S. L. Horsford and Company Limited

Consolidated Financial Statements
September 30, 2021
(expressed in Eastern Caribbean dollars)

Grant Thornton
An instinct for growth™

Grant Thornton
Corner Bank Street and West
Independence Square
P.O. Box 1038
Basseterre, St. Kitts
West Indies

T + 1 869 466 8200
F + 1 869 466 9822

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, 2021, 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, 2021 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.

Key Audit Matters *...continued*

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 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 IFRSs.

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.

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.

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.

Grant Thornton

Chartered Accountants
March 3, 2022
Basseterre, St Kitts

S. L. Horsford and Company Limited
Consolidated Statement of Financial Position
As at September 30, 2021

(expressed in Eastern Caribbean dollars)

	Notes	2021 $	2020 $
Assets			
Current assets			
Cash	5	**2,397,550**	2,765,673
Receivables and prepayments	6	**12,839,418**	16,244,992
Inventories	7	**35,492,764**	36,145,787
Assets held for sale	14	**–**	123,869
Total current assets		**50,729,732**	55,280,321
Non–current assets			
Receivables	6	**17,390,836**	20,947,466
Investment in associates	10	**17,525,590**	16,443,450
Financial assets at fair value through other comprehensive income	11	**449,114**	378,831
Property and equipment	13	**102,943,299**	96,303,028
Intangible assets	12	**56,224**	97,330
Total non-current assets		**138,365,063**	134,170,105
Total assets		**189,094,795**	189,450,426
Current liabilities			
Defined benefit obligation	22	**196,494**	195,554
Borrowings	15	**8,215,791**	11,976,247
Trade and other payables	16	**15,256,250**	18,037,275
Income tax payable	17	**322,697**	1,950,716
Total current liabilities		**23,991,232**	32,159,792
Non–current liabilities			
Defined benefit obligation	22	**4,425,871**	4,216,827
Deferred tax liability	17	**7,073,949**	5,209,878
Total non-current liabilities		**11,499,820**	9,426,705
Total liabilities		**35,491,052**	41,586,497
Shareholders' equity			
Share capital	18	**60,296,860**	60,296,860
Reserves	20	**52,042,965**	45,362,754
Retained earnings		**41,263,918**	42,204,315
Total shareholders' equity		**153,603,743**	147,863,929
Total liabilities and shareholders' equity		**189,094,795**	189,450,426

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

Approved for issue by the Board of Directors on March 3, 2022.

Chairman

Director

S. L. Horsford and Company Limited

Consolidated Statement of Income

For the year ended September 30, 2021

(expressed in Eastern Caribbean dollars)

	Notes	2021 $	2020 $
Revenue		**130,952,148**	148,512,924
Cost of sales		**(100,397,711)**	(112,578,328)
Gross profit		**30,554,437**	35,934,596
Other income	**21**	**9,763,637**	11,518,075
Income before operating expenses		**40,318,074**	47,452,671
Operating expenses			
Employment costs	**22**	**(18,942,107)**	(19,979,128)
Building and insurance		**(4,597,201)**	(5,066,529)
Selling and distribution costs		**(2,908,312)**	(3,178,265)
Depreciation and amortisation	**12, 13**	**(4,174,054)**	(4,166,650)
Office expenses		**(2,188,797)**	(2,358,868)
Impairment losses of financial assets, net	**6**	**(201,758)**	(1,189,831)
Other expenses		**(959,484)**	(1,026,384)
Professional fees		**(583,957)**	(434,746)
		(34,555,670)	(37,400,401)
Operating profit		**5,762,404**	10,052,270
Share of income of associated companies after tax	**10**	**1,381,577**	2,324,390
Finance charges	**15**	**(309,196)**	(707,111)
Profit before income tax		**6,834,785**	11,669,549
Income tax expense	**17**	**(1,821,956)**	(3,120,390)
Profit for the year		**5,012,829**	8,549,159
Earnings per share	**19**	**0.08**	0.14

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

S. L. Horsford and Company Limited

Consolidated Statement of Comprehensive Income

For the year ended September 30, 2021

(expressed in Eastern Caribbean dollars)

	Notes	2021 $	2020 $
Profit for the year		**5,012,829**	8,549,159
Other comprehensive income/(loss)			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement gain on defined benefit obligation	**22**	**–**	111,508
Income tax effect	**17**	**–**	(36,799)
	20	**–**	74,709
Fair value gain/(loss) of financial assets at fair value through other comprehensive income	**11,20**	**70,283**	(75,054)
Share in other comprehensive gains/(losses) of associated companies	**10**	**695,608**	(40,787)
Revaluation surplus	**13**	**8,108,869**	–
Income tax effect	**17**	**(2,194,549)**	–
	20	**5,914,320**	–
Total other comprehensive income/(loss)		**6,680,211**	(41,132)
Total comprehensive income for the year		**11,693,040**	8,508,027

