Annual Report 2016

ESTABLISHED 1875

S.L Horsford & Co. Ltd

And Subsidiary Companies

Our Vision

"To be the company of choice."

Our Mission

"Exceptional service,
Exceptional value for
Exceptional people."

Contents

Corporate Information

Directors:

W. Anthony Kelsick BA, BComm, CPA, CA	Chairman and Managing Director
Donald L Kelsick BA, HBA	Executive Director
Judith P. Ng'alla FCCA	Executive. Director
Malcolm C. Kirwan BSc, MBA	Retired Vice President for Administration and Finance, University of the Virgin Islands
Mark A Wilkin BA, MBA	Managing Director; Carib Brewery (St. Kitts & Nevis) Ltd.
Victor O. Williams BSc, SCL	Architect & Planner
Anthony E. Gonsalves QC, LLB, LLM	Attorney-at-Law
Faron T Lawrence BSc, MBA	Real Estate Developer
Terrence A Crossman BA, MA., MSc	Chief Executive Officer St Kitts & Nevis Sugar Industry Diversification Fund

Secretary:
Judith Ng'alla FCCA

Registered Office:
Marshall House
Independence Square West
Basseterre, St. Kitts

Auditors:
PKF
Chartered Accountants
Independence Square North,
Basseterre, St. Kitts

Bankers:
Royal Bank of Canada, St. Kitts
First Caribbean International Bank
St. Kitts and Nevis
SKNA National Bank, St. Kitts
Bank of Nova Scotia, St. Kitts

Solicitors:
Kelsick, Wilkin and Ferdinand
Independence Square South
Basseterre, St. Kitts

Notice of **Meeting**

NOTICE IS HEREBY GIVEN that the twenty-sixth Annual General Meeting of the Company, as a Public Company, will be held at Ocean Terrace Inn, Wigley Avenue, Fortlands, Basseterre, St. Kitts on Wednesday 12 April 2017 at 5 o'clock in the afternoon for the following purposes:

1. To receive and consider the Financial Statements for the year ended 30 September 2016.
2. To receive and consider the Report of Directors thereon.
3. To receive and consider the Report of Auditors thereon.
4. To declare a Dividend.
5. To appoint Directors in place of those retiring.
6. To appoint Auditors and fix their remuneration.

NOTE: A member is entitled to appoint a proxy to attend and on a poll to vote instead of him/her. A form of proxy is enclosed. Proxies must reach Secretary at least 48 hours prior to date of Annual General Meeting.

Marshall House
1 Independence Square West
Basseterre
St. Kitts

BY ORDER OF THE BOARD

Judith P. Ng'alla
Company Secretary
Dated 8 February 2017

Copies of the Annual Report may be printed from the Company's website www.horsfords.com/horsford/investor.asp

Company **Profile**

S.L. Horsford & Co. Limited, founded in 1875, was incorporated in 1912. Shares to the general public were first issued in 1990, signifying its conversion to a Public Company. Today, the company is a highly diversified business establishment involved in multiple retail, service and manufacturing activities through its various departments and subsidiary companies. It has traded profitably since its incorporation.

S.L. Horsford & Company Limited, comprised of several operational departments and subsidiaries, trades in both St. Kitts and Nevis. Products and services traded include building materials, hardware, furniture, appliances, petroleum products, food, cars, trucks, insurance, shipping, car rentals, hire purchase and consumer credit.

The key brands and principals represented include IGA, Nissan, Kia, Hyundai, SOL, Geest Line, King Ocean Services, Avis Rent a Car, Guardian General Insurance Limited and Ashley Furniture.

Actively trading subsidiary companies are Ocean Cold Storage (St. Kitts) Limited, S.L. Horsford Finance Co. Limited, S. L. Horsford Nevis Ltd., and S. L. Horsford Shipping Ltd.

Associate companies include St. Kitts Masonry Products Limited, 50% owned, Carib Brewery (St. Kitts and Nevis) Limited, 20% owned, and St. Kitts Developments Limited, which is 30% owned.

Chairman's **Report 2016**

The results for 2016 have been very satisfactory as profitability continued on its growth trend, resulting in the highest profit ever achieved.

Income before taxation of $16,145,651 was an improvement of $2,019,487 or 14.30% over 2015. Similarly, Income after taxation of $10,050,040 exceeded 2015 by $1,623,440 or 19.27%. Basic earnings per share for 2016 was $0.17 versus $0.14 for 2015. Total Comprehensive Income was $10,029,971 versus $10,893,459 for 2015.

Turnover or group sales for 2016 was $158,767,780 versus $157,118,254 for 2015, an improvement of $1,649,526 or 1.05%.This was the highest sales reported in the history of the company. This improvement, which reflects the continued strength in our economies, was experienced in all our primary operations on both St. Kitts and Nevis.

Gross profit increased by $3,149,653 or 8.58% to $39,849,883, Other Income increased by $633,401 to $9,600,195 resulting in a net increase in Total Income of $3,783,054 or 8.28% to $49,450,078.

Expenses increased by $1,504,204 or 4.34% to $36,148,008. Administrative expenses increased by $1,419,358 or 6.22%. Within these expenses, Employment costs increased by $1,250,491 or 7.31% as staffing levels were increased in certain of our operations to return them to their historic staffing levels and to meet the recent increased service demands.

Profits before Results of Associated companies increased by $2,278,850 or 20.67%, to $13,302,070.

Share of Results of Associated Companies was $2,843,581, a decrease of $259,363 or 8.36%. This decline was due to decreased demand for products produced by our joint venture company, St.Kitts Masonry Products Ltd.

Income tax Expense was $6,095,611 which is an effective rate of 37.75% versus the effective rate of 40.35% in 2015.

The group's solvency continues to be strong with a debt to equity ratio of 0.29:1 and a debt to total assets of 0.20:1.

The outlook for 2017 is for similar results as experienced in 2016 as economic growth is expected to continue on its current path.

Your Directors recommend a final dividend of $0.05 per share which, along with the interim dividend of $0.05, will result in a total annual dividend of $0.10 per share for a total of $6,029,686.

I wish to thank all of our customers on both St. Kitts and Nevis for their continued loyalty and support.

I also wish to thank our staff for their support and dedication to their work.

I thank my fellow directors for their support and valued counsel

W. Anthony Kelsick
B.A., B. Comm., CPA, CA.

Report of the Directors

The Directors submit their Report and Audited Accounts for the year ended 30 September 2016:

	2016	2015
Profit for the year (after providing for Taxation)	$10,050,040	$8,426,600
The Board recommends a dividend Of 10% (2015 = 9%)	$6,029,686	$5,426,717

In accordance with Articles 102 and 103 of the Articles of Association, Messrs. Anthony Gonsalves and Victor Williams retire from the Board on rotation and being eligible, offer themselves for re-appointment.

The Auditors, PKF, Chartered Accountants and Business Advisors, also retire, and being eligible, offer themselves for re-appointment.

