HORSFORD'S
GROUP OF COMPANIES

2020 ANNUAL REPORT

Horsford's Valu Mart! IGA

Shop Safe, Shop Smart,
Shop, Valu Mart

OUR MISSION

Exceptional Service,
Exceptional Value
for
Exceptional People

CONTENTS

CORPORATE INFORMATION

DIRECTORS:

Mr. W. Anthony Kelsick B.A., B.Comm., C.P.A., C.A.	Chairman and Managing Director
Ms. Natalie Kelsick B.A., O.C.G.C.	Executive Director
Mr. Mark A. Wilkin B.A., M.B.A.	Managing Director, Carib Brewery (St. Kitts & Nevis) Ltd
Mr. Victor O. Williams B.Sc., SCL	Architect & Planner
Mr. Anthony E. Gonsalves QC., LLB, LLM	Barrister-at-Law & Solicitor
Mr. Faron T. Lawrence B.Sc., M.B.A.	Real Estate Developer
Mr. Terrence A. Crossman B.A, M.B.A., M.Sc.	C.E.O. FND Enterprise Cooperative Credit Union
Mr. William Andrew Kelsick B.Sc.	Electrical Engineer

SECRETARY:

Mr. Bernard Malcolm, M.B.A.

REGISTERED OFFICE:

Marshall House
Independence Square West
Basseterre, St. Kitts

AUDITORS:

Grant Thornton
Corner Bank Street And
West Independence Square
Basseterre, St. Kitts

BANKERS:

Royal Bank of Canada, St. Kitts
First Caribbean International Bank St. Kitts and Nevis
SKNA National Bank, St. Kitts
Republic Bank (EC) Limited, St Kitts
Bank of Nevis, St. Kitts and Nevis

SOLICITORS:

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

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Thirtieth Annual General Meeting of the Company, as a Public Company, will be held at Caribbean Confederation Of Credit Union, Fortlands, Basseterre, St. Kitts on 17th, June 2021 at 5 o'clock in the afternoon for the following purposes:

1. To receive and consider the Financial Statements for the year ended 30th, September 2020.
2. To receive and consider the Report of Auditors thereon.
3. To receive and consider the Report of Directors thereon.
4. To declare a Dividend.
5. To appoint Directors in place of those retiring.
6. To amend the Articles of Association.
7. 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 detachable form of proxy is enclosed as the last page in this booklet. Proxies must reach Secretary at least 48 hours prior to the date of the Annual General Meeting.

BY ORDER OF THE BOARD

Marshall House
1 Independence Square West
Basseterre
St. Kitts

Bernard Malcolm
Company Secretary
Dated 15th April, 2021

Copies of the Annual Report may be printed from the Company's website https://tryhorsfordsfirst.com

Our Pharmacy and Pharmacists are ready to help you keep your family safe.

Safety measures will not mask our commitment to exceptional service with an exceptional smile.

S. L. Horsford & Co. Ltd. rewarded staff for their exceptional service during extraordinary times.

#BONUS

All hands on deck to ensure the delivery of exceptional service and value to our customers.

Excellent service remains our top priority.

#ShopSmart

#ShopValuMart

A very special thanks to Maria Frederick for all her efforts to keep Horsford's Valu Mart IGA safe for all of our customers and staff. Our hope is that these measures will continue to promote health and safety across the communities Horsford's Valu Mart IGA serves.

S.L. Horsford & Co. Ltd. donated $20,000.00 in Food items to the St. Kitts - Nevis Chamber of Industry and Commerce COVID-19 Relief Food Drive.

King Ocean Services and S. L. Horsford & Co. Ltd. Customs team worked tirelessly to ensure food, including dry and frozen goods were regularly shipped and cleared during the lockdown period.

In November, our Valu Mart Staff teamed up with the S.L. Horsford & Co. Ltd. St. Paul's FC in providing food Hampers to the less fortunate in the community of St. Paul's.

AVIS played a significant role in supporting our commitment to COVID-19 prevention as they provided transportation for the NEOC / COVID-19 Task Force.

PAY ONLINE NOW.

You can pay any Horsford's Account online!

Visit www.tryhorsfordsfirst.com for further details.

Our Exceptional Service Team at our Valu Mart Nevis Store.

#ShopSmart

#ShopValuMart

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.


HORSFORD'S FURNITURE & APPLIANCE SHOWROOM


HORSFORD'S
NEVIS CENTER


HORSFORD'S
VALU-MART
IGA


PRICE MATTERS Most
ENTRANCE
EXIT
PA 1401


HORSFORD'S FURNITURE & APPLIANCE SHOWROOM

CHAIRMAN'S REPORT

The COVID-19 global pandemic had a significant impact on the Company's performance in 2020, as it has also impacted all in several ways. This has resulted in a significant reduction in our profitability, particularly in the second half of our fiscal year.

Notwithstanding the pandemic, the performance for 2020 was satisfactory.

The 2020 accounts reflect several changes in accounting policies and estimates which are included in our Consolidated Statement of Changes in Equity opening balance as at October 1st, 2018, through a prior period adjustment which increased that balance by $1,621,575. This after-tax adjustment reflects the summation of the changes, which includes recognition of our pension plan obligations, the revenue recognition and measurement of our Hire Purchase programmes, and interest income revenues derived thereof. These changes have also resulted in the restatement of our balance sheets for 2018 and 2019 and our income statement for 2019.

Income before taxation of $11,669,549 was a decrease of $4,628,029 or 28.40 % versus 2019. Similarly, Income after taxation of $8,549,159 was less than 2019 by $3,382,865 or 28.35 %. Basic earnings per share for 2020 was $0.14 versus $0.20 for 2019. Total comprehensive income was $8,508,027 versus $11,789,253 for 2019.

Turnover or group sales for 2020 was $149,994,194 versus $157,336,440 for 2019, a decrease of $7,342,246 or 4.67%. Our durable goods sector showed a decrease of $3,863,139 or 6.76%. Our automotive sector decreased by $3,769,708 or 16.66%. Our consumable goods sector increased by $650,002 or 0.80%.

Gross profit decreased by $129,312 or 0.34% to $37,397,933.

Other income decreased by $2,325,431 or 16.80% to $11,518,585 due to lower interest income, car rental income, servicing and related income.

The resulting Total income decreased by $2,454,743 or 4.78% to $48,916,518.

Operating expenses decreased by $135,379 or 0.35% to $38,864,976. Impairment losses on financial assets increased by $634,386 due to COVID-related job losses, offset by a decrease in selling and distribution costs of $449,730 along with other operating expenses.

Operating profit decreased by $2,319,544 or 18.75%, to $10,051,542.

Share of results of associated companies after tax was $2,324,390, a decrease of $2,779,505 or 54.96%. This decrease occurred both in St. Kitts Masonry Products Limited and Carib Brewery Limited.

Finance charges decreased by $471,020 or 40%.

Profit before income tax decreased by $4,628,029 or 28.40%.

Income tax expense was $3,120,390 versus $4,365,554 in 2019. The effective rates for 2020 were 33.39% versus 39.00% in 2019. This lower effective rate was due to the reduction of the nominal tax rate from 33% to 25% in the second half of our fiscal year.

Profit for the year decreased by $3,385,865 or 28.35% to $8,549,159.

Chairman's Report (continued)

The group's solvency strengthened significantly in 2020 with a reduction in borrowings by over $14 million, resulting in a reduced debt-to-equity ratio of 0.08 : 1 and a debt to total assets ratio of 0.06 : 1.

The pandemic's economic impact remains with us at the time of writing this report, with great uncertainty as to when the economy will recover. As a result, the Company's performance for 2021 will decline further.

Your Directors recommend a final dividend of $0.0562 per share which, along with the interim dividend of $0.0425, will result in a total annual dividend of $0.0987 per share for a total of $5,953,225.

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 the organization.

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 2020:

	2020	2019
Profit for the year(after providing for taxation)	**$8,549,159**	**$11,932,024**
The Board recommends a dividend of 9.87% (2019 = 13.4%)	**$5,953,225**	**$8,079,779**

In accordance with Articles 102 and 103 of the Articles of Association Mr. Faron Lawrence retires from the Board on rotation and, being eligible, offers himself for re-appointment.

In accordance with Articles 102 and 103 of the Articles of Association Mr. Terrence Crossman retires from the Board on rotation and, being eligible, offers himself for re-appointment.

In accordance with Articles 98 and 99 of the Articles of Association Mr. Andrew Kelsick who was appointed a director on October 29th 2020, retires and, being eligible, offers himself for re-appointment.

Particulars:

Name:	Mr. Andrew Kelsick
Address:	Toronto, Canada
Date of Birth:	November 5th 1990
Citizenship:	St. Kitts and Nevis
Business Occupation:	Electrical Engineer
	Mulvey & Banani International Inc., Toronto, Canada.

The Auditors, Grant Thornton, Chartered Accountants, also retire and, being eligible, offer themselves for re-appointment.

Special Resolution

1. **BE IT RESOLVED THAT ARTICLE 150 OF THE ARTICLES OF ASSOCIATION OF THE COMPANY BE DELETED AND REPLACED BY THE FOLLOWING ARTICLE:**

   150. The directors may lay, in such format (including electronically) as the directors determine, before the Company at each annual general meeting the statement of income and expenditure, the balance sheet, the report of the directors and the auditors' report. A copy of the said documents shall, at least 10 clear days before the meeting, be published on the Company's website. The Company shall provide a copy of the said documents to any member who requests same in writing.

Report of the Directors (continued)

2. BE IT RESOLVED THAT THE ARTICLES OF ASSOCIATION OF THE COMPANY BE AMENDED BY THE ADDITION OF THE FOLLOWING ARTICLES:

176. (1) A person is able to exercise the right to speak and hear at a general meeting when that person is in a position to communicate to all those attending the meeting, during the meeting, any information or opinions which that person has on the business of the meeting and to hear the information or opinions of all the other persons attending the meeting.

(2) A person is able to exercise the right to vote at a general meeting when -

(a) that person is able to vote, during the meeting, on resolutions put to the vote at the meeting, and

(b) that person's vote can be taken into account in determining whether or not such resolutions are passed at the same time as the votes of all the other persons attending the meeting.

(3) Notwithstanding any other provision of the Articles of Association, the directors may make whatever arrangements they consider appropriate to enable those attending a general meeting to exercise their rights to speak and hear or vote at it.

(4) In determining attendance at a general meeting, it is immaterial whether any two or more members attending it are in the same place as each other

(5) Two or more persons who are not in the same place as each other attend a general meeting if their circumstances as such that if they have (or were to have) rights to speak and hear and to vote at the meeting, they are (or would be) able to exercise them.

177. Notwithstanding any other provision of the Articles of Association a poll may be conducted by electronic means.

178. Notwithstanding any other provision of the Articles of Association, any notice required by statute or the Articles to be sent to any shareholder or debenture holder may be delivered personally or sent by pre-paid mail to the latest address of the shareholder or debenture holder or may be sent by electronic transmission to the latest number or address of the shareholder or debenture holder for electronic communications, as shown on the records of the Company or the Company's transfer agent.

Report of the Directors (continued)

179. Notwithstanding any other provision of the Articles of Association, any notice or other documents required by statute or the Articles to be sent to a director or alternate director of the Company (including but not limited to notices of meetings, minutes, reports, the Company's accounts and accounting records) may be made available to the director or alternate director by electronic means or may delivered personally or sent by pre-paid mail to the latest address of the director or alternate director or may be sent by electronic transmission to the latest number or address of the director or alternate Director for electronic communications, as shown on the records of the Company.

