

Craft Brewers Technical Briefing

Improving Cash Flow:
Changes to the Remittance Process

Webinar #2



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Agenda

- The purpose of this briefing is to provide further information related to the new remittance model and the timelines for future communication and implementation.

Purpose Recap:

- Following requests from industry, the LDB is changing the remittance process.
- The new model will apply to all BC breweries that produce less than 350,000 hectolitres per year.
- The goal of the new model is to help improve the cash flow for these breweries.



Upcoming Changes

What is changing?

- Only the mark-up, plus GST, and container deposits, and container recycling fees (if applicable) will be withdrawn – no longer will you be remitting the gross sale amount.
- You will no longer deposit all sales proceeds in the LDB's bank account, which will be closed.
- Remittance of the amount due will be withdrawn from your bank account, under your pre-authorized debit (PAD) agreement. All sales after **October 2, 2016** will be under the new model.
- If you are one of the breweries with pre-authorized payment arrangement in place with wholesale and hospitality customers, this payment method will be discontinued from October 2, 2016. You will need to set up your own arrangements.

What is staying the same?

- You will continue to report your sales through Direct Sales Web Reporting (DSWR).
- You will continue to report weekly.
- Individual withdrawal of funds will be made on each reported batch.
- Keg deposits will be reported as per usual on sales of product but they will be offset by the keg deposit amount paid back to you so the net cash impact will be nil.

Sales Reported on Kegs:

Total sales reported in Direct Sales Web Reporting (DSWR)

\$178.10 – Sales
\$ 8.91 – GST
\$ 30.00 – Keg Deposit
=\$217.01

Keg deposits are reported

LESS

Total supplier cost payable by the LDB

\$149.10 – Supplier cost of the product (DPC)
\$ 7.46 – GST on this cost
\$ 30.00 – Keg Deposit Refund
=\$186.56

