

ANNUAL REPORT
2018



MISSION STATEMENT

Our mission is to display excellence and goodwill
in every task undertaken, and to exceed the
expectations of our customers, employees and
shareholders.

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NOTICE OF THE ONE HUNDRED AND THIRTY-FOURTH ANNUAL MEETING OF SHAREHOLDERS

Notice is hereby given that the One Hundred and Thirty-fourth Annual Meeting of the shareholders of BICO Limited will be held at the Cricket Legends of Barbados, Herbert House, Fontabelle, St. Michael on Tuesday the 26th day of February 2019 at 5:00 p.m. for the following purposes:

- (1) To receive and consider the Report of the Directors, the Report of the Auditors and the Audited Financial Statements for the year ended 30th September 2018.
- (2) To elect Directors.
- (3) To re-appoint Auditors for the ensuing year.
- (4) To consider any other business which may properly come before an Annual Meeting of Shareholders.

By order of the Board of Directors

Chancery Corporate Services Limited
Company Secretary

Harbour Industrial Park, Bridgetown
January 31, 2018



BICO LIMITED REGISTERED OFFICE

Harbour Industrial Park
Bridgetown, BB11145, Barbados
Tel: (246) 430-2100 Fax: (246) 426-2198
Email: admin@bicoltd.com
Website: www.bicoicecream.com
facebook.com/bico

BOARD OF DIRECTORS

F. Edwin Thirlwell, C.I.M - Executive Chairman
Alwyne M. Horsley
Lionel A. Moe, F.C.C.A.
Robert Foster
Joanne Pooler (Resigned February 2018)
Randolph A. Harris

ALTERNATE DIRECTOR

Peter Downes, B. Sc. (Hons.), CMA, FCA, SPHR

SECRETARY

R.L.A. Corporate Services Limited

AUDITORS

M. E. Murrell & Company
Public Accountants

BANKERS

Republic Bank Limited
Broad Street
Bridgetown
Barbados

CIBC FirstCaribbean International Bank
Broad Street
Bridgetown
Barbados



OFFICERS & SENIOR PERSONNEL

F. Edwin Thirlwell C.I.M

Executive Chairman

Joanne Pooler (Resigned January 31, 2018)

General Manager

Neil Titus

Finance Director

Orlando Ward, ACCA

Accountant

Paul Trevor Hinds, BSc. Engineering

Engineering Manager

Randolph A. Harris (Resigned July 31, 2018)

Sales Manager

Michael Barrow

Account Executive-Food Services

Desmond S. Williams

Production Manager

Sylvia M Newsam, B.Sc. (Hons)

Purchasing Officer

The Financial Year ended September 30, 2018 was an eventful one and challenging.

With difficult trading conditions and disposable income tight, sales and revenues were down by a modest 0.09% and margins were under pressure.

Following the introduction of National Social Responsibility Levy (NSRL) plus a Foreign Currency Surcharge, we were unable to fully recover the increased costs resulting in lower margins in order to retain our loyal customer base by remaining competitive and affordable.

Unfortunately, when the NSRL was repealed by the new administration in June we were already holding significant stocks of finished products on which NSRL had been paid. We are pleased to confirm that as we sell that NSRL paid stock and replenish with new inventory, margins are recovering.

DIVIDENDS - The Directors have recommended that no dividends be paid for the year ended September 30, 2018 in view of the financial performance of the company and taking into account plans to rebuild the Ice-cream factory which was destroyed by fire in 2009.

AUDITORS - The auditors M.E. Murrell & Company retire and offer their services for the current year at a fee to be determined. We recommend that the directors be authorized to re-appoint the auditors and to determine the auditor's fee.

DIRECTORS - The Directors retiring by rotation and being eligible offering themselves for re-election are Mr. Edwin Thirlwell and Ms Alwyne Horsley. In keeping with the staggering of the appointments of the Directors, the proposed term of office will be for a period of three (3) years.

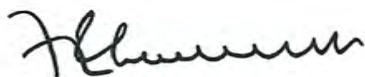
It is recommended that Mr. Peter Downes be appointed as a Director for a period of 3 years with effect from October 1, 2018 and Mr. Neil Titus be appointed as Alternate Director with effect from October 1, 2018.