180. Notwithstanding any other provision of the Articles of Association, any notice or other documents required by statute or the Articles to be sent to the auditor of the Company (including but not limited to notices of meetings, the Company's accounts and accounting records) may be delivered personally at or sent by pre-paid mail to the business address of the auditor or may be sent by electronic transmission to the number or address for electronic communications provided by the auditor.

181. Notwithstanding any other provision of the Articles of Association, an instrument appointing a proxy to attend and vote at a general meeting may be sent by a shareholder to the Company by electronic transmission to the number or address of the Company provided in the notice convening the general meeting provided that the instrument reaches the Company not later than 48 hours prior to the date of the general meeting.

182. Notwithstanding Article 86 and any other provision of the Articles of Association, notice to the Company of the authority of a person claiming under articles 83, 84 or 85 to exercise the right to vote at a general meeting of the Company may be sent to the Company by electronic transmission to the number or address of the Company provided in the notice convening the general meeting provided that the notice reaches the Company not later than 48 hours prior to the date of the general meeting.

BY ORDER OF THE BOARD

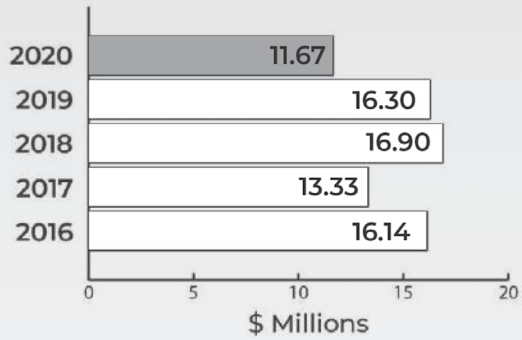
Bernard Malcolm

Company Secretary

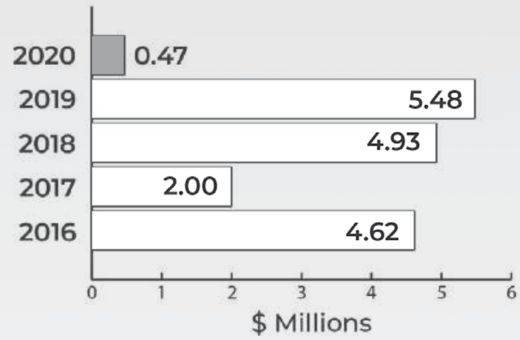
Dated 15th April 2021

FINANCIAL HIGHLIGHTS

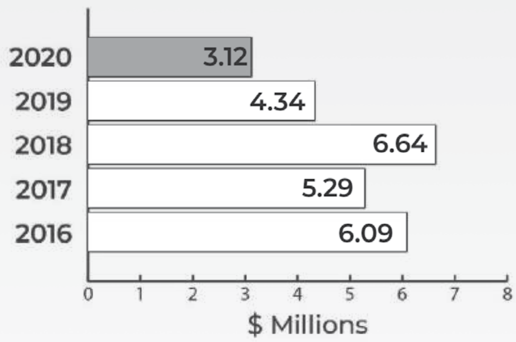
INCOME BEFORE TAX



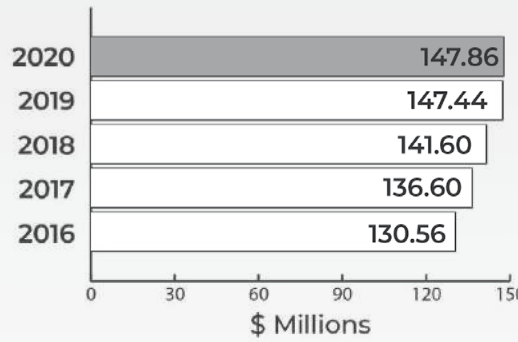
PROFIT RETAINED



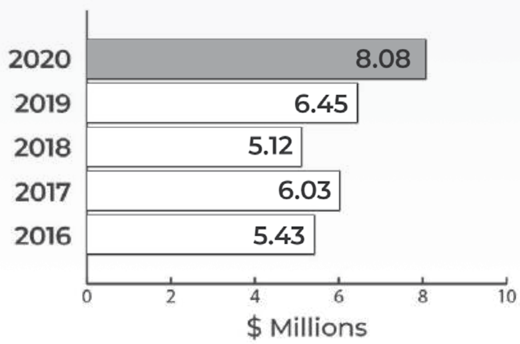
CORPORATION TAX



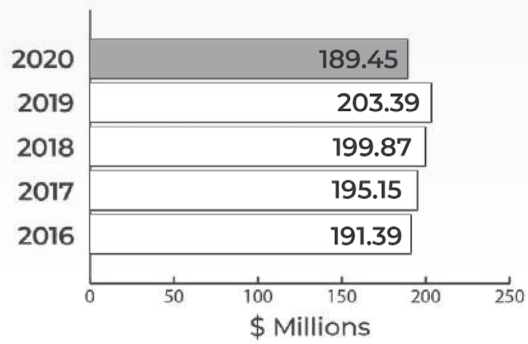
SHAREHOLDERS EQUITY



DIVIDENDS PAID



TOTAL ASSETS



The prior year comparatives are restated where applicable.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF S.L. HORSFORD AND COMPANY LIMITED

Opinion

We have audited the consolidated financial statements of S. L. Horsford and Company Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at September 30, 2020, and the consolidated statement of income, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Revenue Recognition

Description of the Matter

Revenue is one of the key performance measures used to assess business performance. There is a risk that the amount of revenues presented in the consolidated financial statements is higher than the amount that was actually earned by the Group. Revenue from sale of goods is recognised when

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Revenue Recognition (continued)

Description of the Matter (continued)

control over the goods has been transferred to the customer, that is generally when the customer has acknowledged receipt of the goods. In our view, revenue recognition is significant to our audit because the amount is material to the consolidated financial statements. It also involves voluminous transactions, requires proper observation of cut-off procedures and testing the validity of transactions, and directly impacts the Group's profitability.

The Group's disclosure about its revenues and related receivables, and revenue recognition policies are included in Notes 4, 6 and 25.

How the Matter was Addressed in the Audit

Our audit procedures performed to address the risk of material misstatement relating to revenue recognition included the following:

- Obtained an understanding of the Group's processes and controls over revenue recognition, approval and documentation;
- Evaluated the appropriateness of the Group's revenue recognition policy in accordance with IFRS 15 and IFRS 16;
- Performed substantive analytical review procedures over revenues such as but not limited to, yearly and monthly analyses of sales and sales mix composition based on our expectations, investigation of variances from our expectations, and verifying that the underlying data used in the analyses were reliable;
- Tested on a sample basis, the sales invoices, delivery receipts and cash receipts of sales transactions throughout the current year to determine the validity and occurrence of sales;
- Examined evidence of subsequent collections, and corresponding sales invoices and proof of deliveries;
- Tested sales transactions immediately prior and subsequent to the current period to determine whether the related sales transactions were recognised in the proper reporting period; and
- Evaluated the sufficiency and adequacy of disclosures in the Group's consolidated financial statements in accordance with IFRS.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements (continued)

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole 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 ISAs 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lisa Maryse Roberts.

Other Matter

The consolidated financial statements of the Group for the year ended September 30, 2019, were audited by another auditor who expressed an unqualified opinion on those statements on March 13, 2020.

Grant Thornton

Chartered Accountants

April 15, 2021

Basseterre, St Kitts

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2020 | (EXPRESSED IN EASTERN CARIBBEAN DOLLARS)

	Notes	2020 $	As restated 2019 $	As restated 2018 $
Assets				
Current assets				
Cash	5	**2,765,673**	2,279,665	1,439,295
Receivables and prepayments	6	**16,244,992**	21,968,485	22,560,317
Inventories	7	**36,145,787**	42,041,255	39,375,214
Assets held for sale	14	**123,869**	–	–
Total current assets		**55,280,321**	66,289,405	63,374,826
Non–current assets				
Receivables	6	**20,947,466**	23,373,816	23,510,099
Investment in associates	10	**16,443,450**	14,959,847	11,611,275
Financial assets at fair value through other comprehensive income	11	**378,831**	453,885	540,233
Property and equipment	13	**96,303,028**	98,256,336	100,752,580
Intangible assets	12	**97,330**	55,592	77,680
Total non-current assets		**134,170,105**	137,099,476	136,491,867
Total assets		**189,450,426**	203,388,881	199,866,693
Current liabilities				
Defined benefit obligation	22	**195,554**	203,520	195,554
Borrowings	15	**11,976,247**	26,273,043	25,767,719
Trade and other payables	16	**18,037,275**	16,713,161	13,867,347
Income tax payable	17	**1,950,716**	3,239,650	3,099,436
Total current liabilities		**32,159,792**	46,429,374	42,930,056
Non–current liabilities				
Defined benefit obligation	22	**4,216,827**	4,108,124	3,853,057
Deferred tax liability	17	**5,209,878**	5,415,702	5,702,992
Borrowings		**–**	–	5,777,989
Total non-current liabilities		**9,426,705**	9,523,826	15,334,038
Total liabilities		**41,586,497**	55,953,200	58,264,094
Shareholders' equity				
Share capital	18	**60,296,860**	60,296,860	60,296,860
Reserves	20	**45,362,754**	45,403,886	45,546,657
Retained earnings		**42,204,315**	41,734,935	35,759,082
Total shareholders' equity		**147,863,929**	147,435,681	141,602,599
Total liabilities and shareholders' equity		**189,450,426**	203,388,881	199,866,693

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

Approved for issue by the Board of Directors on April 15, 2021.

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2020 | (EXPRESSED IN EASTERN CARIBBEAN DOLLARS)

	Notes	2020 $	As restated 2019 $
Revenue		**149,994,194**	157,336,440
Cost of sales		**(112,596,261)**	(119,809,195)
Gross profit		**37,397,933**	37,527,245
Other income	21	**11,518,585**	13,844,016
Income before operating expenses		**48,916,518**	51,371,261
Operating expenses			
Employment costs	22	**(19,979,128)**	(20,116,078)
Building and insurance		**(5,066,529)**	(5,045,714)
Selling and distribution costs		**(4,721,014)**	(5,170,744)
Depreciation and amortisation	12, 13	**(4,166,650)**	(4,209,731)
Office expenses		**(2,260,875)**	(2,191,171)
Impairment losses of financial assets, net	6	**(1,189,831)**	(555,445)
Other expenses		**(1,046,203)**	(1,175,879)
Professional fees		**(434,746)**	(535,413)
		(38,864,976)	(39,000,175)
Operating profit		**10,051,542**	12,371,086
Share of income of associated companies after tax	10	**2,324,390**	5,103,895
Finance charges		**(706,383)**	(1,177,403)
Profit before income tax		**11,669,549**	16,297,578
Income tax expense	17	**(3,120,390)**	(4,365,554)
Profit for the year		**8,549,159**	11,932,024
Earnings per share	19	**0.14**	0.20

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2020 | (EXPRESSED IN EASTERN CARIBBEAN DOLLARS)