BY ORDER OF THE BOARD

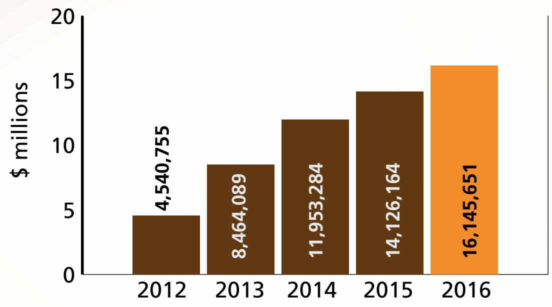
Judith P. Ng'alla

Company Secretary

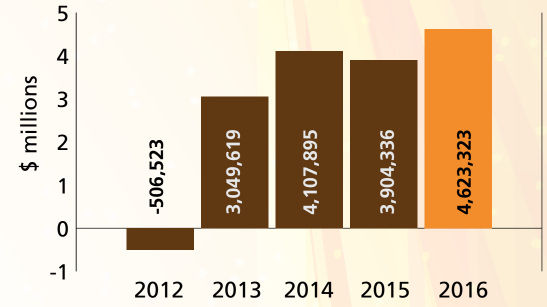
8 February 2017

Financial Highlights

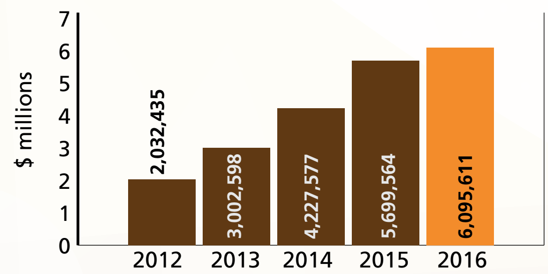
INCOME BEFORE TAX



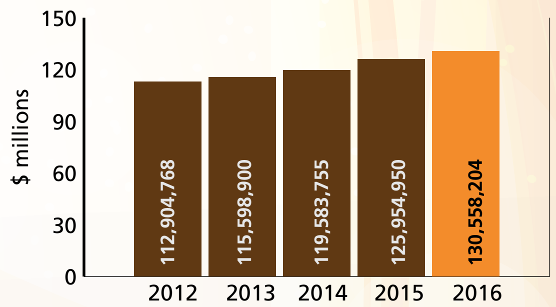
PROFITS RETAINED



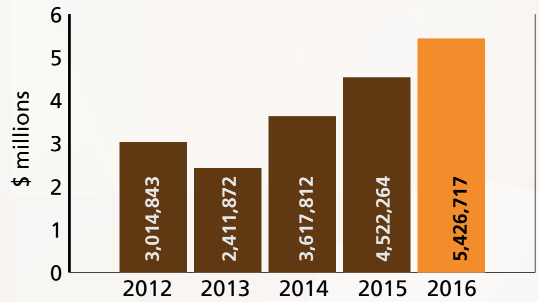
CORPORATION TAX



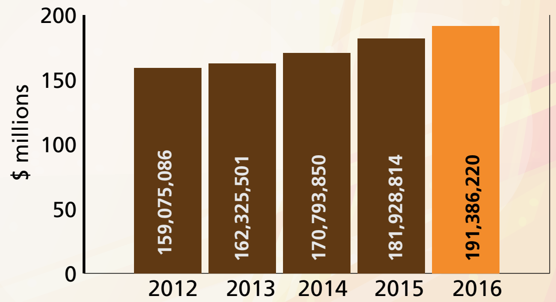
SHAREHOLDERS' EQUITY



DIVIDENDS PAID



TOTAL ASSETS



Independent Auditors' Report

PKF

TO THE SHAREHOLDERS
S L HORSFORD AND COMPANY LIMITED

We have audited the accompanying consolidated financial statements of S L Horsford and Company Limited and its subsidiaries ('the Group'), which comprise the consolidated statement of financial position as at 30 September 2016, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the 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 ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for 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 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 give a true and fair view of the financial position of the Group as of 30 September 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants:

PKF

BASSETERRE ST KITTS
8 February 2017

Consolidated Statement of Financial Position

At 30 September 2016 (Expressed in Eastern Caribbean Dollars)

	Notes	2016	2015 (Restated)
CURRENT ASSETS			
Cash at Bank and in Hand		786,060	834,478
Accounts Receivable - Current	3	15,995,218	15,218,985
Taxation Recoverable	11	64,327	56,110
Inventories	4	40,043,013	35,745,566
		56,888,618	51,855,139
NON-CURRENT RECEIVABLES	3	22,588,211	17,780,063
AVAILABLE-FOR-SALE INVESTMENTS	5	505,235	521,721
INVESTMENT IN ASSOCIATED COMPANIES	6	13,016,155	13,448,119
INTANGIBLES	7	27,253	8,314
PROPERTY, PLANT AND EQUIPMENT	8	98,360,748	98,315,458
TOTAL NON-CURRENT ASSETS		134,497,602	130,073,675
TOTAL ASSETS		$191,386,220	$181,928,814
CURRENT LIABILITIES			
Loans and Bank Overdrafts	9	29,259,278	28,677,772
Accounts Payable and Accruals	10	14,012,052	11,507,378
Provision for Taxation	11	2,007,323	2,264,767
		45,278,653	42,449,917
NON-CURRENT LIABILITIES			
LOANS - NON-CURRENT	9	8,903,373	6,980,557
DEFERRED TAX LIABILITY	12	6,645,990	6,543,390
		15,549,363	13,523,947
TOTAL LIABILITIES		60,828,016	55,973,864
EQUITY			
SHARE CAPITAL	13	60,296,860	30,148,430
RESERVES	14	70,261,344	95,806,520
SHAREHOLDERS' FUNDS		130,558,204	125,954,950
TOTAL LIABILITIES AND EQUITY		$191,386,220	$181,928,814

The attached Notes form an integral part of these Consolidated Financial Statements.
Approved by the Board of Directors on 8 February 2017.

W Anthony Kelsick - Chairman

Donald Kelsick - Director

Consolidated Statement of Income

For the Year ended 30 September 2016 (Expressed in Eastern Caribbean Dollars)

	Notes	2016	2015 (Restated)
TURNOVER	2(n)	158,767,780	157,118,254
Cost of Sales		(118,917,897)	(120,418,024)
GROSS PROFIT		39,849,883	36,700,230
OTHER INCOME	21	9,600,195	8,966,794
TOTAL INCOME		49,450,078	45,667,024
LESS: EXPENSES			
Administrative Expenses	22	(24,237,481)	(22,818,123)
Transport and Deliveries		(1,977,731)	(2,018,653)
Advertising and Promotion		(2,968,292)	(2,772,811)
Other Expenses		(1,485,039)	(1,563,900)
Depreciation and Amortisation		(3,897,998)	(3,743,987)
Finance Costs		(1,581,467)	(1,726,330)
		(36,148,008)	(34,643,804)
Income before Results of Associated Companies		13,302,070	11,023,220
Share of Results of Associated Companies	2(d)&6	2,843,581	3,102,944
INCOME BEFORE TAXATION		16,145,651	14,126,164
Income Tax Expense	11	(6,095,611)	(5,699,564)
INCOME FOR THE YEAR CARRIED TO STATEMENT OF COMPREHENSIVE INCOME		$10,050,040	$8,426,600
BASIC EARNINGS PER SHARE	15	$0.17	$0.14

The attached Notes form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

For the Year ended 30 September 2016 (Expressed in Eastern Caribbean Dollars)

	Notes	2016	2015 (Restated)
Income for the year		10,050,040	8,426,600
OTHER COMPREHENSIVE INCOME:			
Revaluation of freehold lands and buildings - Associated Company		-	2,536,442
Decrease in Revaluation Reserve - Associated Company	6	(3,584)	(13,277)
Unrealised Holding Loss - decrease in fair value of investments		(16,485)	(56,306)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR CARRIED TO STATEMENT OF CHANGES IN EQUITY		$10,029,971	$10,893,459

The attached Notes form an integral part of these Consolidated Financial Statements.