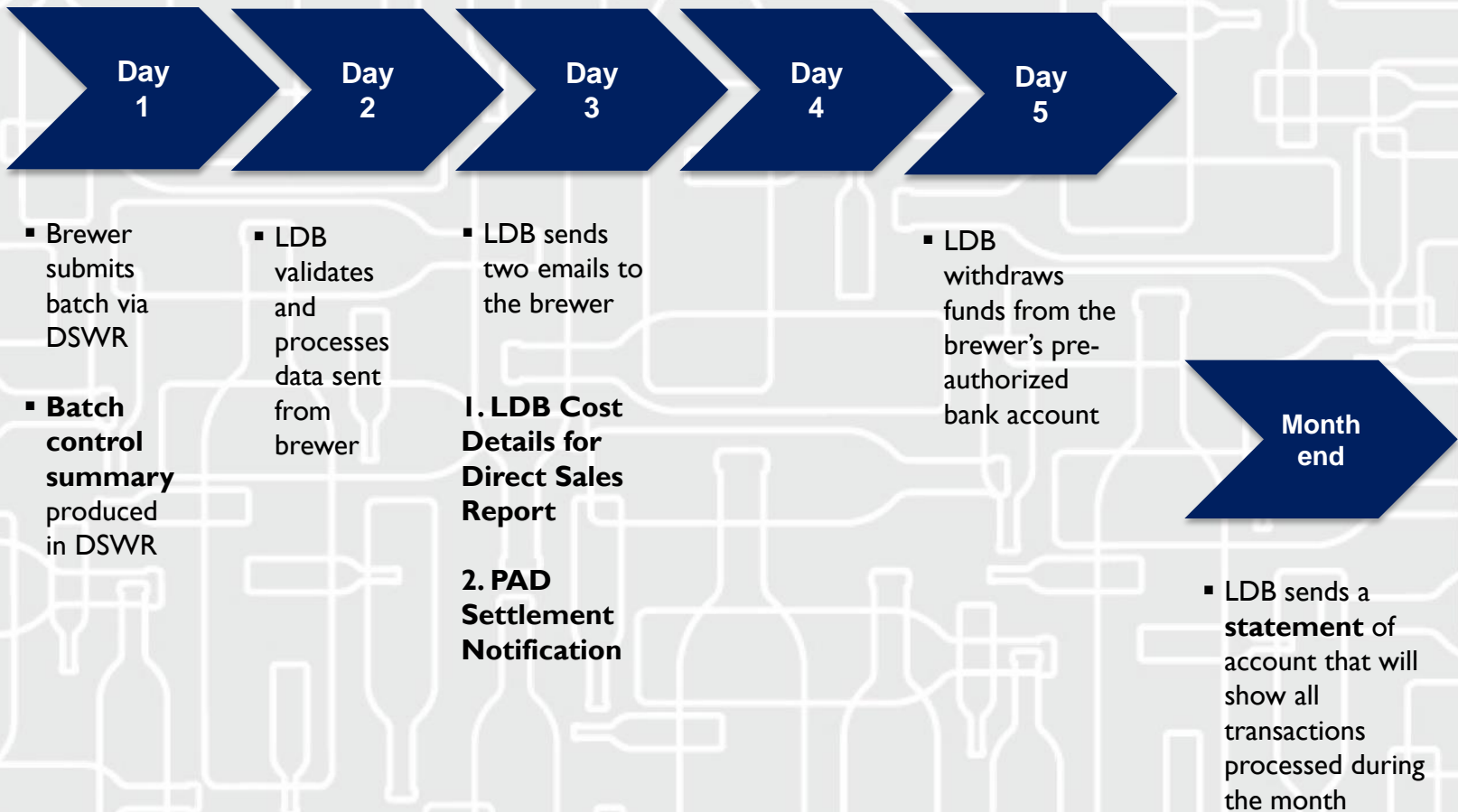
Keg deposits are refunded

Summary

\$217.01 – Total sales payable by brewery
\$186.56 – Total supplier cost payable by the LDB
\$ 30.45 – Net remittance amount to be withdrawn from brewery's own bank account via PAD

Keg deposits net effect will be zero

New Process Timelines



Important Timelines

- **By the end of next week**, you will receive an information package that will include a list of suggested steps to prepare for the change, including specific information for brewers with existing PAP arrangements with their wholesale and hospitality customers.
- Included in the information package will be a description of key amendments to your sales agreement.
- Also included will be your **pre-authorized debit (PAD) agreement**.
- Please ensure you return your executed PAD agreement as soon as possible but no later than **September 16**.

Cut-over and transition to the new model

- Once you return your PAD agreement (which is due by September 16th), the LDB will issue formal notice of the changes to your sales agreement.
- All of your sales after October 2, 2016 will then be under the new model.

Current model

		PERIOD 6						
		SUN	MON	TUE	WED	THU	FRI	SAT
SEPTEMBER		11	12	13	14	15	16	17
		18	19	20	21	22	23	24
		25	26	27	28	29	30	
							1	
		PERIOD 7						
		SUN	MON	TUE	WED	THU	FRI	SAT
OCTOBER		2	3	4	5	6	7	8
		9	10	11	12	13	14	15
		16	17	18	19	20	21	22
		+						

Key dates: Brewery requirement

FROM NOW Inform wholesale PAP customers that this payment method will not be accepted from October 2, 2016, and make other payment arrangements with these customers.

Oct-01 Last batch date for batches to be reported (and proceeds to be remitted) under current model. Note: batches dated after this date will not be able to include wholesale customer PAP transactions.

Oct-03 Last submission date for batches (dated October 1).

Future model

		PERIOD 6						
		SUN	MON	TUE	WED	THU	FRI	SAT
SEPTEMBER		11	12	13	14	15	16	17
		18	19	20	21	22	23	24
		25	26	27	28	29	30	
							1	
		PERIOD 7						
		SUN	MON	TUE	WED	THU	FRI	SAT
OCTOBER		2	3	4	5	6	7	8
		9	10	11	12	13	14	15
		16	17	18	19	20	21	22
		+						

Key dates: Brewery requirement

Sep-16 Return signed PAD agreement to LDB by this date.

Oct 02-04 Batches cannot be dated or submitted in the new model over these days.

Oct-05 Earliest batch date, for batches to be reported (and submitted) under the new model. Note: transactions from Oct 2 onwards will be reported in this batch.

Next Steps

- You can expect to receive your information package including your PAD agreement by the end of next week (by August 26, 2016).
- Your signed PAD agreement is DUE to the LDB by September 16, 2016.
- If you do not provide the LDB with your signed PAD agreement, you will not be eligible to move over to the new model.

Your Questions

Thank you for participating in today's webinar.

- We will now go through any of the questions we have received from you about this new remittance model.
- You will receive a copy of these slides by email following the webinar.
- Any answers to outstanding questions in the information package you will receive next week.
- If you have additional questions, please direct them to:
regemail@bcldb.com .