	Notes	2020 $	As restated 2019 $
Profit for the year		**8,549,159**	11,932,024
Other comprehensive income/(loss)			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement gain/(loss) on defined benefit obligation	22	**111,508**	(84,213)
Income tax effect	17	**(36,799)**	27,790
Fair value loss of financial assets at fair value through other comprehensive income	11	**(75,054)**	(86,348)
Share in other comprehensive losses of associated companies	10	**(40,787)**	–
		(41,132)	(142,771)
Net other comprehensive income for the year		**8,508,027**	11,789,253

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2020 | (EXPRESSED IN EASTERN CARIBBEAN DOLLARS)

	Notes	Share capital $	Reserves $	Retained earnings $	Total $
Balance at September 30, 2018, as previously stated		**60,296,860**	**45,546,657**	**34,137,507**	**139,981,024**
Prior period adjustments	28	–	–	1,621,575	1,621,575
Balance at October 1, 2018, as restated		**60,296,860**	**45,546,657**	**35,759,082**	**141,602,599**
Adjustment from the adoption of IFRS 9	6	–	–	510,827	510,827
Adjustment from the adoption of IFRS 9 – associated Companies	10	–	–	(15,234)	(15,234)
Comprehensive income					
Profit for the year		–	–	11,932,024	11,932,024
Other comprehensive loss	20	–	(142,771)	–	(142,771)
Transaction with owners					
Dividends	18	–	–	(6,451,764)	(6,451,764)
Balance at September 30, 2019, as restated		**60,296,860**	**45,403,886**	**41,734,935**	**147,435,681**
Comprehensive income					
Profit for the year		–	–	8,549,159	8,549,159
Other comprehensive loss	20	–	(41,132)	–	(41,132)
Transaction with owners					
Dividends	18	–	–	(8,079,779)	(8,079,779)
Balance at September 30, 2020		**60,296,860**	**45,362,754**	**42,204,315**	**147,863,929**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2020 | (EXPRESSED IN EASTERN CARIBBEAN DOLLARS)

	Notes	2020 $	As restated 2019 $
Cash flows from operating activities			
Profit before income tax		**11,669,549**	16,297,578
Items not affecting cash:			
Depreciation and amortisation	12, 13	**4,166,650**	4,209,731
Share of income of associated companies	10	**(2,324,390)**	(5,103,895)
Impairment losses of financial assets, net	6	**1,219,411**	556,467
Interest expense	15	**706,383**	1,177,403
Retirement expense	22	**415,765**	335,915
Gain on sale of property and equipment		**(345,602)**	(262,288)
Provision for/(reversal of) inventory obsolescence		**92,343**	(49,730)
Operating profit before working capital changes		**15,600,109**	17,161,181
Decrease in receivables and prepayments		**6,930,432**	683,284
Decrease/(increase) in inventories		**5,803,125**	(2,616,311)
Increase in trade and other payables		**1,324,114**	2,845,814
Net cash generated from operations		**29,657,780**	18,073,968
Income tax paid	17	**(4,651,947)**	(4,484,840)
Pension contribution paid	22	**(203,520)**	(157,905)
Net cash from operating activities		**24,802,313**	13,431,223
Cash flows from investing activities			
Purchase of property and equipment	13	**(3,360,991)**	(2,079,246)
Proceeds from disposals of property and equipment		**1,417,872**	663,684
Dividends received		**800,000**	1,740,090
Purchase of intangible assets	12	**(90,228)**	(13,549)
Net cash (used in)/from investing activities		**(1,233,347)**	310,979
Cash flows from financing activities			
Repayments of borrowings, net		**(14,556,390)**	(7,405,775)
Dividends paid	18	**(8,079,779)**	(6,451,764)
Interest paid		**(706,383)**	(1,177,403)
Net cash used in financing activities		**(23,342,552)**	(15,034,942)
Net increase/(decrease) in cash, net of bank overdrafts		**226,414**	(1,292,740)
Cash, net of bank overdrafts at beginning of year		**(414,796)**	877,944
Cash, net of bank overdrafts at end of year		**(188,382)**	(414,796)
Represented by:			
Cash	5	**2,765,673**	2,279,665
Bank overdrafts	15	**(2,954,055)**	(2,694,461)
		(188,382)	(414,796)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 30 SEPTEMBER 2020 | (EXPRESSED IN EASTERN CARIBBEAN DOLLARS)

1 NATURE OF OPERATIONS

S. L. Horsford and Company Limited (known locally as Horsfords) or (the "Company") is a diversified trading company which deals principally in building materials and general merchandise, hardware items, food and other consumable items, motor vehicles and spare parts. The Company is also engaged in the sale of petrol products.

The Company is a diversified trading company and details of its subsidiary and associated companies and their main activities are set out in Note 9 and 10, respectively.

2 GENERAL INFORMATION, STATEMENT OF COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND GOING CONCERN ASSUMPTION

The Company was incorporated as a Private Limited Company on January 31, 1912 under the provisions of the Companies Act 1884, (No. 20 of 1884) of the Leeward Islands. By Special Resolution dated July 30, 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.

The accompanying consolidated financial statements are the financial statements of the Company and its subsidiaries (collectively referred as "Group") have been prepared in accordance with IFRS and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) applicable to companies reporting under IFRS on a historical cost basis, as modified by the revaluation of land and buildings and financial assets at fair value through other comprehensive income (FVOCI), which are carried at fair value. The consolidated financial statements have been prepared under the assumption that the Group operates on a going concern basis. The measurement bases are fully described in the summary of accounting policies.

International Accounting Standard (IAS) 1, *Presentation of Financial Statements*, paragraph 10 (f) requires an entity to present an additional consolidated statement of financial position as at the beginning of the preceding year when an entity:

- applies an accounting policy, retrospectively, makes a retrospective restatement of items in its consolidated financial statements or when it makes reclassifications in its consolidated financial statements, and
- the retrospective application, retrospective restatement of the reclassification has a material effect on the information in the consolidated financial position at the beginning of the preceding period.

Related notes to the additional consolidated statement of financial position are not required.

The prior period adjustments disclosed in note 28 have a material effect on the consolidated statement of financial position as at October 1, 2018. Therefore, the Group presents a third consolidated statement of financial position as at October 1, 2018 without related notes except for the disclosures required by IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

3 CHANGES IN ACCOUNTING POLICIES

The Group has adopted the new accounting pronouncements which have become effective this year, and are as follows:

New and revised standards that are effective for annual periods beginning on or after October 1, 2019

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Group has assessed the relevance of all such new interpretations and amendments and has adopted the following which are relevant to its operations.

IFRIC 23, *Uncertainty over Income Tax Treatments*

The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Group to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Group has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above.

Management determines that the impact of IFRIC 23 on the consolidated financial statements of the Group is not significant.

Other amendments to standards

Other standards and amendments that are effective for the first time on October 1, 2019 are as follows:

- IFRS 16, Leases;
- IFRS 9, Prepayment features with Negative Compensation (Amendments to IFRS 1);
- IAS 28, Long-term interests in Associates and Joint Ventures (Amendments to IAS 28);
- Annual improvements to IFRS 2015-2017 cycle (IAS 12, IAS 23, IFRS 3 and IFRS 11); and
- IAS 19, Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).

The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Standards, amendments, and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

At the date of authorisation of these consolidated financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Group. These new standards and interpretations are not expected to have a material impact on the Group's consolidated financial statements.

4 SUMMARY OF ACCOUNTING POLICIES

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarized below.

a) Basis of consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiaries as at September 30, 2020. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of September 30.

All transactions and balances between the Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

b) Investment in associates

Associates are those entities over which the Group is able to exert significant influence but which are not subsidiaries. They are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost and subsequently adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associate. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of income. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

c) Foreign currency translation

(i) Functional and presentation currency

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020 | (EXPRESSED IN EASTERN CARIBBEAN DOLLARS)

4 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

c) Foreign currency translation(continued)

(ii) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the Group, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign currency gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in the consolidated statement of income.

d) Segment reporting

The Group has four main operating segments: Durable Goods, Automotive, Consumable Goods and Others. The executive directors monitor the operating results of its business for the purpose of making decisions about resource allocation and performance assessment. For management purpose, the Group is organized into busines units based on its products 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 food, related grocery items and gasoline; and
- Other – sale of items not included in the above.

Each of these operating segments is managed separately as each requires different marketing approaches and other resources. All inter-segment transfers are carried out at cost.

For management purposes, the Group uses the same measurement policies as those used in its consolidated financial statements. Income taxes are managed and computed on a company-wide basis and are not allocated to operating segments. The Board of Directors monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

e) Revenue recognition

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

Revenue is measured at the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts. To determine whether to recognise revenue, the Company follows a 5-step process:

1. Identifying the contract with a customer;
2. Identifying the performance obligations;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations; and
5. Recognising revenue when/as performance obligation(s) are satisfied.

For Step 1 to be achieved, the following five criteria must be present:

- the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
- each party's rights regarding the goods or services to be transferred or performed can be identified;

4 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

- the payment terms for the goods or services to be transferred or performed can be identified;
- the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and
- collection of the consideration in exchange of the goods and services is probable.

The Group derives revenue from sale of goods and rendering of services is either at point in time or overtime, when (or as) the Group satisfies performance obligations by rendering the promised services to its customers.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

The transaction price allocated to performance obligations satisfied at a point in time is recognised as revenue when control of the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognised as revenue as the performance obligation is satisfied.

The Group's revenue recognition criteria are outlined below.

Sales of durable, automotive and other consumer goods

Revenue from the sale of durable, automotive and other consumer goods is recognised when the Group transfers control of the assets to the customer and the amounts can be measured reliably. Invoices for goods or services transferred are due upon receipt by the customer. These revenues are recognised at a point in time.

Interest income

Interest income is recognised on the accrual basis, using the effective interest method, unless collectability is in doubt. Interest income is recognised over time.

Dividend income

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

Rental income

Rental income arising from operating leases on buildings is accounted for on the straight-line basis over the lease terms. Rent and lease income are recognised over time.

Other income

Other income earned from non-routine services and miscellaneous transactions are categorised as other revenue and recognised on the accrual basis.

4 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

f) Expenses

Expenses are recognised in the consolidated statement of income upon utilisation of the service or as incurred.

g) Intangible assets

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 company are capitalized 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. Computer software is assessed for impairment whenever there are indications that they may be impaired.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

h) Property and equipment

Land and buildings comprise of mainly the warehouse, offices and retail stores. Land and buildings are shown at fair value, based on periodic (every five years) valuations by external independent valuers, less subsequent depreciation for buildings. Accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of income during the financial period in which they are incurred. Increases in the carrying amount arising on revaluation of land and buildings are credited to revaluation reserves in equity. Decreases that offset previous increases of the same asset are charged against reserves directly in equity; all other decreases are charged to the consolidated statement of income.

Provision for depreciation of property, plant and equipment is made using the straight line and reducing balance methods, over the useful lives of the assets.

Land is not depreciated. Depreciation rates of other assets are as follows:

Buildings	2%
Vehicles	12.5%, 15% and 20%
Furniture, fittings and equipment	6.67%, 10%, 20% and 33.33%

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

Property and equipment are periodically reviewed for impairment. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

4 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

h) Property and equipment (continued)

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. 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 company has elected to transfer in full, the revaluation reserve relating to the particular asset being sold to retained earnings.

i) Leases – Group as a lessor

Accounting policy applicable from October 1, 2019

The Group's accounting policy under IFRS 16 has not changed from the comparative period.