Consolidated Statement of **Changes In Equity**

For the Year ended 30 September 2016 (Expressed in Eastern Caribbean Dollars)

	Share Capital	Revaluation Reserve	Other Capital Reserve	Unrealised Holding Gain - Investment	Retained Earnings	Total
Balance at 30 September 2014	30,148,430	37,857,941	706,431	427,546	50,443,407	119,583,755
Total Comprehensive Income (Restated)	-	2,523,165	-	(56,306)	8,426,600	10,893,459
Dividend paid ($0.15 per share)	-	-	-	-	(4,522,264)	(4,522,264)
Balance at 30 September 2015	$30,148,430	$40,381,106	$706,431	$371,240	$54,347,743	$125,954,950
Balance at 30 September 2015						
- as previously reported	30,148,430	37,844,664	706,431	371,240	54,752,383	123,823,148
- prior year adjustment - associated companies	-	2,536,442	-	-	(404,640)	2,131,802
- as restated	30,148,430	40,381,106	706,431	371,240	54,347,743	125,954,950
Bonus Share Issue (Note 13)	30,148,430	-	-	-	(30,148,430)	-
Total Comprehensive Income	-	(3,584)	-	(16,485)	10,050,040	10,029,971
Dividend paid ($0.18 per share)	-	-	-	-	(5,426,717)	(5,426,717)
Balance at 30 September 2016	$60,296,860	$40,377,522	$706,431	$354,755	$28,822,636	$130,558,204

The attached Notes form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows

For the Year ended 30 September 2016 (Expressed in Eastern Caribbean Dollars)

	2016	2015 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before Taxation	16,145,651	14,126,164
Adjustments for:		
Depreciation and Amortisation	3,897,998	3,743,987
Gain on disposal of Property, Plant and Equipment	(206,734)	(217,995)
Finance costs incurred	1,581,467	1,726,330
Share of income from Associated Companies	(2,843,581)	(3,102,944)
Operating profit before working capital changes	18,574,801	16,275,542
Net change in non-cash working capital balances related to Operations	(2,569,006)	(3,394,190)
	16,005,795	12,881,352
Finance costs paid	(1,581,467)	(1,726,330)
Taxation paid	(5,366,891)	(3,553,049)
Net cash inflow from operating activities	9,057,437	7,601,973
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property, Plant and Equipment	(4,356,786)	(3,791,328)
Proceeds on disposal of Property, Plant and Equipment	641,440	676,658
Purchase of Intangibles	(40,146)	-
Dividends received from Associated Companies	2,380,180	2,332,658
Net cash used in investing activities	(1,375,312)	(782,012)
CASH FLOWS FROM FINANCING ACTIVITIES		
Non-current Receivables	(4,808,148)	(4,370,057)
Loans received/(repaid)	5,429,941	(628,972)
Dividends paid to Shareholders	(5,426,717)	(4,522,264)
Net cash used in financing activities	(4,804,924)	(9,521,293)
Net increase/(decrease) in cash and cash equivalents	2,877,201	(2,701,332)
Cash and cash equivalents - beginning of year	(4,466,396)	(1,765,064)
Cash and cash equivalents - end of year	$(1,589,195)	$(4,466,396)
Cash and cash equivalents comprise:		
Cash	786,060	834,478
Bank Overdrafts	(2,375,255)	(5,300,874)
	$(1,589,195)	$(4,466,396)

The attached Notes form an integral part of these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

At 30 September 2016 (Expressed in Eastern Caribbean Dollars)

1 CORPORATE INFORMATION

S L Horsford and Company Limited (known locally as Horsfords) was incorporated as a Private Limited Company on 31January 1912 under the provisions of the Companies Act 1884, (No 20 of 1884) of the Leeward Islands. By Special Resolution dated 30 July 1990, the Company was converted into a Public Company.

In accordance with the provisions of The Companies Act (No 22 of 1996), of the Laws of St Kitts and Nevis, the Company was re registered as a Company with Limited Liability with its registered office located at Independence Square West, Basseterre, St Kitts, West Indies.

Horsfords is a diversified trading company and details of its subsidiary and associated companies and their main activities are set out in Note 18.

The Company is listed on the Eastern Caribbean Stock Exchange.

2 ACCOUNTING POLICIES

(a) Basis of Accounting:

The consolidated financial statements are prepared on the historical cost basis with the exception of certain property, plant and equipment and certain available-for-sale investments which are included at fair value. The consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards.

The accounting policies which are followed are set out below.

These accounting policies adopted are consistent with those of the previous year and include the adoption of the new and amended IAS, IFRS and IFRIC:

New and amended pronouncements in effect and applicable:

There were no applicable new and amended pronouncements in effect for the year under review.

New and amended standards and interpretations in issue but not yet effective and not early adopted:

IFRS 9 Financial Instruments - effective for periods beginning on or after 1 January 2018

IFRS 16 Leases - effective for periods beginning on or after 1 January 2019

IAS 1 Presentation of Financial Statements - effective for periods beginning on or after 1 January 2016

IAS 12 Income Taxes – effective for periods beginning on or after 1 January 2017

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - effective for periods beginning on or after 1 January 2016

Assessment is being made of the potential impact of these new standards and amendments.

Notes to the **Consolidated Financial Statements** (continued)
At 30 September 2016 (Expressed in Eastern Caribbean Dollars)

2 ACCOUNTING POLICIES (cont'd)

(b) Use of Estimates:

The preparation of 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 reporting period. Actual results could differ from those estimated.

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 are as follows:

Provision for inventory obsolescence:

Provision for obsolescence of inventory is based on the assessment of the physical condition of inventory and average loss rate of inventory over a period of time.

Depreciation of property, plant and equipment:

The group estimates the useful lives and residual values of property, plant and equipment based on the intended use of these assets, the periodic review of actual asset lives and the resulting depreciation determined thereon.

Impairment of Financial Assets:

Management makes judgement at each statement of reporting date to determine whether financial assets are impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment.

Fair value measurement:

A number of assets included in the group's financial statements require measurement at, and /or disclosure of fair value.

The group measures some of its assets at fair value at each reporting date. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants and the measurement date.

The fair value measurement is based on the assumption that the transaction to sell the asset takes place either:

- In the principal market for the asset, or
- In the absence of a principal market, in the most advantageous market for the asset.

The fair value of an asset is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The measurement of non-financial assets at fair value takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimising the use of unobservable inputs.

Notes to the Consolidated Financial Statements (continued)

At 30 September 2016 (Expressed in Eastern Caribbean Dollars)

2 ACCOUNTING POLICIES (cont'd)

(b) Use of Estimates (cont'd):

Fair value measurement of the group's financial and non-financial assets utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurement are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1 – quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 – inputs other than quoted market price included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability

The group measures the following at fair value:

- Revalued land and buildings – property, plant and equipment (see note 8)
- Available-for-sale investments - quoted (see note 5)

Fair values are based on quoted market prices for the specific instrument or comparisons with other similar financial instruments. Establishing valuations where there are no quoted market prices inherently involves the use of judgement and applying judgement in deteriorating economic conditions, types of instruments or currencies and other factors.

(c) Basis of Consolidation:

The consolidated financial statements include the audited financial statements of the company and entities controlled by it and its subsidiaries ("the group").

Control is achieved when the investor

- Has power over the investee;
- Is exposed or has rights to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

(d) Investment in subsidiaries:

Consolidation of a subsidiary begins from the date the investor gains control of an investee and ceases when the investor loses control of an investee. The cost of the acquisition is measured as the fair value of assets transferred, equity instruments issued and liabilities incurred at the date of exchange.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated.

(e) Investment in associated companies:

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control over those policies.

2 ACCOUNTING POLICIES (cont'd)

(e) Investment in associated companies (cont'd):

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income in the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the income statement.

Upon loss of significant influence over the associate, the Group measures and recognises any remaining investment at its fair value. Any differences between the carrying amount of the associates upon loss of significant influence and the value of the remaining investment and proceeds from disposal is recognised in profit or loss.