It is recommended that the appointment of Mr. Randolph Harris to fill a casual vacancy with effect from August 1, 2018 be ratified for a period of 3 years from the above date.

OUTLOOK - The Company looks forward to the Financial year 2019 with cautious optimism although the Recovery Plan being implemented by Government is likely to slow down potential growth in the medium term.

We wish to thank the entire BICO and Harbour Cold Store Team for their support and commitment to preserve the viability of the company

On behalf of the Board of Directors.



F. Edwin Thirlwell
Executive Chairman



DIRECTORS & SUBSTANTIAL INTERESTS

Interest of Shareholders holding more than 5% of the issued common shares on the dates indicated were as follows:

	30-09-18	11-01-19
Nordev One Ltd.	555,809	No change
Windsong Investments Ltd.	469,752	469,852
Nordev Two Ltd	225,366	No change
Sagcor (Equity) Fund/Global Balanced Fund/Life Inc.	195,367	No change
Tropic Ice Unlimited Inc.	118,374	No change

According to the Company's share register, no director held an interest in the Company at the above noted dates.



INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Bico Limited
Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Bico Limited** ("the Company") which comprise the balance sheet as at 30 September 2018, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 30 September 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

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 Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities describe in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Bico Limited

Report on the Audit of the Financial Statements (Continued)

Existence and valuation of inventory

Risk

As disclosed in note 8 of the financial statements, the value of inventories at the end of the reporting period amounted to \$3,354,917 representing 43.6% of current assets and 13.1% of its total assets.

With inventories at two remote locations, there is the risk with regards to the existence of inventories at the remote locations. The valuation of inventories is based on various components in its costing of inventories, there is the risk of inventories being valued incorrectly.

Accordingly, existence and valuation of inventories was therefore considered to be a key audit matter.

Our response

Our audit procedures to address this key audit matter included:

- Attended the inventory count at all locations with specific consideration over remote locations where inventory is held by suppliers on behalf of the Company.
- Compared inventory counts with final inventory amounts.
- On a sample basis we tested the net realisable value of inventory items to recent selling prices.
- Verified the accuracy of exchange rates used in valuing items.
- For a sample of inventory items, reperformed costing calculations and compared to moving average cost at year end.

Completeness and valuation of trade payables

Risk

The Company sources the majority of its merchandise from foreign suppliers, there is the risk of recording shipments around the year end in the wrong period and when the Company is liable. Reconciliation processes over trade payables are therefore a critical control to ensuring the trade creditors' balances are complete and valued correctly.

Accordingly, the completeness and valuation of, and obligations on accounts payable were considered to be a key audit matter.

Our response

- Test reconciliations of suppliers were performed to ensure that reconciling items were valid and accurate.
- Cutoff procedures were performed to ensure that that amounts are properly recorded in the correct period.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Bico Limited

Report on the Audit of the Financial Statements (Continued)

Responsibilities of Management and the Audit Committee for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company'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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Bico Limited

Report on the Audit of the Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

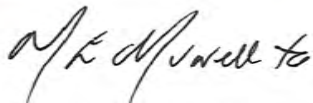
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

Other Legal and Regulatory Requirements

This report is made solely to the Company's shareholders, as a body, in accordance with Section 147 of the Companies Act of Barbados. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law and subject to any enactment or rule of law to the contrary, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

The engagement partner in charge of the audit resulting in this independent auditor's report is Mr. Marcel Murrell (Jnr.).



CHARTERED ACCOUNTANTS

Barbados

January 18, 2019

MEM Mr. E. Murrell & Co.

BALANCE SHEET

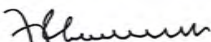
As at September 30, 2018 (with comparatives as at September 30, 2017).

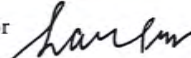
Expressed in Barbados dollars.