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

Accounting policy applicable before October 1, 2019

Leases wherein the Group substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as part of installment receivables at an amount equal to the Group's net investment in the lease. Finance income is recognised based on the pattern reflecting a constant periodic rate of return on the Group's net investment outstanding in respect of the finance lease.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognised in the consolidated statement of income on a straight-line basis over the lease term.

j) Financial instruments

(i) Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

(ii) Classification and measurement of financial assets

At initial recognition, the Group initially measures a financial asset at its fair value plus transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset such as fees and commissions. Transaction costs of financial assets are expenses in the consolidated statement of income. Immediately after initial recognition, an expected credit loss (ECL) allowance is recognised for financial assets measured at amortised cost, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020 | (EXPRESSED IN EASTERN CARIBBEAN DOLLARS)

4 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

j) Financial instruments (continued)

(ii) Classification and measurement of financial assets (continued)

When the fair value of financial assets differs from the transaction price on initial recognition, the entity recognises the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

Financial assets are classified into the following categories:

- amortised cost;
- fair value through profit or loss (FVTPL); and
- FVOCI.

In the current and prior periods presented, the Group does not have any financial assets categorised as FVTPL.

The classification is determined by both the Group's business model for managing the financial asset and the contractual cash flow characteristics of the financial assets.

Business model

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets.

If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of the 'other' business model and measured at FVTPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Solely payments of principal and interest (SPPI)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent the SPPI test. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

4 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

j) Financial instruments (continued)

(ii) Classification and measurement of financial assets (continued)

Financial assets at amortised cost

Amortised cost is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of the financial asset (i.e. its amortised cost before any impairment allowance). The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial assets is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in the consolidated statement of income.

Financial assets at FVOCI

The classification requirements for equity instruments are described below.

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Company for trading or as mandatorily required to be classified as FVTPL. The Group has designated equity instruments as at FVOCI on initial application of IFRS 9.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value, including the foreign exchange component, are recognised in other comprehensive income, net of any effects arising from income taxes, and are reported as part of revaluation reserve account in equity. When the asset is disposed of, the cumulative gain or loss previously recognised in the revaluation reserve account is not reclassified to profit or loss but is reclassified directly to retained earnings account.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets, if any, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognised in the consolidated statement of income as part of interest income.

4 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

j) Financial instruments (continued)

(ii) Classification and measurement of financial assets (continued)

Any dividends earned on holding equity instruments are recognised in the consolidated statement of income as part of dividends under the other income account, when the Group's right to receive dividends is established, it is probable that the economic benefits associated with the dividend will flow to the Company, and, the amount of the dividend can be measured reliably, unless the dividends clearly represent recovery of a part of the cost of the investment.

(iii) Impairment of financial assets

The Group uses the IFRS 9's impairment requirement which is to use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model' on its financial assets carried at amortised cost. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead, the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The Group makes use of the lifetime expected credit loss approach in accounting for its receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating the expected credit losses, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.

The Group assesses loss allowance of receivables on a collective basis as they possess shared credit risk characteristics based on the days past due. Refer to Note 24(b) for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

4 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

j) Financial instruments (continued)

(iv) Financial liabilities

The Group's financial liabilities comprise primarily trade and other payables (except government-related payable), borrowings and defined benefit obligation. The Group 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 values of trade and other payables, demand loans, and overdrafts approximates their fair values. After the initial recognition, interest-bearing loans are subsequently measured at amortised cost using the effective interest rate method. The effective interest rate amortization is included as finance charges in the consolidated statement of income, where applicable.

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

(v) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

k) Assets held for sale

Assets held for sale pertain to property and equipment that the Group intends to sell within one year from the date of classification.

The Group classifies an asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. In the event that the sale of the asset is extended beyond one year, the extension of the period required to complete the sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the Company's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset.

Assets held for sale are measured at the lower of their carrying amounts, immediately prior to their classification as held for sale, and their fair value less costs to sell. The Group shall recognise an impairment loss for any initial or subsequent write-down of the asset at fair value less cost to sell. Gain for any subsequent increase in fair value less cost to sell of an asset is recognised to the extent of the cumulative impairment loss previously recognised. Assets classified as held for sale are not subject to depreciation.

If the Group has classified an asset as held for sale, but the criteria for it to be recognised as held for sale are no longer satisfied, the Group shall cease to classify the asset as held for sale.

The gain or loss arising from the sale or remeasurement of held for sale assets, if any, is recognised in profit or loss in the consolidated statement of income.

l) Impairment of non-financial assets

Non-financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amounts exceed its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020 | (EXPRESSED IN EASTERN CARIBBEAN DOLLARS)

4 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

l) Impairment of non-financial assets (continued)

use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are sly identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

m) Cash

Cash comprises cash on hand and cash at banks which are subject to an insignificant risk of changes in value. Cash is presented net of bank overdrafts in the consolidated statement of cash flows. Bank overdrafts are included in the short-term borrowings in current liabilities on the consolidated statement of financial position.

n) Trade receivables

Trade receivables are recognised and carried at original invoice amounts less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

o) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses incurred in bringing the inventories to their present location and condition. Costs are assigned using the weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses. Adequate provision is made for obsolete and slow-moving items.

p) Taxation

Tax expense recognised in the consolidated statement of income comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, taxing authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from the consolidated statement of income in the consolidated financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

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. This is assessed based on the Group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided those rates are enacted or substantively enacted by the end of the reporting period.

4 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

q) Equity

Share capital represents the issue price of shares that have been issued.

Reserves are composed of the following:

- Capital reserves refer to the return on investments in line with the sugar rehabilitation and other reserves of the associated companies.
- Revaluation reserve – financial assets at FVOCI includes any gain or losses on revaluation of financial assets classified as FVOCI.
- Revaluation reserve – property is composed of unrealized gains and losses on revaluation of land and buildings of the Group and associated companies.
- Remeasurement of defined benefit obligation comprises the actuarial gains or losses from changes in financial assumptions and the adjustment for the IAS 19, Employee Benefits, adoption through equity.

All transactions with owners of the Group are recorded separately within equity.

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.

r) Borrowing costs

Borrowing costs are recognised in the consolidated statement of income in the period in which they incurred using the effective interest rate method.

s) Employee benefits

Post-employment benefit – defined benefit plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group maintains a partially funded and non-contributory post-employment defined benefit plan covering all regular full-time employees.

The liability recognised in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

Service cost on the Group's defined benefit plan and net interest expense on the defined benefit liability is included in employment costs. Gains and losses resulting from remeasurements of the net defined liability are included in other comprehensive income and are not classified to profit or loss in subsequent periods.

4 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

s) Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits, including holiday entitlement, are current liabilities, measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

t) Provisions

Provisions are utilized 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.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

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.

Customer loyalty programme provisions

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 calculated based on the fair value for consideration received and are recognised in the consolidated statement of income. Provisions are reviewed annually.

u) Events after the reporting date

Post year-end events that provide additional information about the Group's consolidated financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

v) Significant management judgment in applying accounting policies and estimation uncertainty

The preparation of consolidated financial statements in conformity with IFRSs 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 consolidated 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:

(i) Estimation of impairment of inventories

Management recognises a provision for inventory losses when the realisable values of inventory items become lower than cost due to obsolescence or other causes. Provision for obsolescence on inventory is based on the assessment of the physical condition of inventory and the levels of

4 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

v) Significant management judgment in applying accounting policies and estimation uncertainty (continued)

(i) Estimation of impairment of inventories (continued)

obsolete or unsaleable inventory items on hand. Obsolete goods when identified are charged to the consolidated statement of income. The Group believes such estimates represent a fair charge for the level of inventory losses in a given year. The Group's policy is to review on an annual basis the condition of its inventory.

(ii) Estimation of useful lives of property and equipment

The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of property and equipment are presented in note 13. Based on management's assessment as at September 30, 2020 and 2019, there is no change in estimated useful lives of property and equipment during those years. Actual results, however, may vary due to changes in estimates brought about by changes in the factors mentioned above.

(iii) Measurement of the expected credit loss allowance

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.

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in note 24(b).

(iv) Valuation of post-employment defined benefit obligation

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and salary rate increase. A significant change in any of these actuarial assumptions may generally affect the recognised expense and the carrying amount of the post-employment defined benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in note 22.

(v) Estimation of current tax payable and current tax expense

The Group recognise liabilities for current taxes based on estimates of whether corporate income taxes will be due. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the corporate income and deferred tax provisions in the period in which the determination is made. Any deferred tax asset relating to income tax on the possible offset of losses for tax purposes and differences between accounting policies for commercial and tax purposes is recognised at current tax rates to the extent that it is probable that they can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020 | (EXPRESSED IN EASTERN CARIBBEAN DOLLARS)

5 CASH

	2020 $	2019 $
Cash at banks	**2,717,777**	2,233,869
Cash on hand	**47,896**	45,796
	2,765,673	2,279,665

The Group's cash at banks is held with First Caribbean International Bank and Royal Bank of Canada and bears no interest.

6 RECEIVABLES AND PREPAYMENTS

	2020 $	As restated 2019 $
Installment receivables	**35,802,078**	39,973,275
Trade receivables	**9,435,969**	11,190,844
	45,238,047	51,164,119
Allowance for expected credit losses	**(8,786,538)**	(7,567,806)
	36,451,509	43,596,313
Other receivables	**321,279**	497,490
Sundry receivables and prepayments	**419,670**	1,248,498
	37,192,458	45,342,301
Less: Non-current portion of receivables	**(20,947,466)**	(23,373,816)
Current portion of receivables	**16,244,992**	21,968,485

Receivables include amounts due from associated companies and directors amounting to $108,750 and $172,934, respectively (2019: $582,770 and $17,504) (see note 8).

The carrying value of receivables approximates the fair value.

6 RECEIVABLES AND PREPAYMENTS (CONTINUED)

Allowance for expected credit losses

The movement on allowance for expected credit losses of receivables is as follows:

	2020 $	2019 $
Balance at beginning of year	**7,567,806**	7,566,217
Adjustment for IFRS 9 adoption through equity	**–**	(510,827)
Provision during the year, net of recoveries	**1,219,411**	556,467
Write-off during the year	**(679)**	(44,051)
Balance at end of year	**8,786,538**	7,567,806

During the year, certain previously written-off receivables amounting to $29,580 (2019: $1,022) were collected.

The details of impairment losses of financial assets, net as presented in the consolidated statement of income are as follows:

	2020 $	2019 $
Provision during the year	**1,219,411**	556,467
Recoveries of items previously written-off	**(29,580)**	(1,022)
	1,189,831	555,445

Installment receivables

The Group entered into finance leases covering motor vehicles and household furniture and appliances with lease terms ranging from two to eight years. Installment receivables relating to vehicles are secured by bills of sale, while the other instalment receivables are unsecured.

The future value of minimum lease payments together with the present value of minimum lease payments of hire purchase and finance leases under instalment receivables are as follows:

	2020 $	As restated 2019 $
Future value of minimum lease payments		
Within one year	**20,733,417**	23,154,520
Over one year but less than five years	**30,354,404**	33,892,069
Over five years	**4,519,914**	5,040,821
	55,607,735	62,087,410

6 RECEIVABLES AND PREPAYMENTS (CONTINUED)

Installment receivables (continued)

	2020 $	As restated 2019 $
Present value of minimum lease payments		
Within one year	**14,854,612**	16,599,459
Over one year but less than five years	**17,959,277**	20,041,223
Over five years	**2,988,189**	3,332,593
	35,802,078	39,973,275

As at September 30, 2020, the provision for expected credit losses of installment receivables included a provision for uncollectible minimum lease payment receivables amounted to $5,773,680 (2019: $4,551,223).