(f) Foreign Currencies:

All amounts are expressed in Eastern Caribbean Dollars (the functional currency). Current assets and liabilities in foreign currencies are translated into Eastern Caribbean Dollars at the exchange rates prevailing at the reporting date. Fixed and other assets are reflected at the rates prevailing when acquired.

During the year, exchange differences arising from currency translations in the course of trading, and gains and losses arising from the translation of monetary current assets and liabilities are dealt with through the Profit or Loss.

(g) Revenue Recognition:

The group principally derives its revenue from sales to third parties, rendering of services, interest income, dividends and rentals.

Sales to third parties:

Revenue from the sale of products to third parties is recognised when the significant risks and rewards of ownership have been passed to the buyer and the amounts can be measured reliably.

Rendering of services:

Revenue is recognised in the accounting period in which the services are provided by reference to the stage of completion.

Notes to the **Consolidated Financial Statements** (continued)

At 30 September 2016 (Expressed in Eastern Caribbean Dollars)

2 ACCOUNTING POLICIES (cont'd)

(g) Revenue Recognition (cont'd):

Interest income:

Interest income is recognised as the interest accrues, unless collectability is in doubt.

Dividend:

Dividend income is recognised when the group's right to receive payment is established.

Rental:

Rental income arising from operating leases on buildings is accounted for on the straight-line basis over the lease terms and is included in revenue in the statement of income due to its operating nature.

(h) Financial Assets

Loans and Receivables:

The group's loans and receivables comprise trade and other receivables and cash at bank and in hand in the statement of financial position.

These assets are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market. They arise principally through the provision of goods and services to customers (eg trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue.

Due to their short-term nature, the carrying value of cash at bank and in hand and trade and other receivables, net any provision for impairment, approximates their fair values.

At each reporting date, the company assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the recoverable amount. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the statement of income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Available-for-sale Investments:

These are securities, which are not held with the intention of generating profits from market movements, and the general purpose is to hold these securities for an indefinite period.

Investments are initially recognised at cost, being the fair value of the consideration given, including acquisition charges associated with the investment. For securities where there is no quoted market price, fair value has been estimated by management at cost less amounts written off. While it is not practical to determine the current market value of these investments, impairment is assessed and provisions for permanent impairment in the value of investments is made through the income statement.

Notes to the Consolidated Financial Statements (continued)

At 30 September 2016 (Expressed in Eastern Caribbean Dollars)

2 ACCOUNTING POLICIES (cont'd)

(h) Financial Assets (cont'd):

Investments in companies quoted on the Securities Exchange are carried at fair value based on quoted market prices at the year end. All unrealised gains and losses on revaluation, are reported as part of shareholders' equity in the capital reserve account, until the securities are disposed of, at which time the cumulative gain or loss previously recognised in equity is included in the income statement.

A financial asset is primarily derecognised when:

- The rights to receive cash flows from the asset have expired;
- The group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flow in full without material delay to a third party.

(i) Financial Liabilities

The group's financial liabilities comprise primarily trade and other payables and bank loans and overdrafts. The company has not designated any financial liabilities upon recognition as at fair value through profit or loss.

All financial liabilities are recognised initially at fair value. Due to their short-term nature, the carrying value of trade and other payables and overdrafts approximates their fair value. After the initial recognition, interest-bearing loans are subsequently measured at amortised cost using the effective interest rate method. The effective interest rate amortisation is included as finance costs in the statement of income, where applicable.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or has expired.

(j) Inventories and Goods in Transit:

Inventories and Goods in Transit are consistently valued at the lower of cost and net realisable value on a first-in, first-out (FIFO) basis. Adequate provision has been made for obsolete and slow-moving items.

(k) Leases:

Group as lessor

A lease where the Group is lessor and transfers all the risks and rewards of ownership of the leased asset to the lessee is treated as a finance lease. The amount due from customers under such finance lease arrangements is presented in the statement of financial position and included under Accounts Receivable.

Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the lease.

(l) Property, Plant and Equipment:

Property, Plant and Equipment are stated at cost or at valuation and reduced by depreciation which is provided on the straight line and reducing balance bases to write off assets over their expected useful lives.

Notes to the Consolidated Financial Statements (continued)

At 30 September 2016 (Expressed in Eastern Caribbean Dollars)

2 ACCOUNTING POLICIES (cont'd)

(l) Property, Plant and Equipment (cont'd):

Depreciation rates are as follows:

Freehold Buildings	2%
Vehicles	12.5% - 30%
Cargo Handling Gear	20%
Furniture, Fittings and Equipment	10% - 20%
Coldrooms and Electrical Installations	10%
Plant and Equipment	6.67%, 20% - 33.33%
Boat	20%
Building Renovations	10%

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income when the asset is derecognised.

Upon disposal of revalued assets, the group has elected to transfer in full, the revaluation reserve relating to the particular asset being sold to retained earnings.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted, if appropriate.

(m) Taxation:

The group follows the liability method of accounting for deferred tax whereby all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes are provided for at the current corporation tax rate. Deferred tax assets are only recognised when it is probable that taxable profits will be available against which the assets may be utilised.

(n) Turnover:

Turnover is defined as the net amount receivable for goods supplied. Major transactions within the group are eliminated.

(o) Provisions:

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Warranty provisions

Provisions for warranty-related costs are recognised when the product is sold or service is provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

Notes to the Consolidated Financial Statements (continued)

At 30 September 2016 (Expressed in Eastern Caribbean Dollars)

2 ACCOUNTING POLICIES (cont'd)

(o) Provisions (cont'd):

Customer loyalty programme provision

The group operates a loyalty points programme which allows customers to accumulate points when they purchase products in the group's retail stores. These points can be redeemed for free products subject to a minimum number of points being obtained and other specified conditions.

These provisions are recognised in the statement of income and are reviewed annually.

(p) Intangibles:

Intangible assets are identifiable non-monetary assets without physical substance. Computer software meets this description. Acquired computer software licences, upgrades to software and related costs that are expected to contribute to the future economic benefit of the group are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives at a rate of 33 1/3% per annum.

Costs associated with maintaining computer software programmes are recognised as an expense when incurred.

(q) Borrowing Costs:

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(r) Share Capital:

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The group's ordinary shares are classified as equity instruments.

(s) Dividends:

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when approved by the directors. In the case of final dividend, this is when approved by the shareholders at the Annual General Meeting.

(t) Current versus non-current distinctions:

The group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in a normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after reporting period; or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

Notes to the Consolidated Financial Statements (continued)

At 30 September 2016 (Expressed in Eastern Caribbean Dollars)

2 ACCOUNTING POLICIES (cont'd)

(t) Current versus non-current distinctions (cont'd):

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Notes to the Consolidated Financial Statements (continued)

At 30 September 2016 (Expressed in Eastern Caribbean Dollars)

3 ACCOUNTS RECEIVABLE

	2016	2015
Trade and Instalment Receivables	45,546,423	40,150,069
Less: Provision for impairment	(7,636,648)	(7,712,072)
	37,909,775	32,437,997
Sundry Receivables and Prepayments	673,654	561,051
	38,583,429	32,999,048
Less: **Non-current portion of Receivables**	(22,588,211)	(17,780,063)
TOTAL - **Current**	$15,995,218	$15,218,985

All non-current receivables are due within six (6) years from the reporting date.