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

S. L. Horsford and Company Limited

Consolidated Statement of Changes in Equity

For the year ended September 30, 2021

(expressed in Eastern Caribbean dollars)

	Notes	Share capital $	Reserves $	Retained earnings $	Total $
Balance at September 30, 2019		**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**
Comprehensive income					
Profit for the year		–	–	5,012,829	5,012,829
Other comprehensive profit	**20**	–	6,680,211	–	6,680,211
Transaction with owners					
Dividends	**18**	–	–	(5,953,226)	(5,953,226)
Balance at September 30, 2021		**60,296,860**	**52,042,965**	**41,263,918**	**153,603,743**

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

S. L. Horsford and Company Limited

Consolidated Statement of Cash Flows

For the year ended September 30, 2021

(expressed in Eastern Caribbean dollars)

	Notes	2021 $	2020 $
Cash flows from operating activities			
Profit before income tax		**6,834,785**	11,669,549
Items not affecting cash:			
Depreciation and amortisation	**12, 13**	**4,174,054**	4,166,650
Retirement expense	**22**	**406,478**	415,765
Interest expense	**15**	**309,196**	707,111
Impairment losses of financial assets, net	**6**	**201,758**	1,189,831
Gain on sale of asset held for sale		**(36,683)**	–
(Reversal of)/provision for inventory obsolescence	**7**	**(42,067)**	101,843
Gain on sale of property and equipment		**(131,337)**	(345,602)
Share of income of associated companies	**10**	**(1,381,577)**	(2,324,390)
Operating profit before working capital changes		**10,334,607**	15,580,757
Decrease in receivables and prepayments		**6,760,446**	6,960,012
Decrease in inventories		**695,090**	5,793,625
(Decrease)/increase in trade and other payables		**(2,781,025)**	1,324,114
Net cash generated from operations		**15,009,118**	29,658,508
Income tax paid	**17**	**(3,780,453)**	(4,651,947)
Pension contribution paid	**22**	**(196,494)**	(203,520)
Net cash from operating activities		**11,032,171**	24,803,041
Cash flows from investing activities			
Dividends received		**995,045**	800,000
Proceeds from disposal of asset held for sale		**160,552**	–
Proceeds from disposals of property and equipment		**162,753**	1,417,872
Purchase of intangible assets	**12**	**(2,891)**	(90,228)
Purchase of property and equipment	**13**	**(2,692,875)**	(3,360,991)
Net cash used in investing activities		**(1,377,416)**	(1,233,347)
Cash flows from financing activities			
Repayments of borrowings, net		**(4,094,119)**	(14,556,390)
Dividends paid	**18**	**(5,953,226)**	(8,079,779)
Interest paid		**(309,196)**	(707,111)
Net cash used in financing activities		**(10,356,541)**	(23,343,280)
Net (decrease)/increase in cash, net of bank overdrafts		**(701,786)**	226,414
Net bank overdrafts at beginning of year		**(188,382)**	(414,796)
Net bank overdrafts at end of year		**(890,168)**	(188,382)
Represented by			
Cash	**5**	**2,397,550**	2,765,673
Bank overdrafts	**15**	**(3,287,718)**	(2,954,055)
		(890,168)	(188,382)

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

(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.

3 Changes in accounting policies

New and revised standards that are effective for annual periods beginning on or after October 1, 2020

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 such new standards and amendments and has concluded that these will not be relevant. Accordingly, the Group has made no changes to its accounting policies in 2021.

(expressed in Eastern Caribbean dollars)

3 Changes in accounting policies ... *continued*

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 authorization of these consolidated financial statements, several new, but not effective, standards and amendments to existing standards, and interpretations have been published by the IASB. None of these standards or amendments to existing standards have been adopted early by the Group.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations not adopted in the current year have not been disclosed as they 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, 2021. 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.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

b) Investment in associates *... continued*

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.

(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 business 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.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

d) Segment reporting *... continued*

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;
- 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.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *…continued*

e) Revenue recognition *…continued*

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.

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.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

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.

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.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

i) Leases – Group as a lessor

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.

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.

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.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

j) Financial instruments *...continued*

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

- 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.

(expressed in Eastern Caribbean dollars)

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.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *…continued*

j) Financial instruments *…continued*

(ii) Classification and measurement of financial assets …continued

Financial assets at FVOCI …continued

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.

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.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

j) Financial instruments *...continued*

(iii) Impairment of financial assets ...continued

'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.

(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.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *…continued*

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 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.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *…continued*

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.

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.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

q) Equity *...continued*

- 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.

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.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *…continued*

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) Reclassifications

Where necessary, comparative figures have been adjusted to conform with the change in presentation in the current year (see Note 27).

v) 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.