7 INVENTORIES

	2020 $	2019 $
Merchandise	**35,208,055**	37,881,388
Goods in transit	**1,231,948**	4,361,740
	36,440,003	42,243,128
Allowance for inventory obsolescence	**(294,216)**	(201,873)
	36,145,787	42,041,255
The movement in the allowance for inventory obsolescence is as follows:		
Balance at beginning of year	**201,873**	251,603
Increase/(decrease) in provisioning	**92,343**	(49,730)
Balance at end of year	**294,216**	201,873

8 RELATED PARTY BALANCE AND TRANSACTIONS

A related party relationship exists when one party has the ability to control directly or indirectly, through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between or among entities under common control, with the reporting enterprise and its key management personnel, directors and shareholders.

Related party balances

Amounts due from/to associated companies and from/to directors are shown as part of receivables (see note 6) and trade and trade and other payables (see note 16), respectively, in the consolidated statement of financial position.

The details of these receivables and payables from/to other related parties are as follows:

	2020 $	2019 $
Due from associated companies:		
Carib Brewery (St Kitts & Nevis) Limited	**108,690**	458,412
St Kitts Masonry Products Limited	**60**	124,358
	108,750	582,770
Due from directors	**172,934**	17,504
	281,684	600,274

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 23(b)).

	2020 $	2019 $
Due to associated companies:		
St Kitts Masonry Products Limited	**551,418**	6,835
Carib Brewery (St Kitts & Nevis) Limited	**25,313**	20,672
	576,731	27,507
Due to directors	**2,846,729**	6,701,543
	3,423,460	6,729,050

Amounts due from and due to associated companies are interest-free, unsecured and have no fixed terms of repayment (see note 16).

Due to directors comprised substantially of unsecured demand loans (note 15) with interest chargeable at the rate of 3% to 4% per annum (2019: 3.5% to 4% per annum).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020 | (EXPRESSED IN EASTERN CARIBBEAN DOLLARS)

8 RELATED PARTY BALANCE AND TRANSACTIONS (CONTINUED)

Related party transactions

During the year the company entered the following related party transactions:

	2020 **$**	**2019** **$**
Sales and purchases with associated companies		
Sales	**4,452,129**	3,242,277
Purchases	**6,752,525**	5,355,234
Management fee	**48,000**	48,000

Dividend income

The Company also received dividends from its associates as follows:

Associated companies:		
St. Kitts Masonry Products Limited	**800,000**	750,000
Carib Brewery (St Kitts & Nevis) Limited	**–**	990,090
	800,000	1,740,090

Key management personnel compensation

The salaries and other benefits paid to key management personnel of the Group amounted to $1,403,568 in 2020 (2019: $1,424,440).

9 INVESTMENT IN SUBSIDIARIES

The Company's subsidiaries include the following companies:

Name of subsidiary	Country of incorporation and principal place of business	Principal activity	Proportion of ownership interests held by the Company 2020	2019
S.L. Horsford Nevis Limited	Nevis	Retail activities and related services	**100%**	100%
Ocean Cold Storage (St. Kitts) Limited	St. Kitts	Food distribution (wholesale)	**100%**	100%
S.L. Horsford Shipping Limited	St. Kitts	Shipping agency	**100%**	100%
Marshall Plantation Limited	St. Kitts	Investments	**100%**	100%
S. L. Horsford Finance Company Limited	St. Kitts	Car rentals, car sales and insurance agency	**100%**	100%

There are no subsidiaries with a non-controlling interest that is material to the Group. The Company has issued guarantees to certain banks in respect of the credit facilities granted to certain subsidiaries (see note 23).

The Group has no interests in unconsolidated structured entities.

10 INVESTMENT IN ASSOCIATES

Set out below are the details of the associates held directly by the Group.

Name of subsidiary	Country of incorporation and principal place of business	Principal activity	Proportion of ownership interests held by the Group 2020	2019
Carib Brewery (St. Kitts & Nevis) Limited	St. Kitts	Manufacturing of beer and non-alcoholic beverages.	**20.1%**	20.1%
St. Kitts Masonry Products Limited	St. Kitts	Manufactures and sells ready-mix concrete and concrete blocks for the construction industry.	**50.0%**	50.0%
St. Kitts Developments Limited	St. Kitts	Land and property development	**30.0%**	30.0%
Port Services Limited	St. Kitts	Stevedoring services	**33.3%**	33.3%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020 | (EXPRESSED IN EASTERN CARIBBEAN DOLLARS)

10 INVESTMENT IN ASSOCIATES (CONTINUED)

The carrying amount of investment in associates as at September 30, is shown below.

	2020 $	2019 $
Cost of investments	**3,148,436**	3,148,436
Increase in equity value over cost from acquisition to end of year	**13,295,014**	11,811,411
	16,443,450	14,959,847
Movement in investments in associated companies during the year is as follows:		
Balance at beginning of year	**14,959,847**	11,611,275
Share of net income of associated companies		
Profit or loss	**2,324,390**	5,103,896
Other comprehensive loss	**(40,787)**	–
Adjustment from the adoption of IFRS 9	**–**	(15,234)
Dividends received	**(800,000)**	(1,740,090)
Balance at end of year	**16,443,450**	14,959,847
The following illustrates the Group's carrying amount of investment in associates.		
Carib Brewery (St. Kitts & Nevis) Limited	**8,127,398**	7,933,159
Other associates in aggregate	**8,316,052**	7,026,688
	16,443,450	14,959,847

Other associates consist of the remaining associated companies as disclosed in the preceding page.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020 | (EXPRESSED IN EASTERN CARIBBEAN DOLLARS)

10 INVESTMENT IN ASSOCIATES (CONTINUED)

The following illustrates the summarized financial information of the Group's material associates:

Summarized statements of financial position as at September 30, are as follows:

	Carib Brewery (St. Kitts & Nevis) Ltd. $	**Other associates $**
September 30, 2020		
Current assets	**21,871,678**	8,158,732
Non-current assets	**26,178,210**	16,283,998
Current liabilities	**(10,254,193)**	(2,560,840)
Non-current liabilities	**(2,056,345)**	(2,984,652)
Net assets	**35,739,350**	18,897,238
Revenue	**46,715,742**	22,506,813
Costs and expenses	**(40,095,323)**	(20,525,427)
Net income	**6,620,419**	1,981,386
September 30, 2019		
Current assets	**26,844,631**	9,470,409
Non-current assets	**22,272,678**	16,080,766
Current liabilities	**(14,927,182)**	(4,000,687)
Non-current liabilities	**(1,998,516)**	(3,034,636)
Net assets	**32,191,611**	18,515,852
Revenue	**46,120,475**	26,781,864
Costs and expenses	**(28,003,608)**	(23,868,810)
Net income	**18,116,867**	2,913,054

The following illustrates the Group's share of the income/(loss) of associates.

	2020 $	**2019 $**
Consolidated statement of income:		
Carib Brewery (St. Kitts & Nevis) Limited	**1,332,279**	3,645,802
Other associates	**992,111**	1,458,094
	2,324,390	5,103,896
Consolidated statement of other comprehensive loss:		
Carib Brewery (St. Kitts & Nevis) Limited	**(40,787)**	–
Other associates	**–**	–
	(40,787)	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020 | (EXPRESSED IN EASTERN CARIBBEAN DOLLARS)

11 FINANCIAL ASSETS AT FVOCI

	2020 $	2019 $
Quoted equity securities:		
Cable & Wireless St. Kitts & Nevis Limited		
90,000 shares of $3.5 each (2019: $3.5 each)	**315,000**	315,000
BP AMOCO PLC (formerly The Standard Oil Company) Limited)		
1,354 shares of US$1.75 each (2019: US$3.80 each)	**63,830**	138,884
	378,830	453,884
Unquoted equity security:		
Federation Media Group Limited (605 shares of $100 each)	**1**	1
	378,831	453,885

Total dividends earned from financial assets at FVOCI, shown as part of other income, amounts to $9,030 in 2020 (2019: $22,420).

Movements in the financial assets at FVOCI are as follows:

	2020 $	2019 $
Balance at beginning of the year	**453,885**	540,233
Unrealised fair value loss	**(75,054)**	(86,348)
Balance at end of the year	**378,831**	453,885

12 INTANGIBLE ASSETS

	Computer software $
At September 30, 2018	
Cost	207,014
Accumulated amortisation	(129,334)
Net book amount	**77,680**
Year ended September 30, 2019	
Opening net book amount	77,680
Additions	13,549
Amortisation for the year	(35,637)
Closing net book amount	**55,592**
At September 30, 2019	
Cost	220,563
Accumulated amortisation	(164,971)
Net book amount	**55,592**
Year ended September 30, 2020	
Opening net book amount	55,592
Additions	90,228
Amortisation for the year	(48,490)
Closing net book amount	**97,330**
At September 30, 2020	
Cost	230,890
Accumulated amortisation	(133,560)
Net book amount	**97,330**

13 PROPERTY AND EQUIPMENT

	Land and buildings $	Vehicles, furniture, fittings and equipment $	Capital work-in progress $	Total $
Year ended September 30, 2020				
Cost or valuation				
Balance at beginning of year	89,658,606	32,116,594	–	121,775,200
Additions	9,343	3,351,648	–	3,360,991
Disposals	–	(4,184,314)	–	(4,184,314)
Transfers to assets held for sale	–	(165,488)	–	(165,488)
Balance at end of year	**89,667,949**	**31,118,440**	**–**	**120,786,389**
Accumulated depreciation				
Balance at beginning of year	3,750,242	19,768,622	–	23,518,864
Depreciation	1,233,959	2,884,201	–	4,118,160
Disposals	–	(3,112,044)	–	(3,112,044)
Transfers to assets held for sale	–	(41,619)	–	(41,619)
Balance at end of year	**4,984,201**	**19,499,160**	**–**	**24,483,361**
Closing net book value	**84,683,748**	**11,619,280**	**–**	**96,303,028**
Year ended September 30, 2019				
Cost or valuation				
Balance at beginning of year	89,561,704	30,628,599	8,326	120,198,629
Additions	96,902	1,982,344	–	2,079,246
Disposals	–	(1,600,743)	(8,326)	(1,609,069)
Other adjustments	–	1,106,394	–	1,106,394
Balance at end of year	**89,658,606**	**32,116,594**	**–**	**121,775,200**
Accumulated depreciation				
Balance at beginning of year	2,531,425	16,914,624	–	19,446,049
Depreciation	1,218,817	2,955,277	–	4,174,094
Disposals	–	(1,207,673)	–	(1,207,673)
Other adjustments	–	1,106,394	–	1,106,394
Balance at end of year	**3,750,242**	**19,768,622**	**–**	**23,518,864**
Closing net book value	**85,908,364**	**12,347,972**	**–**	**98,256,336**

13 PROPERTY AND EQUIPMENT (CONTINUED)

As disclosed in note 15, the Group's land and building has been mortgaged to its principal bankers to secure bank advances.

The Group's lands and buildings were again revalued on September 20, 2016 by Charterland, Chartered Surveyors and Property Consultants to an amount which approximated their market values at September 20, 2016. The surplus on revaluation has been recorded in reserves.

Additions subsequent to revaluation are stated at cost.