Movement on provision for impairment:

	2016	2015
Balance at beginning of year	7,712,072	7,701,991
Increase in provision for impairment	711,055	860,975
Impaired losses recovered	(786,479)	(850,894)
Balance at end of year	$7,636,648	$7,712,072

Ageing analysis of trade receivables:

	Total	Future Due	Neither past due nor impaired	Past due but not impaired 30 to 90 days	Past due but not impaired Over 90 days
30 September 2016	$37,909,775	$22,588,211	$13,654,491	$1,050,213	$616,860
30 September 2015	$32,437,997	$17,780,063	$12,448,321	$775,830	$1,433,783

The carrying value of trade and other receivables approximates fair value.

Credit quality of the customer is assessed based on regular monitoring of accounts receivable and actual incurred historical data. Customer credit risk is also managed by establishing defined limits based on the customer's ability to pay.

Instalment receivables – cars are secured by bills of sale over the respective vehicles. Other accounts receivable are unsecured.

	2016	2015
Minimum Lease Amounts Receivable Due:		
Within one year	13,019,224	11,378,261
Over one year but less than five years	28,138,440	22,092,746
Over five years	7,331,297	5,810,653
	$48,488,961	$39,281,660

Notes to the Consolidated Financial Statements (continued)

At 30 September 2016 (Expressed in Eastern Caribbean Dollars)

3 ACCOUNTS RECEIVABLE (cont'd)

	2016	2015
Present value of minimum lease payments of finance leases:		
Amounts Due:		
Within one year	7,678,552	6,505,583
After one year but less than five years	17,761,194	13,945,032
Over five years	4,827,017	3,835,031
	$30,266,763	$24,285,646

This balance includes amounts receivable under hire purchase and finance lease agreements.

4 INVENTORIES

	2016	2015
Merchandise	35,702,314	29,155,695
Goods In Transit	4,340,699	6,589,871
TOTAL	$40,043,013	$35,745,566

5 AVAILABLE-FOR-SALE INVESTMENTS

	2016	2015
Quoted Securities	455,234	471,720
Unquoted Securities	50,001	50,001
TOTAL	$505,235	$521,721

6 INVESTMENT IN ASSOCIATED COMPANIES

	2016	2015 (Restated)
Original cost of investments	3,048,436	3,048,436
Increase in equity over cost from acquisition to the end of previous year	10,399,683	8,371,582
	13,448,119	11,420,018
Capital reserve reduction	(3,584)	(13,277)
Prior Year Adjustment - Revaluation of freehold lands and buildings	-	2,536,442
Share of net income less dividends received from Associated Companies (see below)	(428,380)	(495,064)
Balance at End of Year	$13,016,155	$13,448,119

6 INVESTMENT IN ASSOCIATED COMPANIES (cont'd)

Share of net income less dividends received for the year is made up as follows:

	2016	2015 (Restated)
Share of income before taxation	2,843,581	3,102,944
Taxation (Note 11)	(891,781)	(1,265,350)
	1,951,800	1,837,594
Dividends received	(2,380,180)	(2,332,658)
TOTAL (As Above)	$(428,380)	$(495,064)

The following entities have been included in the consolidated financial statements using the equity method:

Name	Country of Incorporation/principal place of business	Proportion of ownership interest held at 30 September 2016	2015
St Kitts Masonry Products Limited	St Kitts	50%	50%
St Kitts Developments Limited	St Kitts	30%	30%
Carib Brewery (St Kitts & Nevis) Limited	St Kitts	20.1%	20.1%

The primary businesses of the associated companies are disclosed in Note 18.

Summarised financial information – Carib Brewery (St Kitts and Nevis) Limited:

	2016 $	2015 (Restated) $
Current Assets	21,917,432	19,314,637
Non-current assets	14,214,800	18,127,487
Current liabilities	12,146,495	10,183,057
Non-current liabilities	1,738,684	2,318,076
Revenue	38,548,873	37,393,024
Profit after tax	5,686,828	6,482,041
Other Comprehensive Income	-	15,766
Total Comprehensive Income	5,686,828	6,497,807
Dividend from associate	1,980,180	1,732,658

Notes to the Consolidated Financial Statements (continued)

At 30 September 2016 (Expressed in Eastern Caribbean Dollars)

6 INVESTMENT IN ASSOCIATED COMPANIES (cont'd)

Summarised financial information – St Kitts Developments Limited and St Kitts Masonry Products Limited:

	2016 $	2015 (Restated) $
Current Assets	5,413,427	5,456,090
Non-current assets	16,409,423	17,429,615
Current liabilities	2,861,660	3,135,826
Non-current liabilities	1,506,475	2,128,336
Revenue	21,702,930	23,468,378
Profit after tax	1,045,118	1,864,910
Other Comprehensive Income	(11,946)	5,028,628
Total Comprehensive Income	5,060,938	6,893,538
Dividend from associates	2,380,180	600,000

7 INTANGIBLES

	2016	2015
Software – cost brought forward (See Note 2(p))	107,191	107,191
Additions	40,146	-
Software – cost carried forward	147,337	107,191
Accumulated Amortisation – brought forward	98,877	81,962
Amortisation	21,207	16,915
Accumulated Amortisation – carried forward	120,084	98,877
NET CARRYING AMOUNT	$27,253	$8,314

Notes to the Consolidated Financial Statements (continued)

At 30 September 2016 (Expressed in Eastern Caribbean Dollars)

8 PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings - at Cost/ Valuation	Plant, Vehicles and Other Assets - at cost	Capital Work-in -Progress - at cost	Total
Year Ended 30 September 2016				
Gross Carrying Amount - beginning of year	88,537,437	29,027,719	784,238	118,349,394
Additions	-	2,824,145	1,532,641	4,356,786
Disposals	-	(2,321,410)	-	(2,321,410)
Transfers	610,724	322,329	(933,053)	-
Gross Carrying Amount - end of year	89,148,161	29,852,783	1,383,826	120,384,770
Accumulated Depreciation - Brought Forward	5,258,729	14,775,206	-	20,033,935
Current year's depreciation	1,101,023	2,775,768	-	3,876,791
Disposals	-	(1,886,704)	-	(1,886,704)
Accumulated Depreciation - Carried Forward	6,359,752	15,664,270	-	22,024,022
Net Carrying Amount -2016	$82,788,409	$14,188,513	$1,383,826	$98,360,748
Year Ended 30 September 2015				
Gross Carrying Amount - beginning of year	88,133,722	29,330,813	452,174	117,916,709
Additions	403,715	2,618,705	768,908	3,791,328
Disposals	-	(3,355,833)	(2,810)	(3,358,643)
Transfers	-	434,034	(434,034)	-
Gross Carrying Amount - end of year	88,537,437	29,027,719	784,238	118,349,394
Accumulated Depreciation - Brought Forward	4,264,949	14,941,893	-	19,206,842
Current year's depreciation	993,780	2,733,293	-	3,727,073
Disposals	-	(2,899,979)	-	(2,899,979)
Accumulated Depreciation - Carried Forward	5,258,729	14,775,207	-	20,033,936
Net Carrying Amount -2015	$83,278,708	$14,252,512	$784,238	$98,315,458

Notes to the **Consolidated Financial Statements** (continued)

At 30 September 2016 (Expressed in Eastern Caribbean Dollars)

8 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Revaluation:

The majority of the group's lands and buildings were revalued in July 2009 to amounts which approximated current market values. The revalued amounts were incorporated in these financial statements at 1 October 2009. The surplus on revaluation in the amount of $27,844,017 was placed in Capital Reserves and made up as follows:

Lands and Buildings – At Cost/Valuation	48,845,604
Accumulated Depreciation - At 30 September 2009	(4,003,883)
	44,841,721
Revaluation	72,685,738
SURPLUS ON REVALUATION	27,844,017
Less: Reserve on property Disposed of	(609,422)
	27,234,595
Less: Related Costs	(55,607)
NET REVALUATION RESERVE	$27,178,988

Additions subsequent to revaluation are stated at cost.