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

The preparation of consolidated financial statements in conformity with IFRS 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.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

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

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 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, 2021 and 2020, 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) Fair value of land and building

Management uses valuation techniques to determine the fair value of its non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the asset. Management bases its assumptions on observable data as far as possible, but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see note 13). Additional information is disclosed in note 20.

(iv) 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).

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *…continued*

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

(v) 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.

(vi) 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.

5 Cash

	2021 $	2020 $
Cash at banks	**2,352,776**	2,717,777
Cash on hand	**44,774**	47,896
	2,397,550	2,765,673

The Group's cash at banks is held with First Caribbean International Bank and The Bank of Nevis Limited (2020: Royal Bank of Canada) and bears no interest.

(expressed in Eastern Caribbean dollars)

6 Receivables and prepayments

	2021 $	2020 $
Installment receivables	**29,712,847**	35,802,078
Trade receivables	**8,664,749**	9,435,969
	38,377,596	45,238,047
Allowance for expected credit losses	**(8,849,739)**	(8,786,538)
	29,527,857	36,451,509
Sundry receivables	**111,105**	128,762
Prepayments	**591,292**	612,187
	30,230,254	37,192,458
Less: Non-current portion of receivables	**(17,390,836)**	(20,947,466)
Current portion of receivables and prepayments	**12,839,418**	16,244,992

Receivables include amounts due from associated companies and directors amounting to $91,031 and $49,031, respectively (2020: $108,750 and $172,934) (see note 8).

The carrying value of receivables approximates the fair value.

Allowance for expected credit losses

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

	2021 $	2020 $
Balance at beginning of year	**8,786,538**	7,567,806
Provision during the year, net of recoveries	**200,094**	1,219,411
Write-off during the year	**(136,893)**	(679)
Balance at end of year	**8,849,739**	8,786,538

During the year, certain previously written-off receivables amounting to $32,509 (2020: $29,580) were recovered and collected.

(expressed in Eastern Caribbean dollars)

6 Receivables and prepayments *...continued*

Impairment losses of financial assets, net

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

	2021 $	2020 $
Provision during the year	**200,094**	1,219,411
Recoveries of items previously written-off	**1,664**	(29,580)
	201,758	1,189,831

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:

Future value of minimum lease payments	2021 $	2020 $
Within one year	**17,204,689**	20,733,417
Over one year but less than five years	**25,191,214**	30,354,404
Over five years	**3,753,626**	4,519,914
	46,149,529	55,607,735

Present value of minimum lease payments	2021 $	2020 $
Within one year	**12,322,010**	14,854,612
Over one year but less than five years	**14,909,264**	17,959,277
Over five years	**2,481,573**	2,988,189
	29,712,847	35,802,078

As at September 30, 2021, the provision for expected credit losses of installment receivables included a provision for uncollectible minimum lease payment receivables amounting to $5,893,371 (2020: $5,773,680).

(expressed in Eastern Caribbean dollars)

7 Inventories

	2021 $	2020 $
Merchandise	**32,638,668**	35,217,555
Goods in transit	**3,115,745**	1,231,948
	35,754,413	36,449,503
Allowance for inventory obsolescence	**(261,649)**	(303,716)
	35,492,764	36,145,787

The movement in the allowance for inventory obsolescence is as follows:

	2021 $	2020 $
Balance at beginning of year	**303,716**	201,873
(Decrease)/increase in provisioning	**(42,067)**	101,843
Balance at end of year	**261,649**	303,716

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 other payables (see note 16), respectively, in the consolidated statement of financial position.

(expressed in Eastern Caribbean dollars)

8 Related party balance and transactions *…continued*

Related party balances *...continued*

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

	2021 $	2020 $
Due from associated companies		
Carib Brewery (St Kitts & Nevis) Limited	**80,980**	108,690
St. Kitts Masonry Products Limited	**10,051**	60
	91,031	108,750
Due from directors	**49,031**	172,934
	140,062	281,684

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)).

	2021 $	2020 $
Due to associated companies:		
St Kitts Masonry Products Limited	**363,749**	551,418
Carib Brewery (St Kitts & Nevis) Limited	**19,572**	25,313
	383,321	576,731
Due to directors	**1,928,324**	2,846,729
	2,311,645	3,423,460

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 2.75% to 3% per annum (2020: 3% to 4.0% per annum).

Related party transactions

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

Sales and purchases with associated companies

	2021 $	2020 $
Sales	**3,640,295**	4,452,129
Purchases	**6,861,688**	6,752,525
Management fee	**48,000**	48,000

(expressed in Eastern Caribbean dollars)

8 Related party balance and transactions *…continued*

Related party transactions *...continued*

Dividend income

The Company also received dividends from its associates as follows:

	2021 $	2020 $
Associated companies:		
St. Kitts Masonry Products Limited	**500,000**	800,000
Carib Brewery (St Kitts & Nevis) Limited	**495,045**	–
	995,045	800,000

Key management personnel compensation

The salaries and other benefits paid to key management personnel of the Group amounted to $1,219,144 in 2021 (2020: $1,403,568).