	Note	2018	2017
Property, plant and equipment	6	16,784,035	16,928,963
Pension fund asset	14	948,671	1,093,710
Deferred tax asset	7	246,679	456,935
Total non-current assets		17,979,385	18,479,608
Inventories	8	3,354,917	3,740,119
Trade and other receivables	9	3,338,987	2,925,914
Prepaid expenses		341,702	235,644
Cash and cash equivalents	10	651,406	728,474
Total current assets		7,687,012	7,630,151
Total assets		25,666,397	26,109,759
Equity			
Issued capital	11	2,383,828	2,383,828
Capital appraisal surplus	6	6,885,620	6,885,620
Retained earnings		6,267,518	6,200,232
Total equity attributable to equity holders of the company		15,536,966	15,469,680
Liabilities			
Long-term loans	13	8,287,294	8,576,142
Total non-current liabilities		8,287,294	8,576,142
Current liabilities			
Accounts payable and accrued liabilities	15	1,424,859	1,753,961
Current portion of long-term loans	13	417,278	309,976
Total current liabilities		1,842,137	2,063,937
Total liabilities		10,129,431	10,640,079
Total equity and liabilities		25,666,397	26,109,759

Approved by the Board of Directors on January 18, 2019 and signed on their behalf by:

Director 

Director 

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



STATEMENT OF CHANGES IN EQUITY

As at September 30, 2018 (with comparatives as at September 30, 2017).

Expressed in Barbados dollars.

	Share Capital	Capital Appraisal Surplus	Retained Earnings	Total Equity
Balance at October 1, 2016	2,383,828	6,514,981	6,399,341	15,298,150
Net comprehensive loss for the year			(118,054)	(118,054)
Dividends paid			(81,055)	(81,055)
Revaluation surplus		370,639	-	370,639
Balance at September 30, 2017	2,383,828	6,885,620	6,200,232	15,469,680
Balance at October 1, 2017	2,383,828	6,885,620	6,200,232	15,469,680
Net comprehensive income for the year			67,286	67,286
Balance at September 30, 2018	2,383,828	6,885,620	6,267,518	15,536,966

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

STATEMENT OF COMPREHENSIVE INCOME

For the year ended September 30, 2018 (with comparatives for year ended September 30, 2017).

Expressed in Barbados dollars.



	Note	2018	2017
Revenue	23	15,095,992	15,094,376
Cost of sales		(8,825,427)	(8,423,722)
Gross profit		6,270,565	6,670,654
Other operating income	3	215,752	97,832
Distribution expenses		(2,843,619)	(2,981,918)
Administration expenses		(2,457,922)	(2,429,779) *
Engineering expenses		(679,013)	(775,342)
Other operating (expenses)/income		(124,959)	3,794
Operating profit before the following	23	380,804	585,241 *
Gain/(loss) on disposal of plant and equipment		47,925	(15,297)
Profit from operations		428,729	569,944
Finance costs	5	(526,619)	(562,534)
Net (loss)/income before taxation		(97,890)	7,410
Taxation	7	(42,942)	(28,403)
Net loss for year		(140,832)	(20,993)
Other comprehensive (expense)/income			
Loss on pension asset (net of tax)		(133,567)	(97,061)
Litigation income (net of tax)		341,685	-
Net comprehensive income/ (loss) for the year		67,286	(118,054)
Basic earnings per share	12	0.01	(0.05)
Diluted earnings per share	12	0.01	(0.05)

The following item is included above:

Depreciation	845,358	1,041,554

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



STATEMENT OF CASH FLOWS

For the year ended September 30, 2018 (with comparatives for year ended September 30, 2017).

Expressed in Barbados dollars.

	Note	2018	2017
Cash flows from operating activities			
(Loss)/income before corporation tax		(97,890)	7,410
Adjustments for:			
Depreciation	6	845,358	1,041,554
Loss/(gain) on disposal of property, plant and equipment		(47,925)	15,297
Pension expense		32,350	37,533
Interest expense	5	526,619	562,534
Operating earnings before changes in working capital		1,258,512	1,664,328
Add/(less) changes in working capital items			
Inventories		385,202	323,415
Accounts receivable		(413,073)	(172,884)
Prepaid expenses		(106,058)	(14,015)
Accounts payable and accrued liabilities		(329,102)	(123,141)
Cash from operations		795,481	1,677,703
Interest paid	5	(526,619)	(562,534)
Net cash from operating activities		268,862	1,115,169
Cash flows used in investing activities			
Purchase of property, plant and equipment	6	(715,659)	(1,280,744)
Proceeds from disposal of property, plant and equipment		63,155	17,297
Net cash (used in) investing activities		(652,504)	(1,263,447)
Cash flows from financing activities			
Proceeds from long-term loans		90,379	884,232
Repayment of long-term loans		(271,926)	(418,212)
Dividends paid		-	(81,055)
Net cash from financing activities		(181,547)	384,965
Cash flows from other activities			
Litigation income		488,121	--
Net increase in cash and cash equivalents		(77,068)	236,687
Cash and cash equivalents at Beginning of year		728,474	491,787
Cash and cash equivalents at End of year		651,406	728,474

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

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2018 (with comparatives for year ended September 30, 2017).



