Balance at December 31, 2018	<u>10,496,978</u>	<u>—</u>	<u>2,534,824</u>	<u>13,031,802</u>

## 14 Share capital

	2018 \$	2017 \$
Authorised 1,000,000 ordinary shares		
Issued and fully paid 948,245 ordinary shares	<u>10,496,978</u>	<u>10,496,978</u>

## 15 Revaluation surplus

	Land \$	Buildings \$	Total \$
At December 31, 2016	—	795,998	795,998
Transfer to retained earnings due to sale of property	—	(795,998)	(795,998)
At December 31, 2017	<u>—</u>	<u>—</u>	<u>—</u>
At December 31, 2017	—	—	—
Transfer to retained earnings due to sale of property	—	—	—
At December 31, 2018	<u>—</u>	<u>—</u>	<u>—</u>