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 2021	2020
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(b)).

The Group has no interests in unconsolidated structured entities.

(expressed in Eastern Caribbean dollars)

10 Investment in associates

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

Name of associate	Country of incorporation and principal place of business	Principal activity	Proportion of ownership interests held by the Group 2021	2020
Carib Brewery (St. Kitts & Nevis) Limited	St. Kitts	Engaged in 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%

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

	2021 $	**2020 $**
Cost of investments	**3,148,436**	3,148,436
Increase in equity value over cost from acquisition to end of year	**14,377,154**	13,295,014
	17,525,590	16,443,450

Movement in investments in associated companies during the year is as follows:

	2021 $	**2020 $**
Balance at beginning of year	**16,443,450**	14,959,847
Share of net income of associated companies		
Profit or loss	**1,381,577**	2,324,390
Other comprehensive income – Revaluation surplus	**634,266**	–
Other comprehensive income/(loss) – Capital reserve	**61,342**	(40,787)
Dividends received (note 8)	**(995,045)**	(800,000)
Balance at end of year	**17,525,590**	16,443,450

(expressed in Eastern Caribbean dollars)

10 Investment in associates *...continued*

The following illustrates the Group's carrying amount of investment in associates.

	2021 $	2020 $
Carib Brewery (St. Kitts & Nevis) Limited	**8,476,752**	8,127,398
Other associates in aggregate	**9,048,838**	8,316,052
	17,525,590	16,443,450

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

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:

September 30, 2021	**Carib Brewery (St. Kitts & Nevis) Limited** **$**	**Other associates** **$**
Current assets	**20,684,265**	**7,347,814**
Non-current assets	**28,371,124**	**16,402,977**
Current liabilities	**(9,473,850)**	**(2,537,355)**
Non-current liabilities	**(2,106,166)**	**(1,407,252)**
Net assets	**37,475,373**	**19,806,184**
Revenue	**47,317,495**	**18,747,920**
Costs and expenses	**(43,426,297)**	**(17,557,505)**
Net income	**3,891,198**	**1,190,415**
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

(expressed in Eastern Caribbean dollars)

10 Investment in associates *…continued*

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

	2021 $	2020 $
Consolidated statement of income:		
Carib Brewery (St. Kitts & Nevis) Limited	**783,057**	1,332,279
Other associates	**598,520**	992,111
	1,381,577	2,324,390
Consolidated statement of other comprehensive income/(loss):		
Carib Brewery (St. Kitts & Nevis) Limited	**61,342**	(40,787)
Other associates	**634,266**	–
	695,608	(40,787)

11 Financial assets at FVOCI

	2021 $	2020 $
Quoted equity securities:		
Cable & Wireless St. Kitts & Nevis Limited		
90,000 shares of $3.88 each (2020: $3.5 each)	**349,200**	315,000
BP AMOCO PLC (formerly The Standard Oil Company)		
1,354 shares of US$27.33 each (2020: US$17.46 each)	**99,913**	63,830
	449,113	378,830
Unquoted equity security:		
Federation Media Group Limited	**1**	1
	449,114	378,831

Total dividends earned from financial assets at FVOCI, shown as part of other income, amounts to $4,533 in 2021 (2020: $9,030).

Movements in the financial assets at FVOCI are as follows:

	2021 $	2020 $
Balance at beginning of the year	**378,831**	453,885
Unrealised fair value gain/(loss)	**70,283**	(75,054)
Balance at end of the year	**449,114**	378,831

(expressed in Eastern Caribbean dollars)

12 Intangible assets

	Computer software $
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**
Year ended September 30, 2021	
Opening net book amount	97,330
Additions	2,891
Disposals	(23,474)
Write-back of accumulated amortisation	23,474
Amortisation for the year	(43,997)
Closing net book amount	**56,224**
At September 30, 2021	
Cost	210,307
Accumulated amortisation	(154,083)
Net book amount	**56,224**

(expressed in Eastern Caribbean dollars)