Expressed in Barbados dollars.

1. General information

Bico Limited is incorporated under the Laws of Barbados. The principal activities of the Company are the distribution of ice cream and the rental of cold storage space.

The registered office of the company is Harbour Industrial Park, St. Michael, Barbados.

The Company is listed on the Barbados Stock Exchange.

The financial statements were authorised for issue by the directors on January 18, 2018.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), under the historical cost convention, as modified by the revaluation of land and buildings and are expressed in Barbados dollars.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from estimates made by management.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(b) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Barbados dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the date of the transaction.

(c) Property, plant & equipment

Items of property, plant and equipment are stated at cost, as deemed cost, less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The principal annual rates used for this purpose are as follows:

Leasehold buildings	1%
Ice cream and cold storage machinery	10%
Motor vehicles and delivery equipment	20%
Furniture, fixtures and fittings	10%
Computer hardware	25%
Computer software	33%

The residual value, if not insignificant, is reassessed annually.

(d) Leased assets

Leases under the terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Plant and equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses. The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

(e) Investments

Investments are classified as available-for-sale and are stated at fair value, unless it is impracticable to determine the fair value, in which case they are stated at cost less impairment losses. Gains and losses arising from the change in fair value are recognised directly in equity, except for impairment losses.

(f) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses.

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2018 (with comparatives for year ended September 30, 2017).

Expressed in Barbados dollars.



(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. In general, cost is determined on an average cost basis and includes transport and handling costs. In the case of manufactured inventories and work in progress, cost includes all direct expenditure and production overheads based on a normal level of activity. Provision is made for defective stock.

(h) Impairment

The carrying amounts of the Company's assets other than inventories and deferred tax asset are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then, to reduce the carrying amount of the other assets in the unit on a pro rata basis.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Employee benefits

- (i) The Company's net obligation in respect of its defined benefit Pension Plans is calculated separately for each Plan by estimating the amount of future benefit that members have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value and the fair value of Plan assets is deducted.

The cost of the Company's defined benefit Pension Plans is charged to the income statement over the service life of the employees in the Plan. The pension costs are assessed in accordance with the advice of independent consulting actuaries. Actuarial gains on the Plan are recognised over a five year period.

Where the calculation results in a benefit to the Company, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contribution to the Plan.

Accounts payable and other liabilities

- (j) Accounts payable and other liabilities are stated at cost.

Revenue recognition

- (k) Revenue from the sale of goods and services is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from cold storage services is recognised at the point when goods enter the cold storage facility.

(l) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease. Lease incentives received are recognised in the income statement as a part of the total lease expense.

(m) Deferred tax

Deferred taxation is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(n) Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services, or in providing products and services within a particular economic environment which are subject to risks and rewards that are different from those of other segments.

(o) Borrowing costs

Borrowing costs are recognised in the income statement as an expense in the period in which they are incurred.

3. Other operating income

	2018	2017
Miscellaneous income	54,667	48,704
Exchange gains and losses	161,085	49,128
	215,752	97,832

4. Personnel expenses

	2018	2017
Salaries and wages cost	3,647,978	3,586,004
National insurance	310,836	322,762
Medical and health cost	56,957	62,809
	4,015,771	3,971,575

The average number of persons employed by the Company during the year was 80 (2017 - 80).

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2018 (with comparatives for year ended September 30, 2017).

Expressed in Barbados dollars.