At year end, the group's freehold land and buildings were revalued. The revalued figures will be incorporated in the Consolidated Financial Statements on 1 October 2016. The revaluation document has indicated that the revalued figures are not less than the existing net carrying amount of these assets.

9 LOANS AND BANK OVERDRAFTS

	2016	2015
Current:		
Overdrafts	2,375,255	5,300,874
Loans – Current Portion	26,884,023	23,376,898
TOTAL CURRENT LOANS AND BANK OVERDRAFTS	$29,259,278	$28,677,772
LOANS – NON-CURRENT	$8,903,373	$6,980,557
Summary of Loans and Overdrafts:		
Amounts Payable:		
Within 1 year	29,259,278	28,677,772
Over 1 year – 5 Years	6,601,611	3,881,182
Over 5 Years	2,301,762	3,099,375
TOTAL LOANS	$38,162,651	$35,658,329
Analysed as follows:		
Secured	14,071,324	13,148,848
Unsecured	24,091,327	22,509,481
TOTAL	$38,162,651	$35,658,329

Notes to the Consolidated Financial Statements (continued)

At 30 September 2016 (Expressed in Eastern Caribbean Dollars)

9 LOANS AND BANK OVERDRAFTS (cont'd)

Repayment Terms:

Loans are repayable over periods varying from one (1) to twelve (12) years at rates of interest of between approximately 4% and 5% for EC$ denominated loans and three (3) month LIBOR plus 3% for US$ denominated loans (approximately 4.26%).

Collateral for Advances:

The Bank Loans and Overdrafts are secured by debentures executed by the Parent Company and two subsidiaries totalling $56,428,000 (2015 = $56,428,000).

The principal instalments due within the twelve months ending 30 September 2017 have been shown under Current Liabilities.

10 ACCOUNTS PAYABLE AND ACCRUALS

	2016	2015
Trade Payables	9,322,331	7,387,915
Sundry Payables, Provisions and Accruals	4,689,721	4,119,463
TOTAL	$14,012,052	$11,507,378

The carrying value of trade and other payables approximates their fair value.

11 TAXATION

	2016	2015
Statement of Financial Position		
Taxation in the Statement of Financial Position comprises the following:		
Taxation Recoverable	$(64,327)	$(56,110)
Provision for Taxation - Current Year	$2,007,323	$2,264,767
Statement of Income		(Restated)
The Taxation charge in the Statement of Income comprises the following:		
Provision for charge on Current Profits	5,097,771	4,241,245
Underprovision – previous year	3,459	-
Deferred Tax (Note 12)	102,600	192,969
	5,203,830	4,434,214
Associated Companies (Note 6)	891,781	1,265,350
TOTAL	$6,095,611	$5,699,564

Notes to the Consolidated Financial Statements (continued)

At 30 September 2016 (Expressed in Eastern Caribbean Dollars)

11 TAXATION (cont'd)

The group's effective tax rate of 37.8% (2015 = 40.3%) differs from the Statutory rate of 33% as follows:

	2016	2015 (Restated)
Profit before taxation	$16,145,651	$14,126,164
Taxes at statutory rate 33%	5,328,065	4,661,634
Tax effect of expenses not deductible in determining taxable profits	627,468	691,664
Tax effect of income not assessable for taxation	(2,878)	(177,768)
Tax effect on non qualifying assets	135,155	119,846
Underprovision - previous year	3,459	413,313
Other	4,342	(9,125)
TOTAL	$6,095,611	$5,699,564

All income tax assessments up to and including the year of assessment 2016/15 have been submitted to the Comptroller of Inland Revenue and the taxes duly paid.

12 DEFERRED TAX LIABILITY

	2016	2015
Deferred Tax Liability (Net) – at beginning of year	6,543,390	6,350,421
Deferred Tax (Note 11)	102,600	192,969
Deferred Tax Liability (Net) – at end of year	$6,645,990	$6,543,390
Deferred Tax Liability (Net) comprises the following:		
Deferred Tax Asset - Unutilised Capital Allowances	(24,115)	-
Deferred Tax Liability - Accelerated Capital Allowances	6,670,105	6,543,390
	$6,645,990	$6,543,390

13 SHARE CAPITAL

	2016	2015
Authorised		
100,000,000 (2015 = 50,000,000) Ordinary Shares of $1 each		
Issued and Fully Paid		
60,296,860 (2015 = 30,148,430) Ordinary Shares of $1 each	$60,296,860	$30,148,430
Movement in Share Capital		
Balance brought forward	30,148,430	30,148,430
Add: Bonus Share Issue	30,148,430	-
Balance Carried Forward	$60,296,860	$30,148,430

13 SHARE CAPITAL (cont'd)

At the Annual General Meeting held on 14 April 2016, the following resolutions were passed:

Increase in Share Capital

"BE IT RESOLVED that the authorised share capital of the Company be increased from EC$50,000,000 consisting of 50,000,000 ordinary shares of a stated value of EC$1 each to EC$100,000,000 consisting of 100,000,000 ordinary shares of a stated value of EC$1 each".

Bonus Share Issue

"BE IT RESOLVED that from undivided profits of the Company available for distribution the sum of EC$30,148,430 be capitalised to the members in proportion to the stated amounts of the shares held by them respectively and that the same be applied in payment up in full unissued shares of the Company of a stated amount equal to that sum and that the said shares be allotted to the shareholders in the proportion of one bonus share for each share currently held by a shareholder."

Dividend:

Dividend of 10% (2015 = 18%) per ordinary share amounting to $6,029,686 (2015 = $5,426,717) in respect of 2016 has been proposed by the Directors. The Financial Statements for the year ended 30 September 2016 do not reflect this proposed dividend which, if ratified, will be accounted for in equity as an appropriation of retained earnings in the year ending 30 September 2017.

14 RESERVES

The following describes the nature and purpose of each reserve within equity:

Revaluation reserve	gains/losses arising on the revaluation of the group's property.
Other capital reserve	sugar rehabilitation/return on investments
Unrealised holding gain	gains/losses on revaluation of financial assets classified as available-for-sale
Retained earnings	all other net gains and losses and transactions with owners (eg dividends) not recognised elsewhere.

15 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net income for the year by the weighted average of ordinary shares outstanding during the year adjusted for events other than the issue of bonus shares:

	2016	**2015 (Restated)**
Net Income for the Year	$10,050,040	$8,426,600
Number of shares in issue during the year (See Note Below)	60,296,860	60,296,860
Basic earnings per share	$0.17	$0.14

Notes to the Consolidated Financial Statements (continued)

At 30 September 2016 (Expressed in Eastern Caribbean Dollars)

15 EARNINGS PER SHARE (cont'd)

Bonus Share Issue:

As explained in Note 13, the company issued one bonus share for each share held. In accordance with IAS 33 Earnings Per Share is calculated using the number of shares outstanding before the event (capitalisation) as adjusted for the proportionate change in the number of shares outstanding as if the event had occurred at the beginning of the earliest period presented.

16 CONTINGENT LIABILITIES

Parent Company:

a) Unfunded Pension:

The Parent Company is contingently liable for unfunded pension liabilities to certain retired employees in accordance with the Company's agreement to pay such pension. The amount of the liability has not been actuarially quantified.

b) Guarantees:

The Parent Company has given guarantees to First Caribbean International Bank and Royal Bank of Canada as collateral for overdraft facilities of up to $4,200,000 (2015 = $4,200,000) for its Subsidiary Companies, Ocean Cold Storage (St Kitts) Limited, S L Horsford Finance Company Limited, S L Horsford Nevis Limited and S L Horsford Shipping Limited.