13 Property and equipment

	Land and buildings	Vehicles, furniture, fittings, and equipment	Total
Year ended September 30, 2021	**$**	**$**	**$**
Cost or valuation			
Balance at beginning of year	89,903,103	30,883,286	120,786,389
Revaluation surplus	8,108,869	–	8,108,869
Effect of elimination of accumulated depreciation	(6,416,068)	–	(6,416,068)
Reclassification	152,428	(152,428)	–
Additions	801,670	1,891,205	2,692,875
Disposals	–	(901,642)	(901,642)
Balance at end of year	**92,550,002**	**31,720,421**	**124,270,423**
Accumulated depreciation			
Balance at beginning of year	5,112,133	19,371,228	24,483,361
Effect of elimination of accumulated depreciation	(6,416,068)	–	(6,416,068)
Other adjustments	(183,981)	184,085	104
Reclassification	52,079	(52,079)	–
Depreciation	1,435,837	2,694,220	4,130,057
Disposals	–	(870,330)	(870,330)
Balance at end of year	–	**21,327,124**	**21,327,124**
Net book value	**92,550,002**	**10,393,297**	**102,943,299**
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)
Other adjustments	–	(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)
Other adjustments	–	(41,619)	(41,619)
Balance at end of year	**4,984,201**	**19,499,160**	**24,483,361**
Net book value	**84,683,748**	**11,619,280**	**96,303,028**

(expressed in Eastern Caribbean dollars)

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.

On September 23, 2021, the Company's land and buildings were revalued by an independent property appraiser, Charterland, Charted Surveyors and Property Consultants. The independent appraiser provided the approximated market value of the land and buildings at September 30, 2021. The revaluation surplus was credited to 'Reserves' in shareholder's equity.

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, 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**
At September 30, 2021			
Opening net book value	4,144,275	34,237,861	38,382,136
Additions	–	801,670	801,670
Reclassifications	–	100,349	100,349
Depreciation	–	(732,791)	(732,791)
Closing net book value	**4,144,275**	**34,407,089**	**38,551,364**

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. As at September 30, 2021, the Group sold all of the assets held for sale and recognized gain on sale of assets held for sale amounted to $36,683 in the consolidated statement of comprehensive income.

(expressed in Eastern Caribbean dollars)

15 Borrowings

	2021 $	2020 $
Demand loans	**4,928,073**	9,022,192
Bank overdrafts	**3,287,718**	2,954,055
	8,215,791	11,976,247

Demand loans are repayable over period varying from six months to one year with interest being charged at rates ranging from 2.75% to 3% (2020: 3% to 4%) per annum.

Bank overdrafts are secured by debentures executed by the Company and two subsidiaries totaling $56.4 million (2020: $56.4 million).

Total interest expense related to the above borrowings amounted to $309,196 for the year ended September 30, 2021 (2020: $ 707,111). There was no unpaid interest as at September 30, 2021 and 2020.

16 Trade and other payables

	2021 $	2020 $
Trade payables	**10,912,458**	13,278,549
Sundry payables, provisions and accruals	**4,343,792**	4,758,726
	15,256,250	18,037,275

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

Amounts due to associated companies amounting to $383,320 (2020: $576,731) arose in the normal course of trading are presented as part of trade payables.

(expressed in Eastern Caribbean dollars)

17 Taxation

		2021 $	2020 $
a)	Income tax payable		
	Movement in the tax payable is as follows:		
	Balance at beginning of year	**1,950,716**	3,239,650
	Current tax expense	**2,152,434**	3,363,013
	Tax paid during the year	**(3,780,453)**	(4,651,947)
	Balance at end of year	**322,697**	1,950,716

		2021 $	2020 $
b)	Income tax expense		
	Recognised in consolidated statement of income		
	Current tax expense	**2,152,434**	3,363,013
	Deferred tax credit	**(330,478)**	(242,623)
		1,821,956	3,120,390
	Recognised in other comprehensive income		
	Deferred tax expense relating to revaluation surplus	**2,194,549**	–
	Deferred tax expense relating to remeasurement gain on net defined benefit obligation	**–**	36,799
		2,194,549	36,799

On March 24, 2020, the Government of St. Kitts and Nevis introduced the novel coronavirus (COVID-19) Stimulus Package for the fifteen-month period from April 2020 to September 2020 and further extended the period until June 2022. The corporate income tax rate would be reduced from 33% to 25% for the twenty-seven months with the requirement that at least 75% of the Company's personnel would be retained.

(expressed in Eastern Caribbean dollars)

17 Taxation …*continued*

b) Income tax expense *...continued*

The charge for the year can be reconciled to the statutory rate as follows:

	2021 **$**	**2020** **$**
Profit before income tax	**6,834,785**	11,669,549
Taxation expense at effective tax rate of 25% (2020: 29%)	**1,708,696**	3,384,169
Tax effect of expenses that are not deductible in determining taxable profit	**317,572**	534,356
Tax effect of income not assessable for taxation	**(419,361)**	(772,172)
Effect of change in tax rate	**148,866**	–
Deferred tax not recognised on unutilized tax losses	**102,387**	–
Penalties	**443**	–
Others	**(36,647)**	(25,963)
	1,821,956	3,120,390

c) Tax loss

The Group has incurred an income tax loss amounting to $310,264 (2020: $nil) which may be carried forward and applied to reduce taxable income by an amount not exceeding one half of taxable income in any one year of assessment within 5 years following the year in which the loss was incurred. The tax loss has not yet been finalised by the Inland Revenue Department. The tax loss expires in 2026. The deferred tax asset arising from the tax loss of $102,387 (2020: $nil) has not been recognised in the consolidated financial statements due to the uncertainty of its recovery.