If the land and buildings were stated on the historical cost basis, the amounts would be as follows:

	Land $	Buildings $	Total $
At September 30, 2019			
Opening net book value	4,144,275	36,233,478	40,377,753
Additions	–	9,343	9,343
Depreciation	–	(1,046,086)	(1,046,086)
Closing net book value	**4,144,275**	**35,196,735**	**39,341,010**
At September 30, 2020			
Opening net book value	4,144,275	35,196,735	39,341,010
Additions	–	96,902	96,902
Depreciation	–	(1,055,776)	(1,055,776)
Closing net book value	**4,144,275**	**34,237,861**	**38,382,136**

14 ASSETS HELD FOR SALE

In 2020, the Group reclassified several motor vehicles amounting to $123,869 as assets held for sale following management's decision to sell these assets. There was no similar transaction in 2019.

As at September 30, 2020, the Group remains committed to its plan to sell the assets within the short-term period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020 | (EXPRESSED IN EASTERN CARIBBEAN DOLLARS)

15 BORROWINGS

	2020 $	2019 $
Demand loans	**9,022,192**	18,555,010
Bank overdrafts	**2,954,055**	2,694,461
Bank loans	**–**	5,023,572
	11,976,247	26,273,043
The borrowings are classified in the consolidated statement of financial position as follows:		
Current	**11,976,247**	26,273,043
Non-current	**–**	–
	11,976,247	26,273,043

Bank and demand loans are repayable over period varying from one year to twelve years at rates of interest between approximately 3% and 4.5% (2019: 3.5% to 4.5%).

Bank loans and overdrafts are secured by debentures executed by the Company and two subsidiaries totaling $56.4 million (2019: $56.4 million).

Total interest expense related to the above borrowings amounted to $ 706,383 for the year ended September 30, 2020 (2019: $1,177,403). There was no unpaid interest as at September 30, 2020 and 2019.

16 TRADE AND OTHER PAYABLES

	2020 $	2019 $
Trade payables	**13,278,549**	11,933,369
Sundry payables, provisions and accruals	**4,758,726**	4,779,792
	18,037,275	16,713,161

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

Amounts due to associated companies amounting to $576,731 (2019: $27,507) arose in the normal course of trading are presented as part of trade payables.

17 TAXATION

	2020 $	As restated 2019 $
a) Income tax payable		
Movement in the tax payable is as follows:		
Balance at beginning of year	**1,786,248**	964,705
Prior period adjustments (note 28)	**1,453,402**	2,134,731
Balance at beginning of year, as restated	**3,239,650**	3,099,436
Current tax expense	**3,363,013**	4,625,054
Tax paid during the year	**(4,651,947)**	(4,484,840)
Balance at end of year	**1,950,716**	3,239,650
b) Income tax expense		
Recognised in consolidated statement of income		
Current tax expense	**3,363,013**	4,625,054
Deferred tax credit	**(242,623)**	(259,500)
	3,120,390	4,365,554
Recognised in other comprehensive income		
Deferred tax expense/(credit) relating to remeasurement gain/(loss) on net defined benefit obligation	**36,799**	(27,790)

On March 24, 2020, the Inland Revenue Department introduced the novel coronavirus (COVID-19) Stimulus Package for the six-month period from April 2020 to September 2020. Corporate income tax rate would be reduced from 33% to 25% for the six-month period with the requirement that at least 75% of the Company's personnel would be retained. Taxable income will be apportioned based on the number of months of the Company's fiscal year that fell within the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020 | (EXPRESSED IN EASTERN CARIBBEAN DOLLARS)

17 TAXATION

	2020 $	As restated 2019 $
b) Income tax expense (continued)		
The charge for the year can be reconciled to the statutory rate as follows:		
Profit before income tax	**11,669,549**	16,297,578
Taxation expense at effective tax rate of 29% (2019: 33%)	**3,384,169**	5,378,201
Tax effect of expenses that are not deductible in determining taxable profit	**534,356**	1,146,632
Tax effect of income not assessable for taxation	**(772,172)**	(1,790,437)
Tax effect on non-qualifying assets	**(25,963)**	(378,444)
Others	**–**	9,602
	3,120,390	4,365,554
c) Deferred tax liability		
The movement in the deferred tax liability is as follows:		
Balance at beginning of year, as previously stated	**6,838,538**	7,039,034
Prior period adjustments (note 28)	**(1,422,836)**	(1,336,042)
Balance at beginning of year, as restated	**5,415,702**	5,702,992
Deferred tax credit for the year	**(205,824)**	(287,290)
Balance at end of year	**5,209,878**	5,415,702
d) Deferred tax credit		
The deferred tax credit is comprised of the following:		
Recognised in consolidated statement of income		
Deferred tax on depreciation of property and equipment	**(154,488)**	(252,288)
Deferred tax on unutilized capital allowances	**(18,094)**	51,797
Deferred tax on retirement expense	**(70,041)**	(59,009)
	(242,623)	(259,500)
Recognised in consolidated other comprehensive income		
Deferred tax expense/(credit) relating to remeasurement gain/(loss) on net defined benefit obligation	**36,799**	(27,790)
	(205,824)	(287,290)

18 EQUITY

	2020 $	2019 $
Share capital		
Authorised 100,000,000 ordinary shares of $1 each	**100,000,000**	100,000,000
Issued and fully paid 60,296,860 ordinary shares of $1 each	**60,296,860**	60,296,860

Dividends

On October 17, 2019, the Company's Board of Directors approved the declaration of interim cash dividends amounting to $3,919,296, which was paid on October 30, 2019. Also, on August 6, 2020, the Board of Directors approved the declaration of cash dividends amounting to $4,160,483, which was paid on September 30, 2020. Total dividends declared and paid in 2020 amounted to $8,079,7779 (2019: $6,451,764).

Dividend of 9.87% (2019: 13.4%) per ordinary share amounting to $5,953,225 (2019: $8,079,779) in respect of 2020 has been proposed by the Directors. The consolidated financial statements as at and for the year ended September 30, 2020 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 September 30, 2021.

19 EARNINGS PER SHARE

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

	2020 $	As restated 2019 $
Profit for the year	**8,549,159**	11,932,024
Weighted average number of outstanding shares	**60,296,860**	60,296,860
Basic earnings per share	**0.14**	0.20

The Group has no dilutive potential ordinary shares as of September 30, 2020 and 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020 | (EXPRESSED IN EASTERN CARIBBEAN DOLLARS)

20 RESERVES

	2020 $	As restated 2019 $
Revaluation reserve – property	**42,353,466**	42,353,466
Capital reserves	**2,712,652**	2,753,439
Revaluation reserve – financial asset at FVOCI	**278,350**	353,404
Remeasurement of defined benefit obligation	**18,286**	(56,423)
	45,362,754	45,403,886
Capital reserves		
Movement in capital reserves is as follows:		
Balance at beginning of year	**2,753,439**	2,753,439
Share in other comprehensive losses of associated companies (note 10)	**(40,787)**	–
Balance at end of year	**2,712,652**	2,753,439
Revaluation reserve – financial asset at FVOCI		
Movement in revaluation reserve – financial asset at FVOCI is as follows:		
Balance at beginning of year	**353,404**	439,752
Unrealised fair value loss	**(75,054)**	(86,348)
Balance at end of year	**278,350**	353,404
Remeasurement of defined benefit obligation		
Movement in remeasurement of defined benefit obligation is as follows:		
Balance at beginning of year, as previously stated	**–**	–
Prior period adjustments (note 28)	**(56,423)**	–
Balance at beginning of year, as restated	**(56,423)**	–
Remeasurement gain/(loss) on defined benefit obligation, net of tax	**74,709**	(56,423)
Balance at end of year	**18,286**	(56,423)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020 | (EXPRESSED IN EASTERN CARIBBEAN DOLLARS)

21 OTHER INCOME

	2020 $	As restated 2019 $
Interest	**6,188,836**	7,361,713
Rent and lease income	**1,882,429**	2,465,406
Servicing and other related income	**1,661,054**	2,402,475
Commissions	**1,148,480**	1,013,691
Gain on sale of property and equipment	**345,602**	262,288
Trucking revenue	**246,509**	250,020
Miscellaneous	**45,675**	88,423
	11,518,585	13,844,016

22 EMPLOYMENT COSTS

	2020 $	As restated 2019 $
a) Details of employment costs are presented below.		
Salaries and other staff cost	**19,563,363**	19,780,163
Post-employment defined benefits	**415,765**	335,915
	19,979,128	20,116,078

b) Defined benefit plan

The Group maintains a partially funded and non-contributory post-employment defined benefit plan covering all full-time employees.

During the year, the Group engaged the services of an independent actuary to determine the retirement benefit costs and obligation as of September 30, 2020 and 2019. All amounts presented below and in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary.

The movements in the present value of the post-employment defined benefit obligation recognised in the books are as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020 | (EXPRESSED IN EASTERN CARIBBEAN DOLLARS)

22 EMPLOYMENT COSTS (CONTINUED)

b) Defined benefit plan (continued)

	2020 $	As restated 2019 $
Balance at beginning of the year	**4,311,644**	4,048,611
Interest cost	**330,234**	263,300
Current service cost	**85,531**	72,615
Actuarial (gains)/ losses	**(111,508)**	84,213
Benefit payments	**(203,520)**	(157,095)
Balance at end of the year	**4,412,381**	4,311,644
The movements in the fair value of plan assets are presented below.		
Balance at beginning of the year	**–**	–
Employer contributions	**203,520**	157,905
Benefit payments	**(203,520)**	(157,905)
Balance at end of the year	**–**	–
The retirement benefit obligation as at September 30, are classified in the consolidated statement of financial position as follows:		
Current	**195,554**	203,520
Non-current	**4,216,827**	4,108,124
	4,412,381	4,311,644

The current portion of these liabilities represents the Group's obligations to its current and former employees that are expected to be settled during the next 12 months. As none of the employees are eligible for early settlement of pension arrangements, the remaining part of pension obligations for defined benefit plans is considered non-current.

22 EMPLOYMENT COSTS (CONTINUED)

b) Defined benefit plan (continued)

The components of amounts recognised in consolidated statement of income and in other comprehensive income in respect of the defined benefit post-employment plan are as follows:

	2020 $	As restated 2019 $
Recognised in consolidated statement of income		
Interest cost	**330,234**	263,300
Current service cost	**85,531**	72,615
	415,765	335,915
Recognised in consolidated statement of other comprehensive income		
(Gain)/loss from experience	**(202,888)**	84,213
Loss from change in assumption	**91,380**	–
	(111,508)	84,213

In determining the amounts of the post-employment benefit obligation, the following significant assumptions were used:

	2020	2019
Discount rate	**7.25%**	7.50%
Expected rate of future salary increase rates	**5.25%**	5.50%
Future inflationary salary increase rate	**2.75%**	3.00%
Future increase in the Social Security Board ceilings for earnings	**1.75%**	2.00%

23 COMMITMENTS AND CONTINGENCIES

a) Letters of credit

At the year end, the Company had outstanding letters of credit totaling $400,000 (2019: $1,260,000).

b) Guarantees

The Company provides guarantees to certain financial institutions in connect with credit facilities extended to subsidiaries and associated company in the range of $300,000 to $3,000,000.

c) Contingent tax liability

A subsidiary of the Group was assessed corporate income tax liabilities totaling $350,237 by the Inland Revenue Department (IRD) of Saint Christopher and Nevis for the fiscal years ended September 30, 2013 to 2017.