Associated Company:

The Parent Company issued a Letter of Undertaking to First Caribbean International Bank Limited in the amount of EC $500,000 to meet any shortfalls in debt service of St Kitts Masonry Products Limited, a 50% owned Associated Company.

c) Letters of Credit:

At the year end, the Group had outstanding letters of credit totalling $448,820 (2015 = $448,820).

d) Legal Claims:

At 30 September 2016, there were no contingent liabilities regarding legal claims (2015 = Nil).

17 RELATED PARTY TRANSACTIONS

1. The following transactions were carried out with associated parties during the year:

	2016	2015
i) Sales of goods and services	$3,062,578	$4,146,550
ii) Purchases of goods and services	$5,599,484	$6,487,396
iii) Management fees	$48,000	$48,000
iv) Dividends received	$2,380,180	$2,332,658

Notes to the Consolidated Financial Statements (continued)

At 30 September 2016 (Expressed in Eastern Caribbean Dollars)

17 RELATED PARTY TRANSACTIONS (cont'd)

	2016	2015
2. Compensation of key management personnel of the Company and its subsidiaries:		
Salaries and Other Benefits	$1,231,044	$1,191,634
3. Balances due to/from Related Parties		
Due from Associated Companies	$525,005`	$834,364
Due from Directors	$32,556	$35,371
Due to Associated Companies	$4,008,240	$3,369,378
Due to Directors	$10,037,215	$7,214,235

The balances due to associated companies and directors comprised substantially unsecured demand loans with interest chargeable at rates ranging from 4.3% to 4.75% per annum.

The group has not made any allowance for bad or doubtful debts in respect of related party debtors. A guarantee has been given on behalf of an associated company (see Note 16 (b)).

18 DETAILS OF SUBSIDIARY AND ASSOCIATED COMPANIES

Subsidiary Companies	Principal Activities	Interest held in the Equity %
Marshall Plantations Limited	Investments	100
Ocean Cold Storage (St Kitts) Limited	Food Distribution (Wholesale)	100
S L Horsford Finance Company Limited	Car Rentals, Car Sales and Insurance Agency	100
S L Horsford Shipping Limited (previously S L Horsford Motors Limited)	Shipping Agency	100
S L Horsford Nevis Limited	Retail activities and related services	100
Associated Companies		
St Kitts Developments Limited	Land Development	30.0
St Kitts Masonry Products Limited	Concrete and Related Products	50.0
Carib Brewery (St Kitts & Nevis) Limited	Manufacturers of Beer and non-alcoholic Beverages	20.1

Notes to the Consolidated Financial Statements (continued)

At 30 September 2016 (Expressed in Eastern Caribbean Dollars)

19 FINANCIAL INSTRUMENTS

a) Interest Rate Risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The group's exposure to the risk of changes in market interest rates relates primarily to the group's long-term borrowings and overdrafts with financial institutions and short-term demand deposits.

The group manages centrally its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

Interest rates and terms of borrowing are disclosed in Note 9.

b) Credit Risk:

The group sells products and provides services to customers primarily in St Kitts-Nevis. The Group performs on-going credit evaluation of its customers and counterparties and provisions are made for potential credit losses.

c) Fair Values:

The carrying amounts of the following financial assets and liabilities approximate their fair value:

cash and bank balances, accounts receivable, unquoted investments, accounts payable and loans.

It is the directors' opinion that because of the short-term maturities of cash and bank balances, accounts receivable, accounts payable and loans their carrying value approximates their fair value.

In the directors' opinion, the carrying amount of unquoted investments approximates its fair value since their fair value cannot be measured reliably. The carrying amount is measured at cost less provision for impairment.

Financial and non-financial assets measured at fair value are as follows:

Financial assets:

Available-for-sale investments (quoted)

These assets are categorised as Level 1 in the fair value hierarchy as these instruments are traded in an active market and is based on the quoted market prices at the reporting date.

Non-financial assets:

Freehold lands and buildings:

These assets are categorised as Level 3 in the fair value hierarchy.

Fair value is based on the revaluations of freehold properties carried out in July 2009 by professional valuers.

(See Note 8)

Notes to the Consolidated Financial Statements (continued)

At 30 September 2016 (Expressed in Eastern Caribbean Dollars)

19 FINANCIAL INSTRUMENTS (cont'd)

c) Fair Values: (cont'd)

Fair value measurements hierarchy for financial and non-financial assets at 30 September 2016:

			Fair value measurements using		
	Date of Valuation	Total	Quoted prices in active markets (Level 1)	Significant Observable inputs (Level 2)	Significant Unobservable inputs (Level 3)
Assets valued at fair value:					
Available-for-sale financial assets:					
Quoted equity shares	30 September 2016	$455,234	$455,234	-	-
Non-financial assets:					
Lands and buildings	30 September 2016	$82,788,409	-	-	$82,788,409

Fair value measurement hierarchy for assets at 30 September 2015:

	Date of Valuation	Total	Quoted prices in active markets (Level 1)	Significant Observable inputs (Level 2)	Significant Unobservable inputs (Level 3)
Assets valued at fair value:					
Available-for-sale financial assets:					
Quoted equity shares	30 September 2015	$471,720	$471,720	-	-
Non-financial assets:					
Lands and buildings	30 September 2015	$83,278,708	-	-	$83,278,708

For fair value measurement and valuation processes, see Note 2 (b).

There were no transfers between level 1, 2 or 3 fair values during the year.

d) Currency Risk:

Substantially all of the group's transactions and assets and liabilities are denominated in Eastern Caribbean Dollars or United States Dollars. Therefore, the group has no significant exposure to currency risk.

At the year end, the group's net exposure to foreign exchange risk was as follows:

Notes to the Consolidated Financial Statements (continued)

At 30 September 2016 (Expressed in Eastern Caribbean Dollars)

19 FINANCIAL INSTRUMENTS (cont'd)

d) Currency Risk (continued):

The aggregate value of financial assets and liabilities by reporting currency are as follows:

Year ended 30 September 2016

ASSETS	EC$	US$	£ Sterling	Other	Total
Cash at bank and in hand	279,080	506,980	-	-	786,060
Trade and other receivables	38,439,349	144,080	-	-	38,583,429
Investments	13,392,855	128,535	-	-	13,521,390
	$52,111,284	$779,595	-	-	$52,890,879
LIABILITIES					
Loans and bank overdrafts	35,339,712	2,822,939	-	-	38,162,651
Trade and other payables	11,536,749	2,471,068	-	4,235	14,012,052
	$46,876,461	$5,294,007	-	$4,235	$52,174,703

Year ended 30 September 2015

ASSETS	EC$	US$	£ Sterling	Other	Total
Cash at bank and in hand	365,021	469,457	-	-	834,478
Trade and other receivables	32,927,514	71,534	-	-	32,999,048
Investments	13,858,119	111,721	-	-	13,969,840
	$47,150,654	$652,712	-	-	$47,803,366
LIABILITIES					
Loans and bank overdrafts	32,490,676	3,167,653	-	-	35,658,329
Trade and other payables	8,831,130	2,676,248	-	-	11,507,378
	$41,321,806	$5,843,901	-	-	$47,165,707

e) Liquidity Risk:

Liquidity risk is the risk that the group will be unable to meet its obligations when they fall due under normal circumstances. The group monitors its liquidity risk by considering the maturity of both its financial investments and financial assets and projected cash flows from operations. The group utilises surplus internal funds and available credit facilities such as loans and overdrafts to finance its operations and ongoing projects.