d) Deferred tax liability

The movement in the deferred tax liability is as follows:

	2021 **$**	**2020** **$**
Balance at beginning of year	**5,209,878**	5,415,702
Deferred tax expense/(credit) for the year	**1,864,071**	(205,824)
Balance at end of year	**7,073,949**	5,209,878

(expressed in Eastern Caribbean dollars)

17 Taxation *…continued*

d) Deferred tax credit

The deferred tax expense/(credit) is comprised of the following:

	2021 $	2020 $
Recognised in consolidated statement of income		
Deferred tax on depreciation of property and equipment	**(190,348)**	(154,488)
Deferred tax on unutilized capital allowances	**(70,835)**	(18,094)
Deferred tax on retirement expense	**(69,295)**	(70,041)
	(330,478)	(242,623)
Recognised in consolidated other comprehensive income		
Deferred tax expense relating to remeasurement gain on net defined benefit obligation	**–**	36,799
Deferred tax expense relating to revaluation surplus	**2,194,549**	–
	2,194,549	36,799
	1,864,071	(205,824)

18 Equity

Share capital

	2021 $	2020 $
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 29, 2020, the Group's Board of Directors approved the declaration of interim cash dividends amounting to $2,562,618 which was paid on November 6, 2020. The Board of Directors further approved the declaration of another cash dividends on June 17, 2021, amounting to $3,390,608 which was paid on June 22, 2021. The total dividends declared and paid in 2021 amounted to $5,953,226 (2020: $8,079,779)

Dividend of 7.81% (2020: 9.87%) per ordinary share or $4,710,368 (2020: $5,953,226) in respect to the 2021 financial results has been proposed by the Directors. The consolidated financial statements as at and for the year ended September 30, 2021 do not reflect this proposed dividend which, if approved, will be accounted for in equity as an appropriation of retained earnings in the year ending September 30, 2022.

(expressed in Eastern Caribbean dollars)

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:

	2021 **$**	**2020** **$**
Profit for the year	**5,012,829**	8,549,159
Weighted average number of outstanding shares	**60,296,860**	60,296,860
Basic earnings per share	**0.08**	0.14

The Group has no dilutive potential ordinary shares as of September 30, 2021 and 2020.

20 Reserves

	2021 **$**	**2020** **$**
Revaluation reserve – property	**48,902,052**	42,353,466
Capital reserves	**2,773,994**	2,712,652
Revaluation reserve – financial asset at FVOCI	**348,633**	278,350
Remeasurement of defined benefit obligation	**18,286**	18,286
	52,042,965	45,362,754

Capital reserves

Movement in capital reserves is as follows:

	2021 **$**	**2020** **$**
Balance at beginning of year	**2,712,652**	2,753,439
Share in other comprehensive income/(losses) of associated companies (note 10)	**61,342**	(40,787)
Balance at end of year	**2,773,994**	2,712,652

(expressed in Eastern Caribbean dollars)

20 Reserves *...continued*

Revaluation reserve – financial asset at FVOCI

Movement in revaluation reserve – financial asset at FVOCI is as follows:

	2021 $	2020 $
Balance at beginning of year	**278,350**	353,404
Unrealised fair value gain/(loss) (note 11)	**70,283**	(75,054)
Balance at end of year	**348,633**	278,350

Remeasurement of defined benefit obligation

Movement in remeasurement of defined benefit obligation is as follows:

	2021 $	2020 $
Balance at beginning of year	**18,286**	(56,423)
Remeasurement gain on defined benefit obligation, net of tax (note 17, 22)	–	74,709
Balance at end of year	**18,286**	18,286

Revaluation reserve – property

Movement in revaluation reserve – property is as follows:

	2021 $	2020 $
Balance at beginning of year	**42,353,466**	42,353,466
Revaluation surplus, net of tax (note 10, 13, 17)	**6,548,586**	–
Balance at end of year	**48,902,052**	42,353,466

(expressed in Eastern Caribbean dollars)

21 Other income

	2021 $	2020 $
Interest	**5,135,599**	6,188,836
Servicing and other related income	**1,727,239**	1,661,054
Rent and lease income	**1,251,591**	1,882,429
Commissions	**1,151,114**	1,148,480
Trucking revenue	**265,111**	246,509
Gain on sale of property and equipment	**131,337**	345,602
Miscellaneous	**101,646**	45,165
	9,763,637	11,518,075

22 Employment costs

a) Details of employment costs are presented below.