5. Net financing costs

	2018	2017
Interest expense	526,619	562,534
Net financing costs	526,619	562,534

6. Property, plant and equipment

	Buildings on leased land	Plant and equipment	Furniture and fittings	Total
At September 30, 2018				
Cost or valuation				
Balance - beginning of year	12,551,186	20,699,881	1,520,547	34,771,614
Additions	162,454	547,610	5,595	715,659
(Disposals)	-	(65,249)	-	(65,249)
Balance - end of year	12,713,640	21,182,242	1,526,142	35,422,024
Accumulated Depreciation	-	16,361,431	1,481,220	17,842,651
Depreciation for year	85,104	750,369	9,885	845,358
Elimination on revaluation/disposal	-	(50,020)	-	(50,020)
Balance - end of year	85,104	17,061,780	1,491,105	18,637,989
Net book value				
Beginning of year	12,551,186	4,338,450	39,327	16,928,963
End of year	12,628,536	4,120,462	35,037	16,784,035
At September 30, 2017				
Cost or valuation				
Balance - beginning of year	12,414,000	19,488,222	1,511,097	33,413,319
Additions	14,155	1,257,139	9,450	1,280,744
Revaluation increase/(disposals)	123,031	(45,480)	-	77,551
Balance - end of year	12,551,186	20,699,881	1,520,547	34,771,614
Accumulated Depreciation	124,140	15,465,730	1,471,721	17,061,591
Depreciation for year	123,468	908,587	9,499	1,041,554
Elimination on revaluation/disposal	(247,608)	(12,886)	-	(260,494)
Balance - end of year	-	16,361,431	1,481,220	17,842,651
Net book value				
Beginning of year	12,289,860	4,022,492	39,376	16,351,728
End of year	12,551,186	4,338,450	39,327	16,928,963

6. Property, plant and equipment... continued

The buildings are erected on lands leased from The Barbados Port Incorporated for a period of ten years from December 2006, with an option to renew for a further period of fifteen years.

The buildings inclusive of photovoltaic systems are stated by a professional independent valuation carried out to September 30, 2017 in the amount of \$14,690,000. The resultant increase of the valuation over carrying amount was credited to the capital appraisal surplus account. It is the policy of the company to carry out professional independent valuation every 3 years.

7. Taxation

The taxation charge for the year is comprised as follows:

	2018	2017
Corporation tax on current year's earnings	-	-
Deferred tax charge	42,942	28,403
	42,942	28,403

The tax on the Company's net income before tax differs from the theoretical amount that would arise using the basic tax rate.

	2018	2017
Income before taxation	(81,879)	7,410
Tax calculation at 30% (2017-25%)	(24,564)	1,853
Tax effect of non - deductible expenses	-	31,165
Taxation allowances	(164,254)	(16,633)
Tax effect of change in tax rate	236,328	-
Tax effect of over/(under) provided in prior years	(4,568)	12,018
	42,942	28,403

The deferred tax asset consists of the following components:

	2018	2017
Pension fund asset	948,671	1,093,710
Tax losses	(3,860,411)	(4,583,537)
Accelerated tax depreciation	2,089,476	1,662,087
	(822,264)	(1,827,740)

Deferred tax (asset)/liability at the statutory corporation tax rate of 30% (2017 - 25%)	(246,679)	(456,935)

Except for tax losses, the above noted temporary differences have no expiry date.

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2018 (with comparatives for year ended September 30, 2017).

Expressed in Barbados dollars.



Tax losses

Tax losses which are available for set off against future taxable income for income and corporation tax purposes are as follows:

Assessment year	Amount	Expiry Date
2011	2,155,225	September 30, 2020
2012	428,513	September 30, 2021
2013	57,790	September 30, 2022
2014	380,685	September 30, 2023
2017	680,916	September 30, 2024
2018	157,282	September 30, 2025
	<u>3,860,411</u>	

These losses are computed by the company in its corporation tax returns and have to date neither been confirmed nor disputed by the Barbados Revenue Authority.

8. Inventories

These comprise the following:

	2018	2017
Raw materials	181,252	260,598
Packaging materials	560,214	457,410
Finished goods	2,451,567	2,788,261
Other	161,884	233,850
	<u>3,354,917</u>	<u>3,740,119</u>

9. Trade and other receivables

	2018	2017
Trade receivables - net of provisions for non-recoverability.	1,373,321	1,216,330
Insurance claims receivable	1,600,000	1,130,673
Other receivables	365,666	578,911
	<u>3,338,987</u>	<u>2,925,914</u>

10. Cash and cash equivalents

	2018	2017
Cash and bank balances	651,406	728,474



NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2018 (with comparatives for year ended September 30, 2017).