The Group's directors believe that there are strong grounds upon which to challenge the assessment. Thus, formal objections were made on June 29, 2020 and August 12, 2020, respectively. The outcome of this assessment is not presently determinable, and no provision has been made in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020 | (EXPRESSED IN EASTERN CARIBBEAN DOLLARS)

24 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group has not entered forward contracts to reduce risk exposures. The Group's risk management focuses on actively seeking to minimise potential adverse effects on its financial performance.

The Group's risk management is coordinated by its Board of Directors and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described in succeeding pages.

a) Market risk

i) Foreign currency risk

The Company conducts its operations primarily in Eastern Caribbean dollars; however, some transactions are executed in various other currencies, mainly United States Dollars. Foreign currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The exchange rate of the Eastern Caribbean dollar (EC$) to the United States dollar (US$) has been formally pegged at EC$2.70 = US$1.00 since July 1976, hence management considers foreign currency risk to be insignificant.

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

	EC $	US $	Sterling $	Total $
Year ended September 30, 2020				
Financial assets				
Cash	1,562,904	1,202,769	–	2,765,673
Receivables	36,382,317	390,471	–	36,772,788
Financial assets at FVOCI	315,001	63,830	–	378,831
	38,260,222	**1,657,070**	**–**	**39,917,292**
Financial liabilities				
Borrowings	11,976,247	–		11,976,247
Trade and other payables	12,411,299	5,625,976	–	18,037,275
Defined benefit obligation	4,412,381	–	–	4,412,381
	28,799,927	**5,625,976**	**–**	**34,425,903**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020 | (EXPRESSED IN EASTERN CARIBBEAN DOLLARS)

24 FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Market risk (continued)

i) Foreign currency risk (continued)

	EC $	US $	Sterling $	Total $
Year ended September 30, 2019				
Financial assets				
Cash	1,791,657	488,008	–	2,279,665
Receivables	43,780,943	312,860	–	44,093,803
Financial assets at FVOCI	315,001	138,884	–	453,885
	45,887,601	**939,752**	**–**	**46,827,353**
Financial liabilities				
Borrowings	26,273,043	–	–	26,273,043
Trade and other payables	13,438,135	3,258,889	16,137	16,713,161
Defined benefit obligation	4,311,644	–	–	4,311,644
	44,022,822	**3,258,889**	**16,137**	**47,297,848**

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.

ii) Interest rate risk

The Group's interest rate risk arises primarily from interest bearing liabilities held with financial institutions with respect to bank overdrafts and borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The bank overdrafts and the borrowings bear fixed interest rate of 3% to 6% (2019: 3.5% to 6%), which expose the Group to fair value interest rate risk. To manage interest rate risk, the Group negotiates the best rates possible and where possible considers factors such as refinancing, reviewing options and alternative financing.

Management does not believe significant interest rate risk exists at September 30, 2020. If interest rates on the Group's financial instruments were 1% higher or 1% lower with all other variables held constant, the impact on consolidated profit for the year would have been insignificant.

iii) Price risk

The Group is exposed to equity securities price risk because of equity investments held by the Group and classified in the consolidated statement of financial position as financial assets at FVOCI. The Group's portfolio includes securities that are quoted on the Eastern Caribbean Securities Exchange, and its exposure to equity securities price risk is not material because the total of these securities is insignificant in relation to its consolidated statement of financial position and because of the limited volatility in this market. If market prices as at September 30, 2020 had been 10% higher/lower with all other variables held constant, the change in equity would have been insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020 | (EXPRESSED IN EASTERN CARIBBEAN DOLLARS)

24 FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk

Credit risk arises from cash, contractual cash flows of financial assets carried at amortised cost as well as credit exposure to customers, including outstanding receivables, due from related parties.

The credit risk in respect of cash balances with banks and deposits with banks are managed via diversification of bank deposits and are only with major reputable financial institutions.

The Group has made adequate allowance for impairment for any potential credit losses and the amount of the Group's maximum exposure to credit risk is indicated by the carrying amount of its financial assets.

	2020 $	2019 $
Cash at banks	**2,717,777**	2,233,869
Receivables	**36,772,788**	44,093,803
	39,490,565	46,327,672

The Company continuously monitors the credit quality of its customers. Credit checks are performed for all credit customers. The Company's policy is to deal only with credit worthy counterparties. The credit term ranges between 30 to 120 days. The credit terms for customers as negotiated with customers are subject to an internal approval process which considers the credit worthiness of the customers. The ongoing credit risk is managed through regular review of aging analysis, together with credit limits per customer.

Receivables consist of a large number of individual customers.

Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but it is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months.
- Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information.

24 FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

	Change in credit quality since initial recognition		
	Stage 1	**Stage 2**	**Stage 3**
Risk Assessment	Initial recognition or credit risk is considered low	Significant increase in credit risk since initial recognition	Credit-impaired assets
Expected credit losses	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

Receivables

The Group applies IFRS 9 simplified model of recognising lifetime expected credit losses for receivables as these items do not have a significant financing component.

To measure the ECL, receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets). The Group has therefore concluded that the expected loss rates for receivables are a reasonable approximation of the loss rates for the other assets.

The expected credit loss rates are based on the payment and or collection profile for receivables over the last 24 months before September 30, 2020 and October 1, 2019, respectively, as well as the corresponding historical credit losses during the period. The historical rates are adjusted to reflect current and forward looking macro economic factors affecting the customer's ability to settle the amount outstanding. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

Receivables are written-off (e.i. derecognised) when there is no reasonable expectation of recovery. Failure to make payments within 120 days from the policy date and failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

On the above basis, the expected credit loss for receivables as at September 30, was determined as follows:

	Receivables ECL Staging			
	Stage 1 $	**Stage 2 $**	**Stage 3 $**	**Total $**
September 30, 2019				
Gross carrying amount	35,297,671	9,197,798	6,668,650	51,164,119
Expected credit loss rate	0.57%	11.87%	94.10%	
Loss allowance	**200,662**	**1,091,746**	**6,275,398**	**7,567,806**
September 30, 2020				
Gross carrying amount	24,902,775	12,737,415	7,597,857	45,238,047
Expected credit loss rate	0.69%	13.4%	90.91%	
Loss allowance	**172,218**	**1,707,441**	**6,906,879**	**8,786,538**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020 | (EXPRESSED IN EASTERN CARIBBEAN DOLLARS)

24 FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

Receivables (continued)

The closing balance of the receivables loss allowance as at September 30, reconciles with the receivables loss allowance opening balance (see note 6).

Other receivables

Other receivables are financial assets measured at amortised cost and considered to have low credit risk. There is no impairment allowance for these other financial assets as the counterparties have access to sufficient highly liquid assets in order to repay the receivables, if demanded at the reporting date.

a) Liquidity risk

Liquidity risk is the risk that the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecasts of cash inflows and outflows due in day-to-day business. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows that available borrowing facilities are expected to be sufficient over the lookout period.

The Group's objective is to maintain cash to meet its liquidity requirements for 30-day periods at a minimum. This objective was met for the reporting periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year $	Between 1 and 5 years $	More than 5 years $	Total $
As at September 30, 2020				
Borrowings	11,976,247	–	–	11,976,247
Trade and other payables	18,037,275	–	–	18,037,275
Defined benefit obligation	195,554	782,216	3,434,611	4,412,381
	30,209,076	**782,216**	**3,434,611**	**34,425,903**
As at September 30, 2019				
Borrowings	26,273,043	–	–	26,273,043
Trade and other payables	16,713,161	–	–	16,713,161
Defined benefit obligation	203,520	814,080	3,294,044	4,311,644
	43,189,724	**814,080**	**3,294,044**	**47,297,848**

24 FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Fair value of financial assets

Fair value is the arm's length consideration for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties, who are under no compulsion to act and is best evidenced by a quoted market price, if one exists.

Determination of fair value

The following methods and assumptions have been used to estimate the fair value of each class of financial instruments for which it is practical to estimate a value:

Short-term financial assets and liabilities

The carrying value of these financial assets and liabilities is a reasonable estimate of their fair value because of the short maturity of these instruments. Short-term financial assets are comprised of cash on hand and at banks and receivables. Short-term financial liabilities are comprised of borrowings, trade and other payables and current portion of defined benefit obligation.

Long-term financial assets

Long-term financial assets classified as financial assets at amortised cost whose maturities are greater than 12 months after the end of the reporting period are subsequently carried at amortised cost using the effective interest method.

Borrowings

The estimated fair value of fixed-interest bearing deposits and other borrowings not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

The table below summarises the carrying amounts and fair values of the Group's financial assets and liabilities:

	Carrying value		Fair value	
	2020 $	2019 $	2020 $	2019 $
Financial assets				
Cash	**2,765,673**	2,279,665	**2,765,673**	2,279,665
Receivables	**36,772,788**	44,093,803	**36,772,788**	44,093,803
	39,538,461	46,373,468	**39,538,461**	46,373,468
Financial liabilities				
Borrowings	**11,976,247**	26,273,043	**11,976,247**	26,273,043
Trade and other payables	**18,037,275**	16,713,161	**18,037,275**	16,713,161
Defined benefit obligation	**4,412,381**	4,311,644	**4,412,381**	4,311,644
	34,425,903	47,297,848	**34,425,903**	47,297,848

24 FINANCIAL RISK MANAGEMENT (CONTINUED)

e) Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1: Quoted prices in active markets for identical assets and liabilities. This level includes equity securities and debt instruments listed on exchanges.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the assets or liabilities that are not based on observable market data. This level includes

Fair value measurement of financial assets

The hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in valuations where possible.

	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets 2020				
Financial assets at FVOCI	**–**	**378,830**	**1**	**378,831**
Financial assets 2019				
Financial assets at FVOCI	–	453,884	1	453,885

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

Fair value measurement of non-financial assets

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at September 30:

	Level 1 $	Level 2 $	Level 3 $	Total $
Land and buildings – 2020	**–**	**37,276,278**	**47,407,470**	**84,683,748**
Land and buildings – 2019	–	37,276,278	48,632,086	85,908,364

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

Fair value of the Group's main property assets is estimated based on appraisals performed by independent, professionally-qualified property appraisers. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the Board of Directors at each reporting date.

24 FINANCIAL RISK MANAGEMENT (CONTINUED)

e) Fair value hierarchy (continued)

The appraisal was carried out using a market approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the land in question, including plot size, location and current use.

Land and buildings were revalued in September 2016 and difference between the carrying amounts of land and buildings and the fair values are recognised as a revaluation surplus in the revaluation reserve – property under equity (see note 20).

f) Capital management objectives

The Group maintains a level of capital that is sufficient to meet several objectives, including an acceptable total debt-to-capital ratio to provide access to adequate funding sources to support current operations and fulfilment of its strategic plan.

The Group's capital is represented by its equity. As at September 30, 2020, the Group's equity amounted to $147,863,929 (2019: $147,435,681).

The Group manages its capital structure and makes adjustments in light of changes in activities, economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the company may issue new shares, repurchase shares for cancellation or sell assets to reduce debt.

25 SEGMENT REPORTING

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. Segment performance is evaluated based on revenue and profit or loss before tax and is measured consistently with profit or loss in the consolidated financial statements. Refer to further details in note 4(d).