	2021 $	2020 $
Salaries and other staff cost	**18,535,629**	19,563,363
Post-employment defined benefit	**406,478**	415,765
	18,942,107	19,979,128

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, 2021 and 2020. 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:

	2021 $	2020 $
Balance at beginning of the year	**4,412,381**	4,311,644
Interest cost	**318,699**	330,234
Current service cost	**87,779**	85,531
Actuarial gains	–	(111,508)
Benefit payments	**(196,494)**	(203,520)
Balance at end of the year	**4,622,365**	4,412,381

(expressed in Eastern Caribbean dollars)

22 Employment costs …*continued*

b) Defined benefit plan ...*continued*

The movements in the fair value of plan assets are presented below.

	2021 $	2020 $
Balance at beginning of the year	**–**	–
Employer contributions	**196,494**	203,520
Benefit payments	**(196,494)**	(203,520)
Balance at end of the year	**–**	–

The retirement benefit obligation as at September 30, is classified in the consolidated statement of financial position as follows:

	2021 $	2020 $
Current	**196,494**	195,554
Non-current	**4,425,871**	4,216,827
	4,622,365	4,412,381

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.

(expressed in Eastern Caribbean dollars)

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:

	2021 $	2020 $
Recognised in consolidated statement of income		
Interest cost	**318,699**	330,234
Current service cost	**87,779**	85,531
	406,478	415,765
Recognised in consolidated statement of other comprehensive income		
Gain from experience	**–**	(202,888)
Loss from change in assumption	**–**	91,380
	–	(111,508)

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

	2021	2020
Discount rate	**7.25%**	7.25%
Expected rate of future salary increase rates	**5.25%**	5.25%
Future inflationary salary increase rate	**2.75%**	2.75%
Future increase in the Social Security Board ceilings for earnings	**1.75%**	1.75%

(expressed in Eastern Caribbean dollars)

23 Commitments and contingencies

a) Letters of credit

At the year end, the Group had outstanding letters of credit totaling $400,000 (2020: $400,000).

b) Guarantees

The Group 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.

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.

(expressed in Eastern Caribbean dollars)

24 Financial risk management *...continued*

a) Market risk *...continued*

i) *Foreign currency risk ...continued*

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

Year ended September 30, 2021	EC $	US $	Total $
Financial assets			
Cash	1,460,804	936,746	2,397,550
Receivables	29,332,761	306,201	29,638,962
Financial assets at FVOCI	349,201	99,913	449,114
	31,142,766	**1,342,860**	**32,485,626**
Financial liabilities			
Borrowings	8,215,791	–	8,215,791
Trade and other payables	15,256,250	–	15,256,250
Defined benefit obligation	4,622,365	–	4,622,365
	28,094,406	**–**	**28,094,406**
Year ended September 30, 2020			
Financial assets			
Cash	1,562,904	1,202,769	2,765,673
Receivables	36,189,800	390,471	36,580,271
Financial assets at FVOCI	315,001	63,830	378,831
	38,067,705	**1,657,070**	**39,724,775**
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**

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.

(expressed in Eastern Caribbean dollars)

24 Financial risk management *...continued*

a) Market risk *...continued*

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% (2020: 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, 2021. 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, 2021 had been 10% higher/lower with all other variables held constant, the change in equity would have been insignificant.

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.

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.

	2021 $	2020 $
Cash at banks	**2,352,776**	2,717,777
Receivables	**29,638,962**	36,580,271
	31,991,738	39,298,048

(expressed in Eastern Caribbean dollars)

24 Financial risk management *...continued*

b) Credit risk *...continued*

The Group continuously monitors the credit quality of its customers. Credit checks are performed for all credit customers. The Group's policy is to deal only with credit worthy counterparties. The Group's credit term is 30 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.

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

(expressed in Eastern Caribbean dollars)

24 Financial risk management *...continued*

b) Credit risk *...continued*

Expected credit loss measurement ...continued

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, 2021 and October 1, 2020, 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, 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**
September 30, 2021				
Gross carrying amount	27,972,956	1,731,700	8,672,940	38,377,596
Expected credit loss rate	0.93%	22.49%	94.55%	
Loss allowance	**260,398**	**389,448**	**8,199,893**	**8,849,739**

(expressed in Eastern Caribbean dollars)

24 Financial risk management *...continued*

b) Credit risk *...continued*

Expected credit loss measurement ...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.

c) 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.

(expressed in Eastern Caribbean dollars)

24 Financial risk management *…continued*

c) Liquidity risk *…continued*

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, 2021				
Borrowings	8,215,791	–	–	8,215,791
Trade and other payables	15,256,250	–	–	15,256,250
Defined benefit obligation	196,494	785,976	3,639,895	4,622,365
	23,668,535	**785,976**	**3,639,895**	**28,094,406**
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**

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.