Expressed in Barbados dollars.

11. Share capital

(a) Authorised

An unlimited number of common shares of no par value.

(b) Issued

	2018	2017
2,315,871 (2017 -2,315,871) common shares, stated value	<u>2,383,828</u>	<u>2,383,828</u>

12. Earnings per share

The earnings per share is based on the net earnings for the year and the average number of shares in issue during the year. The net book value per share as at September 30, 2018 is \$6.43 and the last trading value was \$3.00.

13. Interest-bearing loans and borrowings

	2018	2017
Secured loans	2,880,677	3,056,415
Related party loans interest rate of 6.25% (see note 20)	5,823,895	5,823,895
Current portion	(417,278)	(309,976)
	<u>8,287,294</u>	<u>8,570,334</u>

There are three secured loans all of which are repayable in monthly instalments of blended principal and interest of \$10,853, \$15,009 and \$11,452 respectively, bearing interest at the rate of 5.5% and 3.75% respectively per annum. These loans are secured by a second mortgage debenture on the Company's fixed and floating assets, stamped to secure \$4,190,000. The maturity date for the first loan is June 2023 the second in December 2023 and the third in September 2026. There are also seven vehicle loans with monthly repayments of blended principal and interest totalling \$6,741 with maturity dates of November 2019; September 2020; January 2021; February 2021; October 2022 and August 2023 respectively. The first two of the loans bear interest at 8.5% p.a and the next four at 7.5% p.a and the final loan 7.85%.

\$5,623,895 of the related party loan bears interest at the rate of 6.25% per annum and is secured by the following instruments with no fixed method of repayment; the second portion of \$200,000 is unsecured and bears interest at 8% per annum:

- a) A debenture over fixed and floating assets of the Company stamped to secure \$5,724,970 as outlined below:
  - i. A fixed first charge over the fixed assets of the Company.
  - ii. A floating charge over the floating assets of the Company.

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2018 (with comparatives for year ended September 30, 2017).

Expressed in Barbados dollars.



b) Fire policy covering buildings, plant, equipment and stock with mortgage clause in favour of the lenders.

c) Letter of undertaking by the Company not to further encumber its fixed assets without the lenders' consent.

14. Pension fund asset

	2018	2017
The amounts recognised in the Balance Sheet are as follows:		
Present value of funded obligation	(5,538,185)	(5,708,156)
Fair value of plan assets	6,486,856	6,801,866
	948,671	1,093,710

Movement in pension fund asset recognised in the Balance Sheet is as follows:

Pension fund asset - beginning of the year	1,093,710	1,260,658
Net pension (loss)/gain for the year	(145,039)	(166,948)
Pension fund asset - end of the year	948,671	1,093,710

The amounts recognised in the Statement of Income are as follows:

Current service costs	79,044	96,108
Net interest cost	(77,894)	(89,775)
Administrative expenses	31,200	31,200
	32,350	37,533
Net actuarial loss/(gains) recognised in the year	112,689	129,415
Net pension cost/(gain)	145,039	166,948

The actual return on plan assets was a gain of \$202,836 (2017 – \$202,836).

Assumptions:

	2018	2017
Discount rate at end of year	7.50%	7.50%
Future salary increases	3.00%	5.50%
Future pension increases- post retirement	0.50%	0.50%
Future changes in NIS ceiling increases	3.50%	3.50%

15. Trade and other payables

	2018	2017
Trade payables	695,026	1,039,890
Non-trade payables and accrued expenses	729,833	714,071
	1,424,859	1,753,961



NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2018 (with comparatives for year ended September 30, 2017).

Expressed in Barbados dollars.

16. Financial instruments

The financial assets of the Company comprise cash, trade and other receivables and investments.

Financial liabilities comprise bank overdraft, accounts payable and accrued liabilities, due to related parties and short-term and long-term loans.

The accounting policies for financial assets and liabilities are set out in note 2.

a) Interest rate risk

The interest rates and terms of repayment of financial liabilities are disclosed in note 14.

b) Credit risk

Credit risk is not considered to be significant as accounts receivable is stated net of provisions for non-recoverability.

c) Fair value

The fair value of cash, trade and other receivables, bank overdraft, accounts payable and accrued liabilities, short-term and long-term loans and amounts due to related parties, are not considered to be materially different from their carrying values.