Notes to the Consolidated Financial Statements (continued)

At 30 September 2016 (Expressed in Eastern Caribbean Dollars)

19 FINANCIAL INSTRUMENTS (cont'd)

e) Liquidity Risk (continued):

The following table summarises the maturity profile of the Group's financial liabilities and assets at 30 September 2016:

Financial Liabilities:

	Due within 1 Year	>1 year to 5 years	Over 5 years	Total
Year ended 30 September 2016				
Loans and Bank Overdrafts	29,259,278	6,601,611	2,301,762	38,162,651
Accounts payable and accruals	14,012,052	-	-	14,012,052
	$43,271,330	$6,601,611	$2,301,762	$52,174,703
Year ended 30 September 2015				
Loans and Bank Overdrafts	28,677,772	3,881,182	3,099,375	35,658,329
Accounts payable and accruals	11,507,378	-	-	11,507,378
	$40,185,150	$3,881,182	$3,099,375	$47,165,707

Financial Assets:

	Due within 1 Year	>1 year to 5 years	Over 5 years	Total
Year ended 30 September 2016:				
Cash with bankers and in hand	786,060	-	-	786,060
Accounts Receivable	15,995,218	17,761,194	4,827,017	38,583,429
Investments	-	-	13,521,390	13,521,390
	$16,781,278	$17,761,194	$18,348,407	$52,890,879
Year ended 30 September 2015:				
Cash with bankers and in hand	834,478	-	-	834,478
Accounts Receivable	15,218,985	13,945,032	3,835,031	32,999,048
Investments	-	-	13,969,840	13,969,840
	$16,053,463	$13,945,032	$17,804,871	$47,803,366

20. SEGMENT REPORTING

The executive directors monitor the operating results of its business for the purpose of making decisions about resource allocation and performance assessment. For management purposes, the group is organised into business units based on its products and had four reportable segments as follows:

- Durable goods: sale of building materials, hardware, furniture and appliances;
- Automotive: sale of cars, car spares, car servicing and car rental income;
- Consumable goods: sale of goods and gas;
- Other: sale of items not included in the above.

Notes to the **Consolidated Financial Statements** (continued)

At 30 September 2016 (Expressed in Eastern Caribbean Dollars)

20 SEGMENT REPORTING (cont'd)

Inter-segment revenues and balances are eliminated upon consolidation as shown below.

Year ended 30 September 2016	Durable Goods	Automotive	Consumable Goods	Other	Unallocated/ Head Office	Eliminations	Total
External Sales	55,865,172	30,041,553	75,547,458	-	-	(2,686,403)	158,767,780
Other Income	266,239	5,624,906	33,589	9,578,450	-	(5,902,989)	9,600,195
Total Revenue	$56,131,411	$35,666,459	$75,581,047	$9,578,450	-	$(8,589,392)	$168,367,975
Operating Income before finance costs	4,917,988	4,799,830	3,348,668	2,264,454	-	(447,403)	14,883,537
Finance Costs	(549,098)	(1,192,497)	(92,252)	162,380		90,000	(1,581,467)
	4,368,890	3,607,333	3,256,416	2,426,834	-	(357,403)	13,302,070
Share of results of Associated Companies	822,488	-	2,005,251	15,842	-	-	2,843,581
Operating Income before Taxation	$5,191,378	$3,607,333	$5,261,667	$2,442,676	-	$(357,403)	16,145,651
Taxation							(6,095,611)
Net Income after Taxation							$10,050,040

The segment assets and liabilities at 30 September 2016 were as follows:

	Durable Goods	Automotive	Consumable Goods	Other	Unallocated/ Head Office	Eliminations	Total
Operating assets	57,431,561	50,962,903	35,721,438	10,108,323	34,693,177	(10,547,337)	178,370,065
Investments in Associated Companies	7,353,522	-	5,086,098	576,535	-	-	13,016,155
Total Consolidated Assets	$64,785,083	$50,962,903	$40,807,536	$10,684,858	$34,693,177	$(10,547,337)	$191,386,220
Total Consolidated liabilities	$15,230,425	$28,608,679	$2,614,504	$1,739,493	$24,790,053	$(12,155,138)	$60,828,016
Capital Expenditure	$2,568,656	$996,285	$481,072	-	$310,773	-	$4,356,786
Depreciation and amortisation	$951,675	$666,433	$1,338,273	$209,986	$731,631	-	$3,897,998

Notes to the Consolidated Financial Statements (continued)

At 30 September 2016 (Expressed in Eastern Caribbean Dollars)

20 SEGMENT REPORTING (cont'd)

Inter-segment revenues and balances are eliminated upon consolidation as shown below (Restated).

Year ended 30 September 2015	Durable Goods	Automotive	Consumable Goods	Other	Unallocated/ Head Office	Eliminations	Total
External Sales	54,664,501	26,881,715	78,085,815	-	-	(2,513,777)	157,118,254
Other Income	302,196	4,832,691	48,640	9,463,328	-	(5,680,061)	8,966,794
Total Revenue	$54,966,697	$31,714,406	$78,134,455	$9,463,328	-	$(8,193,838)	$166,085,048
Operating Income before finance costs	4,182,237	3,723,367	2,872,815	2,418,534	-	(447,403)	12,749,550
Finance Costs	(665,854)	(923,990)	(125,153)	(101,333)	-	90,000	(1,726,330)
	3,516,383	2,799,377	2,747,662	2,317,201	-	(357,403)	11,023,220
Share of results of Associated Companies	1,470,559	-	1,655,061	(22,676)	-	-	3,102,944
Operating Income before Taxation	$4,986,942	$2,799,377	$4,402,723	$2,294,525	-	$(357,403)	14,126,164
Taxation							(5,699,564)
Net Income after Taxation							$8,426,600

The segment assets and liabilities at 30 September 2015 were as follows:

	Durable Goods	Automotive	Consumable Goods	Other	Unallocated/ Head Office	Eliminations	Total
Operating assets	53,283,361	44,048,213	37,346,859	10,594,970	36,849,544	(13,642,252)	168,480,695
Investments in Associated Companies	7,265,954	-	5,615,274	566,891	-	-	13,448,119
Total Consolidated Assets	$60,549,315	$44,048,213	$42,962,133	$11,161,861	$36,849,544	$(13,642,252)	$181,928,814
Total Consolidated Liabilities	$16,161,449	$23,140,058	$2,982,791	$1,521,376	$25,718,408	$(13,550,218)	$55,973,864
Capital Expenditure	$638,169	$670,658	$441,014	$91,694	$1,949,793	-	$3,791,328
Depreciation and amortisation	$914,491	$616,450	$1,346,801	$208,580	$657,665	-	$3,743,987

Notes to the Consolidated Financial Statements (continued)

At 30 September 2016 (Expressed in Eastern Caribbean Dollars)

21 OTHER INCOME

	2016	2015
Interest	3,824,538	3,268,545
Dividend income	8,719	17,682
Lease and rental income	891,736	882,494
Car Servicing and related Income	1,000,814	849,501
Car rental income	1,615,039	1,547,513
Shipping income	1,246,514	1,338,076
Insurance commission income	502,840	486,689
Truckage delivery income	250,142	302,012
Gain on sale of property, plant and equipment	206,734	217,995
Miscellaneous	53,119	56,287
TOTAL	$ 9,600,195	$8,966,794

22 ADMINISTRATIVE EXPENSES

	2016	2015
Occupancy costs	1,400,424	1,377,837
Utilities	1,791,776	1,784,705
Insurance	926,877	941,120
Stationery and supplies	601,200	627,092
Repairs to property, plant and equipment	819,059	684,273
Communications	348,756	304,198
Employment	18,349,389	17,098,898
TOTAL	$24,237,481	$22,818,123

23 CAPITAL COMMITMENTS

At year end, there were no capital commitments (2015 = Nil).

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