(expressed in Eastern Caribbean dollars)

24 Financial risk management *...continued*

d) Fair value of financial assets *...continued*

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	
	2021	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**
Financial assets				
Cash	**2,397,550**	2,765,673	**2,397,550**	2,765,673
Receivables	**29,638,962**	36,580,271	**29,638,962**	36,580,271
	32,036,512	39,345,944	**32,036,512**	39,345,944
Financial liabilities				
Borrowings	**8,215,791**	11,976,247	**8,215,791**	11,976,247
Trade and other payables	**15,256,250**	18,037,275	**15,256,250**	18,037,275
Defined benefit obligation	**4,622,365**	4,412,381	**4,622,365**	4,412,381
	28,094,406	34,425,903	**28,094,406**	34,425,903

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

(expressed in Eastern Caribbean dollars)

24 Financial risk management *...continued*

e) Fair value hierarchy

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 2021				
Financial assets at FVOCI		**449,113**	**1**	**449,114**
Financial assets 2020				
Financial assets at FVOCI	–	378,830	1	378,831

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 – 2021	**–**	**38,735,000**	**53,815,002**	**92,550,002**
Land and buildings – 2020	–	37,276,278	47,407,470	84,683,748

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.

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 2021 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).

(expressed in Eastern Caribbean dollars)

24 Financial risk management *...continued*

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, 2021, the Group's equity amounted to $153,603,743 (2020: $147,863,929).

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).

(expressed in Eastern Caribbean dollars)

25 Segment reporting *…continued*

Segment information for the reporting period is as follows:

2021	Durable goods $	Automotive $	Consumable goods $	Others $	Unallocated/ head office $	Eliminations $	Total $
External sales	52,692,331	14,124,680	67,555,106	–	–	(3,419,969)	130,952,148
Other income	1,766,806	4,852,096	26,855	3,117,880	–	–	9,763,637
Total revenue	54,459,137	18,976,776	67,581,961	3,117,880		(3,419,969)	140,715,785
Operating profit before finance charges	3,080,673	1,573,428	321,925	786,378	–		5,762,404
Finance charges	(119,748)	(166,943)	(21,759)	(746)	–	–	(309,196)
Profit before results of associated companies	2,960,925	1,406,485	300,166	785,632	–	–	5,453,208
Share of income of associated companies after tax	603,489	–	783,057	(4,969)	–	–	1,381,577
Operating results before taxation	3,564,414	1,406,485	1,083,223	780,663	–	–	6,834,785
Taxation							(1,821,956)
Net income after taxation							5,012,829
Operating assets	57,606,522	43,502,202	34,026,128	15,995,643	43,937,632	(23,498,922)	171,569,205
Investment in associates	8,865,150	–	8,137,672	522,768	–	–	17,525,590
Total consolidated assets	66,471,672	43,502,202	42,163,800	16,518,411	43,937,632	(23,498,922)	189,094,795
Total liabilities	7,900,748	5,992,959	10,127,373	5,750,452	20,777,308	(15,057,788)	35,491,052
Capital expenditure	945,796	328,045	1,273,617	145,417	–	–	2,692,875
Depreciation and amortisation	1,495,996	700,570	1,624,818	352,670	–	–	4,174,054

(expressed in Eastern Caribbean dollars)

25 Segment reporting *…continued*

Segment information for the reporting period is as follows:

2020	Durable goods $	Automotive $	Consumable goods $	Others $	Unallocated/ head office $	Eliminations $	Total $
External sales	52,627,985	18,776,827	80,992,363	–	–	(3,884,251)	148,512,924
Other income	2,212,010	6,716,326	41,422	2,548,317	–	–	11,518,075
Total revenue	54,839,995	25,493,153	81,033,785	2,548,317	–	(3,884,251)	160,030,999
Operating profit before finance charges	4,336,504	2,623,067	2,333,659	759,040	–	–	10,052,270
Finance charges	(237,930)	(422,168)	(46,421)	(592)	–	–	(707,111)
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	1,385,399	776,594	1,760,453	244,204	–	–	4,166,650

(expressed in Eastern Caribbean dollars)

25 Segment reporting *…continued*

The geographical market of the Group’s revenue in 2021 and 2020 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

Customer loyalty points previously treated as expenses and were included in the selling and distribution costs were reclassified to as a discount netted in revenue to achieve a more appropriate presentation. The comparative figures have been similarly formatted and reclassified to achieve comparability with the current period.

28 Events after financial reporting date

On October 29, 2021, an unsolicited offer was made to the Board of Directors to purchase two unused properties located in the town of Basseterre. On November 2, 2021, the Board of Directors considered the merits of the proposal and voted to approve the sale of the properties.

The agreement for the sale of the properties was signed on November 23, 2021, and the sale was concluded on January 31, 2022.