17. Operating leases

The Company leases some of its motor vehicles under operating leases.

The motor vehicle leases typically run for a period of five years. None of these leases includes contingent rentals.

During the year ended September 30, 2018 \$51,237 was recognized as an expense in the income statement in respect of operating leases (2017 – \$46,087).

The future minimum operating lease payments within one year are \$51,472 (2017-\$55,098), and later than one year but within five years are \$150,099 (201-\$73,500)

18. Capital commitments

At the year end the Company's commitment to purchase capital assets contracted but not yet paid for is Nil (2017 – Nil).

19. Contingencies

(i) The company is pursuing legal action against a third party for uninsured losses caused by a fire in August 2009. A judgement has been granted against the independent contractor which the Courts found culpable for the fire. Enforcement proceedings are scheduled to commence shortly. A claim on the contractor's own insurer is still outstanding.

(ii) At September 30, 2018 the company has bonds of guarantee amounting to \$250,000.

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2018 (with comparatives for year ended September 30, 2017).

Expressed in Barbados dollars.



20. Related party transactions and balances

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

A number of transactions are entered into with related parties in the normal course of business. These transactions are carried out on commercial terms and conditions and at market rates.

The Company has a related party relationship with its directors and executive officers.

Transactions with key management personnel

Salaries and fees earned by related parties amounted to \$371,740 (2017 - \$527,298). In addition to their salaries, the executive directors and executive officers participate in the Company's performance bonus scheme.

The key management compensation is as follows:

	2018	2017
Non-executive directors fees	28,375	7,650
Executive directors	343,365	519,648
	<u>371,740</u>	<u>527,298</u>

Executive officers fees/salaries are included in "personnel expenses" (see note 4)

21. Comparative figures

Some comparative figures have been changed to comply with this year's presentation.

22. Segment reporting

Segment information is presented in respect of the Company's business. The primary format, business segments, is based on the Company's management and internal reporting structure. Inter-segment pricing is determined on an arm's length basis.

The Company's operations are conducted in Barbados. All revenues are earned from Barbados. Segment assets consist primarily of property, plant and equipment, inventories and accounts receivable. Segment liabilities comprise operating liabilities and exclude taxation and long-term loans. Capital expenditure comprises additions to property, plant and equipment.

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2018 (with comparatives for year ended September 30, 2017).

Expressed in Barbados dollars.

23. Segment reporting continued

Business segment reporting

Year ended September 30, 2018

	Distribution	Cold Storage	Unallocated	Total
Gross trading revenue	12,128,509	2,967,483	-	15,095,992
Operating cost	(9,628,879)	(2,040,168)	(3,046,141)	(14,715,188)
Operating profit/(loss)	2,499,630	927,315	(3,046,141)	380,804
Net financing costs			(526,619)	(526,619)
Loss on disposal			47,925	47,925
Earnings before corporation tax	2,499,630	927,315	(3,524,835)	(97,890)
Taxation			(42,942)	(42,942)
Net earnings for the year	2,499,630	927,315	(3,567,777)	(140,832)
Segment assets	9,133,050	7,979,325	8,906,838	26,019,213
Capital expenditure	374,460	215,614	125,585	715,659
Depreciation	491,421	162,710	191,227	845,358

Year ended September 30, 2017

	Distribution	Cold Storage	Unallocated	Total
Gross trading revenue	12,239,496	2,854,880	-	15,094,376
Operating cost	(9,313,895)	(2,098,403)	(3,226,252)	(14,638,550)
Operating profit/(loss)	2,925,601	756,477	(3,226,252)	455,826
Net financing costs			(562,534)	(562,534)
Loss on disposal			(15,297)	(15,297)
Earnings before corporation tax	2,925,601	756,477	(3,804,083)	(122,005)
Taxation			3,951	3,951
Net earnings for the year	2,925,601	756,477	(3,800,132)	(118,054)
Segment assets	9,044,906	7,863,047	9,201,806	26,109,759
Capital expenditure	297,029	101,406	882,309	1,280,744
Depreciation	421,414	201,319	418,821	1,041,554

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