Segment information for the reporting period is as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020 | (EXPRESSED IN EASTERN CARIBBEAN DOLLARS)

25 SEGMENT REPORTING (CONTINUED)

	Durable goods $	Auto-motive $	Consumable goods $	Others $	Unallocated/ head office $	Eliminations $	Total $
2020							
External sales	53,304,497	18,863,383	81,710,564	–	–	(3,884,250)	149,994,194
Other income	2,248,325	6,827,197	42,102	2,400,961	–	–	11,518,585
Total revenue	55,552,822	25,690,580	81,752,666	2,400,961	–	(3,884,250)	161,512,779
Operating profit before finance charges	4,336,709	2,622,592	2,333,909	758,332	–	–	10,051,542
Finance charges	(237,930)	(422,168)	(46,421)	136	–	–	(706,383)
Profit before results of associated companies	4,098,779	2,200,424	2,287,488	758,468	–	–	9,345,159
Share of income of associated companies after tax	994,239	–	1,332,279	(2,128)	–	–	2,324,390
Profit before tax	5,093,018	2,200,424	3,619,767	756,340	–	–	11,669,549
Income tax expense							(3,120,390)
Profit for the year							8,549,159
Operating assets	55,494,074	49,358,978	33,811,148	15,702,311	43,529,087	(24,888,622)	173,006,976
Investment in associates	8,127,398	–	7,788,318	527,734	–	–	16,443,450
Total consolidated assets	63,621,472	49,358,978	41,599,466	16,230,045	43,529,087	(24,888,622)	189,450,426
Total consolidated liabilities	8,879,663	9,290,584	11,663,552	7,167,994	21,113,411	(16,528,707)	41,586,497
Capital expenditure	229,601	564,758	884,305	1,682,327	–	–	3,360,991
Depreciation and amortisation	1,384,963	777,497	1,760,041	244,149	–	–	4,166,650
2019, as restated							
External sales	57,167,636	22,633,091	81,060,562	–	–	(3,524,849)	157,336,440
Other income	2,989,333	7,847,442	18,490	2,988,751	–	–	13,844,016
Total revenue	60,156,969	30,480,533	81,079,052	2,988,751	–	(3,524,849)	171,180,456
Operating profit before finance charges	4,932,779	3,995,026	2,305,005	1,138,276	–	–	12,371,086
Finance charges	(295,752)	(827,059)	(54,597)	5	–	–	(1,177,403)
Profit before results of associated companies	4,637,027	3,167,967	2,250,408	1,138,281	–	–	11,193,683
Share of income of associated companies after tax	1,460,441	–	3,645,802	(2,348)	–	–	5,103,895
Profit before tax	6,097,468	3,167,967	5,896,210	1,135,933	–	–	16,297,578
Income tax expense							(4,365,554)
Profit for the year							11,932,024
Operating assets	62,151,477	56,713,221	35,043,004	14,701,325	42,329,343	(22,509,336)	188,429,034
Investment in associates	7,933,159	–	6,496,826	529,862	–	–	14,959,847
Total consolidated assets	70,084,636	56,713,221	41,539,830	15,231,187	42,329,343	(22,509,336)	203,388,881
Total consolidated liabilities	12,427,815	18,733,345	8,613,359	5,473,115	24,854,981	(14,149,415)	55,953,200
Capital expenditure	362,843	673,354	820,283	59,500	163,266	–	2,079,246
Depreciation and amortisation	1,397,580	863,761	1,718,271	230,119	–	–	4,209,731

25 SEGMENT REPORTING (CONTINUED)

The geographical market of the Group's revenue in 2020 and 2019 is primarily within St. Kitts and Nevis.

The totals presented above for the Group's operating segments reconcile to the key financial figures as presented in the consolidated statement of income.

26 IMPACT OF COVID-19 PANDEMIC

The spread of a novel strain of coronavirus, COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown.

The Group considered the impact of the COVID-19 pandemic in the forward-looking information used to derive the expected credit losses on its financial assets. The duration and impact of the COVID-19 pandemic remains uncertain at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the consolidated financial position and results of the Group for future periods.

27 RECLASSIFICATIONS

Several items in the consolidated financial statements have been reclassified to achieve a clearer or more appropriate presentation. The comparative figures have been similarly formatted and reclassified in order to achieve comparability with the current period. The items reclassified are as follows:

a) Certain receivables previously shown as a part of non-current assets were reclassified to current assets.

b) Available-for-sales investments shown as a separate line item in the consolidated statement of financial position was reclassified to financial assets at FVOCI.

c) Certain financial assets under available-for-sale investments were reclassified to investment in associates.

d) Bank overdraft balance previously shown as part of non-current liabilities was reclassified to current liabilities.

e) Retained earnings previously shown as part of reserves was presented as a separate line item in the consolidated statement of financial position.

f) Certain expenses previously shown as a deduction against other income was reclassified to operating expenses.

g) Employee costs previously shown as part of administrative expenses were presented as a separate line item in the consolidated statement of income.

h) Transport and deliveries and advertising and promotion expenses previously shown as separate line item in the consolidated statement of income were reclassified to selling and distributions costs.

i) Impairment losses of financial assets, net shown as part of administrative expenses was presented as a separate line item in the consolidated statement of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020 | (EXPRESSED IN EASTERN CARIBBEAN DOLLARS)

27 RECLASSIFICATIONS (CONTINUED)

j) Professional fees shown as part of administrative expenses was presented as a separate line item in the consolidated statement of income.

k) Building and insurance shown as part of administrative expenses was presented as a separate line item in the consolidated statement of income.

l) Income tax expense attributable to share of results of associated companies was reclassified and deducted against share in equity earnings of associates.

The summary of reclassifications before the effect of the prior period adjustments is shown below.

	As previously classified 2019 $	Reclassifications 2019 $	As reclassified 2019 $
Effect on consolidated statement of financial position			
Current assets			
Receivables and prepayments	16,909,710	654,522	17,564,232
Non-current assets			
Receivables	24,028,338	(654,522)	23,373,816
Available-for-sale financial assets	503,885	(503,885)	–
Financial assets at FVOCI	–	453,885	453,885
Investment in associates	14,909,847	50,000	14,959,847
Current liabilities			
Borrowings	24,056,144	2,216,899	26,273,043
Non-current liabilities			
Borrowings	2,216,899	(2,216,899)	–
Equity			
Reserves	87,076,778	(41,616,469)	45,460,309
Retained earnings	–	41,616,469	41,616,469

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020 | (EXPRESSED IN EASTERN CARIBBEAN DOLLARS)

27 RECLASSIFICATIONS (CONTINUED)

	As previously classified 2019 $	Reclassifications 2019 $	As reclassified 2019 $
Effect on consolidated statement of income			
Other income	14,656,073	407,208	15,063,281
Operating expenses			
Employee costs	–	19,937,258	19,937,258
Selling and distribution costs	–	5,170,744	5,170,744
Building and insurance	–	5,045,714	5,045,714
Office expenses	–	2,191,171	2,191,171
Impairment losses of financial assets, net	–	555,445	555,445
Professional fees	–	535,413	535,413
Administrative expenses	26,832,810	(26,832,810)	–
Transport and deliveries	2,603,954	(2,603,954)	–
Advertising and promotion	2,671,353	(2,671,353)	–
Other expenses	2,099,819	(923,940)	1,175,879
Share of income of associated companies after tax	4,414,884	689,011	5,103,895
Finance costs	1,173,883	3,520	1,177,403
Income tax expense	4,416,881	689,011	5,105,892

28 PRIOR PERIOD ADJUSTMENTS

a. Recognition of hire purchase income

The Group's revenue recognition in 2019 and 2018 relating to hire purchase income was not in accordance with IFRS 15, IAS 17 and IAS 18, respectively. As a result, the revenue, other income, income tax payable and retained earnings were understated in prior years. The correction of the prior period amounts have been accounted for retrospectively and the comparative financial information has also been restated. Opening retained earnings in 2018 and 2019 has been increased by $4,334,144 and $2,950,851, respectively.

b. Recognition of defined benefit obligation

In the prior years, the Group did not recognise any liabilities relating to the pension obligation of the Group. During the year, the Group engaged the services of an independent actuary to value the defined benefit obligation as at September 30, 2019 and 2018. This has been accounted for retrospectively and the comparative financial information has also been restated. Opening retained earnings in 2018 and 2019 have been decreased by $2,712,569 and $2,832,385, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020 | (EXPRESSED IN EASTERN CARIBBEAN DOLLARS)

28 PRIOR PERIOD ADJUSTMENTS (CONTINUED)

b. Recognition of defined benefit obligation (continued)

The effects of the prior period adjustments discussed above in 2018 and 2019 in the Group's consolidated statements of financial position and income are outlined below. There was no cash flow impact as a result of the restatement other than the consequential adjustments arising as a result of restatement of the comparative balances at September 30, 2019.

	As previously stated/ reclassified 2018 $	Restatements 2018 $	As restated 2018 $
Effect on consolidated statement of financial position			
Current assets			
Receivables and prepayments	16,091,442	6,468,875	22,560,317
Current liabilities			
Income tax payable	964,705	2,134,731	3,099,436
Defined benefit obligation	–	195,554	195,554
Non-current liabilities			
Defined benefit obligation	–	3,853,057	3,853,057
Deferred tax liability	7,039,034	(1,336,042)	5,702,992
Equity			
Retained earnings	34,137,507	1,621,575	35,759,082

28 PRIOR PERIOD ADJUSTMENTS (CONTINUED)

b. Recognition of defined benefit obligation (continued)

	As previously stated/ reclassified 2019 $	Restatements 2019 $	As restated 2018 $
Effect on consolidated statement of financial position			
Current assets			
Receivables and prepayments	17,564,232	4,404,253	21,968,485
Current liabilities			
Income tax payable	1,786,248	1,453,402	3,239,650
Defined benefit obligation	–	203,520	203,520
Non-current liabilities			
Defined benefit obligation	–	4,108,124	4,108,124
Deferred tax liability	6,838,538	(1,422,836)	5,415,702
Equity			
Reserves	45,460,309	(56,423)	45,403,886
Retained earnings	41,616,469	118,466	41,734,935
Effect on consolidated statement of income			
Revenue	158,181,802	(845,362)	157,336,440
Other income	15,063,281	(1,219,265)	13,844,016
Employee costs	19,937,258	178,820	20,116,078
Income tax expense	5,105,892	(740,338)	4,365,554
Effect on consolidated statement of other comprehensive income			
Other comprehensive loss	(86,348)	(56,423)	(142,771)

NOTES

S.L. HORSFORD & CO LTD

(INCORPORATED IN THE FEDERATION OF ST CHRISTOPHER – NEVIS, WEST INDIES)

PROXY FORM

I/We ______________________________ of ________________________________

a member/members of S.L. Horsford & Company Limited and entitled to

_____________votes

hereby appoint _______________________ of ________________________________

and failing him/her____

to vote for me and on my behalf, at the Annual General Meeting of the Company, to be held on the 17th day of June, 2021 and at every adjournment thereof.

As witness my hand this _________________ day of ______________________ 2021.

Signature___________________________

EST. 1875

HORSFORD'S
GROUP OF COMPANIES

P. O. Box 45 | Marshall House | Independence Square Street
Basseterre | St. Kitts | 869-465-2616

P. O. Box 504 | Stoney Grove
Charlestown | Nevis | 869-469-5600

WEB: **tryhorsfordsfirst.com** | FIND US ON: