

BHL

Banks Holdings Limited



2016

Annual Report



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Banks Holdings Limited

Corporate Mission

To **continuously enhance stakeholder value** by operating as a key player in **the production, distribution, and management of strong brands** in domestic and regional markets with an extra-regional presence.

Corporate Vision

1. We operate within **an integrated corporate culture** and utilize the best technologies to maintain cost efficiencies throughout the operation. **Resource conservation and effective recycling programs** are an on-going priority.
2. We support a culture of **ongoing research, feedback and innovation** to ensure business continuity/viability.
3. We place an **emphasis on modern R&D capabilities**, and continue to foster partnerships with reputable parties to develop expertise, new ingredients, product, and packaging technologies.
4. We enjoy a **highly-focused customer service culture**, and mutually beneficial relationships with partners.
5. We commercialize a portfolio of **high quality brands**.
6. We **expand geographically** by investing outside of our traditional sphere of operations and as a result enhance earnings and renew personal and corporate interest in our Group.
7. We **develop sustainable financial returns** for investment, adding **value to shareholders**.
8. We are an **undisputed Employer of Choice**.
9. We maintain the highest standards in **Corporate Governance**.
10. We are leaders in **Corporate Social Responsibility** with a consistent commitment to **supporting the needs of our communities and the natural environment**.

Corporate Values

- HONESTY & INTEGRITY
 - Be Truthful - Be Confidential
- QUALITY & EXCELLENCE
 - Be Effective - Be Efficient
- FAIRNESS & TRANSPARENCY
 - Be Even-Handed - Be Consistent
- MUTUAL TRUST & RESPECT
 - Be a Team Player
 - Be Open to Empowerment
- Commitment & Loyalty
 - Be Present - Be Passionate & Proud
- INNOVATION
 - Be Creative - Be Forward-Thinking
- RECOGNITION & REWARD
 - Be Supportive - Be Keen to Celebrate
- ACCOUNTABILITY & RESPONSIBILITY
 - Be Responsible for Actions
 - Be Committed to Deadlines
- EMPATHY
 - Be Caring - Be Sensitive
- ETHICAL BEHAVIOR
 - Adhere to the BHL Values/ Code of Ethics

"Many Companies - One Goal... Excellence"



Corporate Profile

Banks Holdings Limited (BHL) is the largest beverage conglomerate in Barbados comprising five subsidiaries including a brewery - Banks (Barbados) Breweries Limited, a soft drink plant - Barbados Bottling Co. Limited, a dairy - Barbados Dairy Industries Limited (Pine Hill Dairy), a distribution company - Banks Distribution Limited, which includes a wholesale outlet and a property rental company - Plastic Containers Limited.

BHL’s shares are listed on the Barbados Stock Exchange.

Associated Companies

Citrus Products of Belize Limited	(46.58%)
Chemical Industries Limited	(40%)
GCG Services Limited	(33.33%)
Caribco Limited	(30%)
Newtech Inc.	(26.2%)
Tower Hill Merchants Ltd.	(36.7%)
BCB Communications Inc.	(20%)

REGISTERED OFFICE:
Banks (Barbados) Breweries Ltd. Complex,
Newton, Christ Church

AUDITORS:
Ernst & Young, Chartered Accountants

ATTORNEYS-AT-LAW:
Clarke, Gittens & Farmer

BANKERS:
FirstCaribbean International Bank

Subsidiaries

as of 31 December 2016



Banks (Barbados) Breweries Limited

Newton, Christ Church

Tel: (246) 227-6750

Fax: (246) 227-6790



Barbados Bottling Co. Limited

Newton, Christ Church

Tel: (246) 418-3300

Fax: (246) 418-3350



Barbados Dairy Industries Limited

(Pine Hill Dairy)

The Pine, St. Michael

Tel: (246) 227-6600

Fax: (246) 227-6660



Banks Distribution Limited

Newton, Christ Church

Tel: (246) 418-2900

Fax: (246) 418-2970



Plastic Containers Limited

Thornbury Hill, Christ Church

Tel: (246) 428-7780

Fax: (246) 428-7112



Notice of Annual Meeting

Notice is hereby given that the Fifty-Eighth Annual General Meeting of the shareholders of Banks Holdings Limited ('the Company') will be held at the **Banks (Barbados) Breweries Ltd. Complex, Newton, Christ Church, Barbados on Thursday the 19th day of October, 2017 at 4:00 p.m.** for the following purposes:

1. To receive and consider the Consolidated Financial Statements of the Company for the 16 months ended 31 December 2016 and the Auditor's Report related thereto;
2. To elect Directors and if thought fit to pass the following resolutions:
 - (i) *THAT in accordance with the requirements of paragraph 4.4 of By-Law No. 1 of the Company, Mr. Carl Richard Cozier be and is hereby elected Director of the Company to hold office until the close of the third Annual Meeting of the Shareholders of the Company following his election.*
 - (ii) *THAT in accordance with the requirements of paragraph 4.4 of By-Law No. 1 of the Company, Mr. Marcio Batista Juliano be and is hereby elected Director of the Company to hold office until the close of the third Annual Meeting of the Shareholders of the Company following his election.*
 - (iii) *THAT in accordance with the requirements of paragraph 4.4 of By-Law No. 1 of the Company, Saulo Maranhã Rodrigues be and is hereby elected Director of the Company to hold office until the close of the third Annual Meeting of the Shareholders of the Company following his election.*
3. To appoint Auditors for the ensuing financial year and to authorise the Directors to fix their remuneration and if thought fit to pass the following resolution:
 - (i) *THAT Deloitte & Touche be and are hereby appointed as Auditors of the Company for a period ending at the close of the next Annual General Meeting after their appointment.*
4. To transact any other business which may properly come before the meeting.

By Order of the Board

Nigel A. Bennett
Corporate Secretary

The notes to the enclosed proxy form are incorporated in this notice.

23 August 2017

Directors



MR. MARCIO JULIANO

Non-Independent Director & Chairman - Citizen of Brazil

Mr. Marcio Juliano is a graduate in Business Administration from Sao Paulo University and has also completed the Ambev Executive MBA Program at Sao Paulo Business School in Sao Paulo, Brazil.

Mr. Juliano also completed the Program on Trade Marketing from Northwestern University in Chicago, Illinois in 2013. Mr. Juliano joined AmBev in 1997 through the Global Management Trainee Program. He has accumulated 17 years' experience in sales management and strategy development.



MR. RICHARD COZIER CEO & Managing Director

Non-Independent Director – Citizen of Barbados - A member of the BHL Board since November 13th 1997, Mr Cozier is a Fellow of the Institute of Chartered Accountants of Barbados (ICAB). He joined the staff at Banks (Barbados) Breweries Limited in 1979 as an Accountant. He was appointed Chief Accountant in 1985 and six years later, General Manager of another Banks Holdings Limited (BHL) subsidiary, the Barbados Bottling Company (BBC). His dedication and commitment was further rewarded in 1999, when he was appointed Managing Director and CEO of the BHL Group comprising Banks (Barbados) Breweries Limited, Barbados Dairy Industries Limited (Pine Hill Dairy), Barbados Bottling Co. Limited and B&B Distribution Ltd. (now Banks Distribution Limited). He is a current member of the Master Brewers Association of the Americas, represents The Barbados Chamber of Commerce & Industry on the Board of The Barbados Stock Exchange and is an independent director on the Board of The Barbados Private Sector Association.



MR. EDUARDO LACERDA

Non-Independent Director - Citizen of Brazil

Mr. Eduardo Lacerda holds a degree in Engineering from Pontifícia Universidade Católica of Rio de Janeiro in Brazil. He is Ambev's Executive Officer for Central America and the Caribbean. He joined Ambev in 2001 and he has held several positions, including Budget and Business Performance Officer and Head of Mergers and Acquisitions in Europe, and most recently as Financial Officer, also in Europe. He holds a degree in Engineering from Pontifícia Universidade Católica of Rio de Janeiro. He is currently a member of the Board of Directors of Industria Del Atlantico in Guatemala and Cervecería Nacional Dominicana, S.A.

Directors



MR. RAMÓN A. FRANCO

Non-Independent Director - Citizen of Dominican Republic

Mr. Ramón A. Franco is a Law graduate of the Universidad Nacional Pedro Henriquez Ureña in Santo Domingo and has also completed the Ambev Executive MBA Program at Insper in Sao Paulo, Brazil. Mr. Franco also completed the Program on Mergers & Acquisitions at Northwestern University School of Law in Chicago, Illinois.

He possesses over twenty years of experience in the consumer products industry, having served as General Counsel for E. León Jimenes, S.A. (ELJ) and since 2012, as Director of Legal & Corporate Affairs at Ambev, for the Central America & Caribbean Region (CAC). He serves as Director of the Fundación Dominicana de Desarrollo, Inc. and the Asociación de Industrias de Bebidas Gaseosas, Inc. (ASIBEGAS) of the Dominican Republic and is a past member of the Board of Directors of the Asociación Nacional de Jovenes Empresarios, Inc. (ANJE) and of the Cámara de Comercio y Producción de Santo Domingo. He is currently the Chairman of St. Vincent Brewery Ltd. and a member of the Board of Directors of Dominica Beverages & Brewery Ltd., Cervecería Nacional Dominicana, S.A. and Ambev Centro America, S.A.



MR. SAULO MARANHÃ

Non-Independent Director - Citizen of Brazil

Mr. Saulo Maranhã is a Brazilian citizen and received a Degree in Production Engineering from the Universidade Federal Fluminense in Rio de Janeiro and an MBA from Columbia University, New York, NY and is certified in Green and Black Belt on Six Sigma philosophies & tools.

He is Supply Director of Cervecería Nacional Dominicana and was appointed to that role in September, 2015. He has held positions at Nestle and B/Brown before joining Ambev in 2001. At Ambev he had roles in the Logistics and Industrial Departments before being appointed Central America & Caribbean Region (CAC) Supply Director. Mr. Maranhã held several key positions, including, Logistic Manager, Regional Logistic Manager and Plant Manager of the Sergipe and Pernambuco Brewery.



LRE Corp. represented by Mr. Eduardo Salles

Non-Independent Director - Citizen of Brazil

LRE Corp. (the "Company") is a regular Barbados domestic company incorporated under the Companies Act, Cap. 308 of the Laws of Barbados on June 12th, 2012 as company number 35973. The Company's main business is that of a management company and its registered office address is at Chancery House, High Street, Bridgetown, Barbados. The Company is represented by Mr. Eduardo Salles who works in Mergers and Acquisitions at Ambev. His career experience also includes positions in Industrial Relations, Commodities Trading and Foreign Trade.

He was educated at the University of Sao Paulo where he received a Degree in Naval Engineering.

Directors



MR. CHRISTOPHER DE CAIRES

Independent Director – Citizen of Barbados, Guyana, and The United Kingdom - Mr. Christopher deCaires joined the BHL Board on February 6th, 2013. He is a Chartered Accountant and holds an MBA from Henley Management College in the United Kingdom. He has over 25 years professional and executive management experience in the Caribbean, Brazil and the United Kingdom. He is currently the Managing Director of Fednav International Ltd, a privately owned international shipping company. His areas of expertise include corporate finance, international taxation, financial management, mergers and acquisitions, information systems, organisational design and business planning. Mr. deCaires has served as a Partner at PricewaterhouseCoopers and Senior Vice President with the Interamericana Trading Corporation. He has also served as Chairman of several statutory corporations of the Government of Barbados and on the Boards of several publically listed companies in Barbados, Trinidad and Canada.



MR. ELVIN R. SEALY

Independent Director – Citizen of Barbados - Mr. Elvin Sealy is a retired Airline Executive having worked with British Airways in the Caribbean for over 39 years. On his retirement in August 2006 he held the post of Regional Manager South Caribbean and had served in numerous regional management positions in the airline. Mr Sealy has held a number of Board Directorships including the Chairman of the Barbados Water Authority 2006-2008 and Deputy Chairman Grantley Adams Airport Inc 2006-2008. He has been a Director of Banks Holdings Limited (BHL) since 2004. He owns a party goods retail business which is now in its 11th year of operation. In 1997 Mr Sealy was appointed a Justice of the Peace and in 2006, a Member of the Order of the British Empire (MBE) for his services to Civil Aviation in The Queen's New Year Honours. He has been an active Rotarian for 30 years and was President between 2008 and 2009.

Corporate Secretary



MR. NIGEL A. BENNETT Secretary

Nigel Bennett is an attorney-at-law and partner at Court Caribbean Law Practice. He previously served as Legal Counsel to the Central Bank of Barbados., an international. banking subsidiary of RBC Royal Bank of Canada. and was seconded to a London based "magic circle" law firm. His primary practice areas are corporate & commercial law, int'l. financial services, conveyancing, mortgages and finance-related matters.

Nigel also serves as a panel member of the Financial Services Commission Appeals Tribunal.

Chairman's Report



Consolidated Results

The Company changed its yearend from August 31st to December 31st. Consequently, these financials reflect a 16-month period as against a 12-month period for the comparative financial statements.

That aside, the results show an improvement over the previous period as evidenced by the increased profit from Operations which moved from 8.03% to 15.83% of Revenues. This is the result of improvements in market shares across most of our beverage categories and continued effective cost controls. In light of the weak economic climate, these results are heartening and we will continue to build on these achievements in the new financial year.

Our share of income from our associated companies increased marginally by \$1.6M. However, our reliance on the associated companies' results, continues to decline as evidenced by the ratio of profits from domestic operations compared to that of the associated companies.

During the year, we were approached by one of our associate corporate entities Banks DIH to approve their "buyback" of the shares we held in their operations. We subsequently agreed to reduce our shareholding from 20% to 5% and the required number of shares were repurchased by Banks DIH. The Gain on Disposal of Investment in Associated companies reflects the profit attributable to this transaction. With the reduction in our percentage holding, International Financial Reporting Standard ("IFRS") rules require that the investment be treated as a Current Asset booked at market value. This revised treatment resulted in a gain on disposal on the shares sold of \$7.276m as well as an Unrealized Loss on Investments of \$5.589m to bring the book value of the retained shares in line with market value.

With respect to the Group's financial position, cash flows improved by \$98.3M arising from improved results and the sale proceeds generated from the partial disposal of our shares in Banks DIH.

During the year, we received several extensions with respect to our Coca-Cola Franchise as the Company continued to negotiate a successor relationship going forward. As a result of our negotiations, our expectation is , subject to obtaining all Barbados regulatory approvals, to sell our interest in the Barbados Bottling Co. Limited ("BBC") to Koscab Distribution

Chairman's Report

(Barbados) Ltd (“Koscab”), Coca-Cola’s regional anchor bottler incorporated in St. Lucia. On November 15, 2016, the Company and Koscab signed a conditional Share Purchase Agreement providing for the sale of the interest in BBC. The proposed sale is subject to various conditions and is only certain to proceed when the parties have completed their negotiations, obtained all Barbados regulatory approvals (including approval from the Fair Trading Commission) and satisfied certain conditions. The accounting treatment of this proposed sale is provided for in a manner which complies with the relevant IFRS. Consequently, the results of this aspect of our operations is presented as "Profit for the period/year from discontinued operations".

On behalf of the Board, I would like to thank our valued customers, employees and all other stakeholders for their continued support throughout this period.

Directors' Report

- The Directors hereby submit their annual report and the audited consolidated financial statements for the 16 month financial period ended 31 December 2016.

		\$
2.	The consolidated net income for the period attributable to parent was	43,966,185
	Which is added to the retained earnings brought forward of	141,446,272
	Giving retained earnings carried forward of	<u>185,412,457</u>

- In accordance with Clause 4.4 of the Company's By-Laws, the following Directors cease to hold office at the end of this Annual Meeting but are eligible for re-election for a period of three (3) years:

Mr. Marcio Batista Juliano	Corporate Executive
Mr. Carl Richard Cozier	Corporate Executive
Mr. Saulo Maranhã Rodrigues	Corporate Executive

- There were no contracts subsisting during or at the end of the financial year in which a Director of the Company is or was materially interested and which is or was significant in relation to the Company's business.
- Interest of persons other than Directors holding more than 5% of the issued shares in the Company are as follows:


- Interests of persons other than Directors holding more than 5% of the issued shares as at 31 December, 2016 were as follows:

Name	No. of Shares	Percentage
SLU Beverages, Ltd.	61,289,687	94.35

- Interests of persons other than Directors holding more than 5% of the issued shares as at 22 June, 2017 were as follows:

Name	No. of Shares	Percentage
SLU Beverages, Ltd.	61,376,687	94.48

By Order of the Board


Nigel A. Bennett
Corporate Secretary
22 June, 2017

Corporate Governance Statement

The Board of Directors of Banks Holdings Limited (the “Company”) is committed to the observance of good corporate governance standards by the Company and seeks to ensure that the conduct of the Company’s business takes place in a prudent and responsible manner.

The Barbados Stock Exchange Inc. (“BSE”) issued a number of Corporate Governance Recommendations (the ‘Recommendations’) as a guide to listed companies. The full text of the Recommendations is available on the BSE’s website at www.bse.com.bb. In the past financial year, the Board has made some progress in implementing these Recommendations in an effort to ensure that its observance of the principles of good governance is consistent with the Recommendations.

The Board’s mandate includes:

- (i) monitoring the performance of the Management Committee and providing appropriate guidance and direction as necessary;
- (ii) creating, encouraging and fostering a corporate culture of integrity and social responsibility throughout the Company;
- (iii) directing and supervising the Company’s strategic planning process and approving a strategic plan, budget and financial objectives which take into account, among other things, the opportunities and risks of the business;
- (iv) identifying the principal risks of the Company’s business, and ensuring the implementation of appropriate systems to identify, manage and mitigate these risks, and
- (v) overseeing the design and effectiveness of internal controls and management information systems.

Nomination of Directors

In accordance with By-Law No. 1, and the provisions of the Companies Act, Directors are nominated and elected by shareholders. Directors elected to fill casual vacancies are selected by the Board.

Corporate Governance Statement

Board Meetings & Director Attendance

As at the date of this Report, there were eight (8) Directors of the Company. The Company's Articles provide that it shall have a minimum of three (3) Directors and a maximum of ten (10) Directors.

There were ten (10) Board Meetings during the Financial Period and the attendance of Directors is represented on the below table as follows:

Director	Attendance (No. of Meetings)	Rate
G. Anthony King (a)	7 out of 7	100%
Carl Richard Cozier	9 out of 10	90%
Massy Properties (Barbados) Ltd. (b)	1 out of 2	50%
Kristian Freiwald (c)	6 out of 7	86%
George McDonald (d)	3 out of 5	60%
LRE CORP.	8 out of 10	80%
Elvin Sealy	9 out of 10	90%
Chris DeCaires	9 out of 10	90%
Dominic Hadeed (e)	3 out of 3	100%
Marcio Juliano (f)	4 out of 4	100%
Ramon Franco (f)	4 out of 4	100%
Eduardo Lacerda (f)	0 out of 4	0%
Saulo Maranhã (a)	0 out of 3	0%

(a) Mr. G. Anthony King resigned from the Board on December 18, 2015 and was replaced by Mr. Saulo Maranhã

(b) Massy Properties (Barbados) Ltd. resigned from the Board on September 22, 2015.

(c) Mr. Kristian Freiwald resigned from the Board on December 21, 2015.

(d) Mr. George McDonald resigned from the Board on December 8, 2015.

(e) Mr. Dominic Hadeed resigned from the Board on October 16, 2015.

(f) Mr. Marcio Juliano, Mr. Ramon Franco, and Mr. Eduardo Lacerda were appointed to the Board to fill casual vacancies on December 14, 2015.

Directors are remunerated on an annual basis in arrears for those meetings which they attend. All Directors are remunerated in cash only. They do not receive any performance-based incentives (save and except Mr. Richard Cozier, who, up to the end of the 2015-16 financial period, was also the Chief Executive Officer). Additionally, the Directors do not participate in stock-option plans or receive other forms of compensation. Both Executive Directors and Non-Executive Directors receive Director's fees for serving on the Board. A total of \$206,836 in Director's Fees was paid for the Financial period.

Corporate Governance Statement

Audit Fees

The following table presents a summary of all fees paid to the Company's Auditors, Ernst & Young, during the financial period under review and the previous financial year:

	2016	2015
Audit Fees	\$305,215	\$307,715
Other Fees	-	\$15,205
Tax Review	\$28,100	\$28,100

Executive Management

The day-to-day operation of the Company is managed by a team of Executive Managers whose profiles may be viewed on the Company's Website at www.thebhlgroup.com.

Code of Ethics

The Company has in place a Code of Ethics. The Code of Ethics is reviewed on an annual basis and revised as necessary. It is to be read and applied in conjunction with the BHL Fraud Policy Statement and the BHL Whistleblowing Statement. Each of these policies can be accessed on the Company's Website at www.thebhlgroup.com.

Insider Trading

The Company instituted an Insider Trading Policy. This can be accessed on the Company's Website at www.thebhlgroup.com. This ensures that the Company remains in compliance with the Insider Trading Guideline of the BSE. Further details about the Insider Trading Guidelines of the BSE may be accessed at the BSE website at www.bse.com.bb.

22 June 2017



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Banks Holdings Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Banks Holdings Limited and its subsidiaries ('the Group'), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period 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 31 December 2016 and its financial performance and its cash flows for the period 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 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.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated 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 consolidated 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 consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

To the Shareholders of Banks Holdings Limited

Report on the Audit of the Consolidated Financial Statements (cont'd)

Key Audit Matters

Key audit matter	How our audit addressed the key audit matter
Investment in associated companies	
<p>Investments in associates represents approximately 15% of the assets on the consolidated statement of financial position, and 33% of net income on the consolidated statement of income.</p> <p>As detailed in Note 3 <i>Summary of Significant Accounting Policies</i>, under the equity method of accounting for associates, these associates are initially stated at cost, and are adjusted thereafter for the Group's share of its associates' post-acquisition profits or losses which is recognised in the consolidated statement of comprehensive income, and its share of post-acquisition movements in reserves which is recognised in other comprehensive income and accumulated in reserves.</p>	<p>We analyzed the Group's methodology and equity pick-up calculations of the underlying associates for the period ended 31 December 2016 which included the following audit procedures:</p> <ul style="list-style-type: none"> • We evaluated the reasonableness of Management's assessment of control versus significant influence • We issued instructions and performed independent reviews of the working papers of the non-EY auditors of the Group's material associates • We tested the reasonableness of the year end equity pickup calculations in the consolidated accounts, including compliance with accounting policies consistent with Group reporting, where applicable • We assessed Management's assumptions over the carrying values of the associates and related balances • Additionally, we considered whether the Group's disclosures related to these investments were appropriately reflected in the notes to the consolidated financial statements

INDEPENDENT AUDITOR'S REPORT (CONT'D)

To the Shareholders of Banks Holdings Limited

Report on the Audit of the Consolidated Financial Statements (cont'd)

Key Audit Matters (cont'd)

Key audit matter	How our audit addressed the key audit matter
Valuation of inventories and obsolescence provision	
<p>Refer to Notes 3 (i) and 8. Total inventories of \$26M represents 6% of total assets of the Group. Inventories are stated at the lower of cost and net realizable value and there is an element of management's judgement in determining the provision for obsolete, slow moving and defective inventory. The provision for obsolete or slow moving inventory totaled \$1.9M, which relates mainly to spare parts, raw materials and finished goods.</p>	<p>Our audit procedures included the testing of internal controls around the valuation of inventory. We also tested, on a sample basis, the costing of all categories of inventory on hand at year-end, including the allocation of overheads for finished goods.</p> <p>We reviewed and tested the basis for inventory provisioning, the consistency of the provisioning in line with the Group's policy and the rationale for the recording of specific provisions. Our audit procedures included, but were not limited to, reviewing and testing inventory movement reports and testing the expiration dates of the inventory based on product release reports and verification procedures during our year-end inventory stock count observation.</p> <p>We also reviewed post year-end sales to validate management's assumption that inventory was accounted for at the lower of cost and net realizable value.</p>

INDEPENDENT AUDITOR'S REPORT (CONT'D)

To the Shareholders of Banks Holdings Limited

Report on the Audit of the Consolidated Financial Statements (cont'd)

Key Audit Matters (cont'd)

Key audit matter	How our audit addressed the key audit matter
Recognition of deferred tax asset	
Note 3 (z) explains that estimation and judgement is involved in the determination of the recoverability of deferred tax assets to be recorded in respect of the extent and timing of future taxable profits and consequently the future utilization of tax losses by the entity. Management has recorded a deferred tax asset of \$10M as at 31 December 2016 resulting from tax losses carried forward and other temporary differences as disclosed in Note 5 of the consolidated financial statements.	<p>In relation to the recorded deferred tax asset, we assessed the recoverability of the deferred tax asset of the Group. Our assessment was performed using management's approved budget forecasts for the Group and we evaluated these forecasts in the context of local market conditions, historical performance of the Group and other relevant independent information and data points.</p> <p>We also assessed the appropriateness of the disclosures in the notes to the consolidated financial statements with reference to that prescribed by IFRSs.</p>

Other information included in the Group's 2016 Annual Report

Other information consists of the information included in the Group's 2016 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2016 Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

To the Shareholders of Banks Holdings Limited

Report on the Audit of the Consolidated Financial Statements (cont'd)

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

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

The Board of Directors is 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.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

To the Shareholders of Banks Holdings Limited

Report on the Audit of the Consolidated Financial Statements (cont'd)

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

- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors 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 the Board of Directors 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 the Board of Directors, 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.



INDEPENDENT AUDITOR'S REPORT (CONT'D)

To the Shareholders of Banks Holdings Limited

Report on the Audit of the Consolidated Financial Statements (cont'd)

Other matters

This report is made solely to the Group'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 Group'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 Group and the Group'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 John-Paul Kowlessar.

A handwritten signature in black ink, reading 'Ernst & Young Ltd', is placed above the printed name of the firm.

CHARTERED ACCOUNTANTS
Bridgetown
Barbados
22 June 2017

BANKS HOLDINGS LIMITED
Consolidated Statement of Income
16 Months ended 31 December 2016
(with comparatives for the year ended 31 August 2015)

	Notes	2016 \$	2015 \$
Revenue	4	204,095,483	135,348,882
Profit from operations before undernoted items	4	32,305,515	10,851,049
Change in fair value of investment properties	12	(1,400,000)	(1,100,000)
Unrealized loss on investments		(5,589,459)	-
Gain on disposal of investment in associate		7,276,357	-
Restructuring costs		(2,013,001)	(523,097)
Interest income		20,428	18,984
Interest expense		(1,537,510)	(1,717,448)
Profit from operations – parent and subsidiaries		29,062,330	7,529,488
Share of income of associated companies	10	14,586,152	12,963,469
Taxation	5	43,648,482 1,048,700	20,492,957 679,295
Net income for the period/year from continuing operations		44,697,182	21,172,252
Discontinued operations			
Profit for the period/year from discontinued operations		1,158,177	2,902,997
Net income for the period/year		45,855,359	24,075,249
Attributable to:			
Equity holders of the parent		43,966,185	23,601,124
Non-controlling interests		1,889,174	474,125
		45,855,359	24,075,249
Earnings per share			
Basic and diluted earnings per share from continuing operations attributable to equity holders of the parent as restated	20	67.7¢	36.3¢

The accompanying notes form part of these consolidated financial statements.

BANKS HOLDINGS LIMITED

Consolidated Statement of Comprehensive Income

16 Months ended 31 December 2016

(with comparatives for the year ended 31 August 2015)

	Notes	2016 \$	2015 \$
Net income for the period/year		<u>45,855,359</u>	<u>24,075,249</u>
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Share of fair value gains on available for sale assets of associated companies	18	372,269	815,671
Transfer of associated company reserves on disposal		<u>(3,133,043)</u>	<u>-</u>
Net other comprehensive (loss)/ income to be reclassified to profit or loss in subsequent periods		<u>(2,760,774)</u>	<u>815,671</u>
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Re-measurement gains (losses) on defined benefit plans	13,14	4,527,252	(785,417)
Income tax effect	5	<u>(801,099)</u>	<u>86,681</u>
		3,726,153	(698,736)
Share of re-measurement gains on employee benefits of associated companies	18	-	41,666
Net other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods		<u>3,726,153</u>	<u>(657,070)</u>
Other comprehensive income for the period/year, net of tax		<u>965,379</u>	<u>158,601</u>
Total comprehensive income for the period/year, net of tax		<u>46,820,738</u>	<u>24,233,850</u>
Attributable to:			
Equity holders of the parent		44,931,564	23,847,412
Non-controlling interests		<u>1,889,174</u>	<u>386,438</u>
		<u>46,820,738</u>	<u>24,233,850</u>


The accompanying notes form part of these consolidated financial statements.

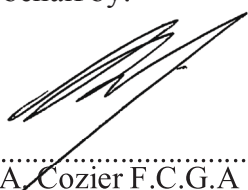
BANKS HOLDINGS LIMITED
Consolidated Statement of Financial Position
As at 31 December 2016
(with comparatives as at 31 August 2015)

	Notes	2016 \$	2015 \$
Current assets			
Cash and short-term deposits	6	115,069,492	19,657,805
Accounts receivable and prepayments	7	34,282,756	17,942,808
Tax recoverable		6,661	3,223
Investments		10,460,902	5
Inventories	8	25,745,505	33,524,985
		185,565,316	71,128,826
Assets of disposal group held for sale	27	15,452,749	-
Assets classified as held for sale	27	10,140,000	-
		211,158,065	71,128,826
Current liabilities			
Bank overdraft	6	-	2,351,554
Accounts payable and accruals	9	30,531,826	20,255,151
Taxation payable		-	350,415
Short-term portion of grant	15	-	59,700
Provision for deposits owed to customers		1,122,577	662,781
Current portion of long-term liabilities	16	4,434,448	5,861,094
		36,088,851	29,540,695
Liabilities from disposal group held for sale	27	9,115,542	-
		45,204,393	29,540,695
Working capital		165,953,672	41,588,131
Investments in associated companies	10	63,576,170	121,748,490
Property, plant and equipment	11	130,928,900	144,736,968
Investment properties	12	8,300,000	19,800,000
Deferred tax	5	10,126,971	9,247,603
Pension plan asset	13	6,415,616	4,555,026
Post-employment medical liability	14	(1,461,221)	(1,655,765)
Long-term portion of grant	15	-	(258,700)
Long-term liabilities	16	(16,023,044)	(19,139,927)
		367,817,064	320,621,826
Equity			
Share capital	17	146,115,299	145,740,799
Capital reserves	18	27,960,509	26,995,130
Retained earnings		185,412,457	141,446,272
Attributable to equity holders of the parent		359,488,265	314,182,201
Non-controlling interests		8,328,799	6,439,625
Total equity		367,817,064	320,621,826

The accompanying notes form part of these consolidated financial statements.

Approved by the Board on 22 June 2017 and signed on its behalf by:


Chairman
 Marcio Juliano


Director
 C. R. A. Cozier F.C.G.A

BANKS HOLDINGS LIMITED**Consolidated Statement of Changes in Equity****16 Months ended 31 December 2016***(with comparatives for the year ended 31 August 2015)***Attributable to equity holders of the parent**

	Share capital \$	Capital reserves \$	Retained earnings \$	Total \$	Non-controlling interest \$	Total equity \$
Balance as at 31 August 2015	145,740,799	26,995,130	141,446,272	314,182,201	6,439,625	320,621,826
Net income for the period	-	-	43,966,185	43,966,185	1,889,174	45,855,359
Other comprehensive income	-	965,379	-	965,379	-	965,379
Total comprehensive income	-	965,379	43,966,185	44,931,564	1,889,174	46,820,738
Transactions with shareholders: Issue of share options	374,500	-	-	374,500	-	374,500
Balance as at 31 December 2016	146,115,299	27,960,509	185,412,457	359,488,265	8,328,799	367,817,064

BANKS HOLDINGS LIMITED**Consolidated Statement of Changes in Equity (cont'd)****16 Months ended 31 December 2016***(with comparatives for the year ended 31 August 2015)***Attributable to equity holders of the parent**

	Share capital \$	Capital reserves \$	Retained earnings \$	Total \$	Non-controlling interest \$	Total equity \$
Balance as at 31 August 2014	145,865,436	26,748,842	124,330,524	296,944,802	6,053,187	302,997,989
Net income for the year	-	-	23,601,124	23,601,124	474,125	24,075,249
Other comprehensive income	-	246,288	-	246,288	(87,687)	158,601
Total comprehensive income	-	246,288	23,601,124	23,847,412	386,438	24,233,850
Transactions with shareholders:						
Change in equity component of convertible promissory notes	(124,637)	-	-	(124,637)	-	(124,637)
Dividend paid (10.0¢ per share)	-	-	(6,485,376)	(6,485,376)	-	(6,485,376)
Total transactions with shareholders	(124,637)	-	(6,485,376)	(6,610,013)	-	(6,610,013)
Balance as at 31 August 2015	145,740,799	26,995,130	141,446,272	314,182,201	6,439,625	320,621,826

The accompanying notes form part of these consolidated financial statements.

BANKS HOLDINGS LIMITED
Consolidated Statement of Cash Flows
16 Months ended 31 December 2016
(with comparatives for the year ended 31 August 2015)

	2016 \$	2015 \$
Cash flows from operating activities		
Income before taxation from continuing operations	43,648,482	20,492,957
Income before taxation from discontinued operations	1,244,305	3,437,607
Income before taxation	44,892,787	23,930,564
Adjustments for:		
Depreciation	19,742,893	14,630,508
Change in fair value of investment properties	1,400,000	1,100,000
Impairment and loss on disposal of property, plant and equipment	263,111	105,796
Unrealized loss on investment	5,589,459	-
Gain on disposal of investment in associate	(7,276,357)	-
Loss on disposal of property, plant and equipment	78,927	-
Interest income	(21,700)	(18,984)
Interest expense	1,592,517	1,756,487
Post-employment medical liability	(19,088)	138,236
Pension plan asset	438,862	251,803
Income from grant	(79,600)	(59,700)
Share of income of associated companies	(14,586,152)	(12,963,469)
Operating profit before working capital changes	52,015,659	28,871,241
Increase in accounts receivable and prepaid expenses	(16,953,877)	(567,756)
Decrease (increase) in inventories	1,732,146	(3,305,948)
Increase (decrease) in accounts payable and accruals	18,187,302	(1,414,515)
Increase in provision for deposits owed to customers	459,796	81,612
Cash generated from operations	55,441,026	23,664,634
Corporation taxes paid	(354,329)	(4,463)
Interest received	21,700	18,984
Interest paid	(1,592,517)	(1,756,487)
Net cash from operating activities	53,515,880	21,922,668
Cash flows from investing activities		
Purchase of property, plant and equipment	(12,547,729)	(8,550,380)
Dividends received from associated companies	8,829,316	5,126,918
Proceeds from disposal of property, plant and equipment	272,704	6,809
Proceeds from sale of associates	52,294,383	-
Redemption of shares of associated company	100,000	1,250,000
Net cash from (used in) investing activities	48,948,674	(2,166,653)
Cash flows from financing activities		
Payment of dividend	-	(6,485,376)
Issue of shares	374,500	-
Repayment of long-term liabilities	(4,543,519)	(642,628)
Net cash used in financing activities	(4,169,019)	(7,128,004)
Increase in cash and cash equivalents	98,295,535	12,628,011
Cash – beginning of period/year	17,306,251	4,678,240
Cash – end of period/year (Note 6)	115,601,786	17,306,251

The accompanying notes form part of these consolidated financial statements.

BANKS HOLDINGS LIMITED

Notes to the Consolidated Financial Statements

16 Months ended 31 December 2016

(with comparatives for the year ended 31 August 2015)

1. Incorporation and principal activities

The Company and its subsidiaries ('the Group') are incorporated in Barbados.

The principal activities of the Group are in Barbados and consist of the brewing and bottling of alcoholic and non-alcoholic beverages, the manufacturing of carbonated and non-carbonated beverages, the manufacturing and processing of dairy products and fruit juices, and the sale of finished products.

During the period, Banks Holdings Limited was acquired by SLU Beverages Ltd. ("SLU"). SLU is a subsidiary of Cerveceria Nacional Dominicana ("CND") headquartered in the Dominican Republic. The ultimate parent is AB-Inbev. The Company changed its year end to 31 December 2016 to be in line with the new ultimate parent.

The registered office is the Banks (Barbados) Breweries Ltd. Complex Newton, Christ Church.

2. Subsidiary and associated companies

a) Subsidiary companies

Ownership

Banks (Barbados) Breweries Limited	100%
Barbados Bottling Co. Limited	100%
Banks Distribution Limited	100%
Barbados Dairy Industries Limited	84.43%
Plastic Containers Limited	65%

b) Associated companies

Ownership

Principal Place of Business

Citrus Products of Belize Limited	46.58%	Belize
Chemical Industries Limited	40%	Barbados
GCG Services Limited	33.33%	Barbados
Caribco Limited	30%	The Bahamas
Newtech Incorporated	26.2%	Barbados
Tower Hill Merchants Ltd.	36.7%	England
BCB Communications Inc.	20%	Barbados

BANKS HOLDINGS LIMITED

Notes to the Consolidated Financial Statements

16 Months ended 31 December 2016

(with comparatives for the year ended 31 August 2015)

3. Significant accounting policies

The most significant policies are summarized below:

a) Basis of accounting and financial statement preparation

The consolidated financial statements are prepared under the historical cost convention except for land and buildings, investment properties and short-term investments, which are carried at fair value. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”).

b) Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year. There were no new interpretations or standards which were applicable to the Group in the current year.

c) Standards issued but not yet effective

New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2016 and not early adopted

The following is a list of standards and interpretations issued that are not yet effective up to the date of the issuance of the Group’s financial statements. The Group intends to adopt these standards, if applicable, when they become effective:-

- IAS 7 Disclosure Initiative - Amendments to IAS 7 (Effective 1 January 2017)
- IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12 (Effective 1 January 2017)
- IFRS 15 Revenue from Contracts with Customers (Effective 1 January 2018)
- IFRS 9 Financial Instruments (Effective 1 January 2018)
- IFRS 2 Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2 (Effective 1 January 2018)
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4 (Effective 1 January 2018)
- IFRS 16 Leases (Effective 1 January 2019)

The Group is currently assessing the potential impact of these new standards and interpretations and will adopt them when they are effective.

BANKS HOLDINGS LIMITED**Notes to the Consolidated Financial Statements****16 Months ended 31 December 2016***(with comparatives for the year ended 31 August 2015)***3. Significant accounting policies (cont'd)****d] (i) Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

BANKS HOLDINGS LIMITED

Notes to the Consolidated Financial Statements

16 Months ended 31 December 2016

(with comparatives for the year ended 31 August 2015)

3. Significant accounting policies (cont'd)

d] (i) Basis of consolidation (cont'd)

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

(ii) Non-current assets held for distribution to equity holders of the parent and discontinued operations

The Group classifies non-current assets and disposal groups as held for distribution to equity holders of the parent if their carrying amounts will be recovered principally through a distribution rather than through continuing use. Such non-current assets and disposal groups classified as held for distribution are measured at the lower of their carrying amount and fair value less costs to distribute. Costs to distribute are the incremental cost directly attributable to the distribution, excluding finance costs and income tax expense.

The criteria for held for distribution classification is regarded as met only when the distribution is highly probable and the asset or disposal group is available for immediate distribution in its present condition. Actions required to complete the distribution will be made or that the decision to distribute will be withdrawn. Management must be committed to the distribution expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for distribution. Assets and liabilities classified as held for distribution are presented separately as current items in the consolidated statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area or
- Is a subsidiary acquired with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of income or loss. Additional disclosures are provided in Note 27. All other notes to the consolidated financial statements include amounts for continuing operations, unless indicated otherwise.

BANKS HOLDINGS LIMITED**Notes to the Consolidated Financial Statements****16 Months ended 31 December 2016***(with comparatives for the year ended 31 August 2015)***3. Significant accounting policies (cont'd)****e) Business combination and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 *Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

**BANKS HOLDINGS LIMITED****Notes to the Consolidated Financial Statements****16 Months ended 31 December 2016***(with comparatives for the year ended 31 August 2015)***3. Significant accounting policies (cont'd)****e) Business combination and goodwill (cont'd)**

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

BANKS HOLDINGS LIMITED**Notes to the Consolidated Financial Statements****16 Months ended 31 December 2016***(with comparatives for the year ended 31 August 2015)***3. Significant accounting policies (cont'd)****f] Revenue recognition**

Revenue is recognized when the significant risks and rewards of ownership of goods have passed to the buyer and the amount of revenue can be readily measured. Interest income is recognized on the accrual basis, using the effective interest rate method.

g] Foreign currencies

The consolidated financial statements are expressed in Barbados dollars, which is also the Group's functional currency.

Monetary assets and liabilities denominated in currencies other than Barbados dollars are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities and transactions denominated in currencies other than Barbados dollars are translated at the rate of exchange ruling at the date of the transaction. Foreign exchange gains and losses are charged to the consolidated statement of income.

The assets and liabilities of foreign operations are translated into Barbados dollars at the rate of exchange prevailing at the reporting date and their statements of comprehensive income are translated at an average rate during the year. The exchange differences arising on the translation are recognized in the other comprehensive income. On disposal of a foreign operation, the component of translation reserve relating to a particular foreign operation is recognized in the consolidated statement of income.

h] Taxation

The Group follows the liability method of accounting for taxation, whereby the future tax asset or liability resulting from temporary differences is provided for at the estimated future corporation tax rate that is expected to apply to the period when the asset is realized or the liability settled. Deferred tax assets in respect of unused tax losses are recognized to the extent that it is probable that future taxable profits will be available against which the tax losses can be utilized.

i] Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on a weighted average basis. Work-in-progress and finished goods comprise the direct cost of production and an attributable proportion of direct overheads appropriate to location and condition.

Supplies are valued at cost. Provisions are made for obsolete, slow moving and defective items as considered appropriate in the circumstances.

3. Significant accounting policies (cont'd)

j) **Property, plant and equipment**

Depreciation of property, plant and equipment is made using the straight-line method over the useful lives of the assets which are estimated as follows:

Freehold buildings	40 years
Leasehold buildings	20, 33 $\frac{1}{3}$ and 50 years
Plant and machinery and spares	3 to 20 years
Furniture, fittings and other equipment	3 to 10 years
Motor vehicles	5 years
Containers	3 to 10 years

Freehold land and freehold buildings are revalued every five years on the basis of their market value which is determined by independent real estate appraisers.

Increases in the carrying amount arising on revaluation of freehold land and buildings are recognized in the consolidated statement of comprehensive income and accumulated in revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognized in the consolidated statement of comprehensive income and reduce the revaluation surplus in equity; all other decreases are charge in the consolidated statement of income.

k) **Segmental reporting**

The Group derives its revenue in two major segments – (1) the brewing and bottling of alcoholic and non-alcoholic beverage and manufacture of carbonated and non-carbonated drinks and (2) the manufacturing and processing of dairy products and fruit juices. The Group's operations are located in Barbados.

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Board of Directors which is responsible for allocating resources and assessing performance of the operating segments has been identified as the chief operating decision-maker.

BANKS HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
16 Months ended 31 December 2016
(with comparatives for the year ended 31 August 2015)

3. Significant accounting policies (cont'd)
l) Investments in associated companies

Investments, where the Group has significant influence, are classified as associated companies and are accounted for under the equity method of accounting. The investment in associated companies is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associates, less any impairment in value. The consolidated statement of income reflects the share of the results of operations of the associates.

Where there has been a change recognized directly in other comprehensive income, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of other comprehensive income. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

m) Provision for deposits owed to customers

The quantity of containers in customers' possession, on which the provision for deposits is based, is estimated by management, having regard to the level of sales and the turnaround of containers.

n) Short-term investments

Short-term investments are initially recorded at cost, being the fair value of consideration given. After initial recognition, investments, which have been classified as at fair value through profit and loss, are recorded at their fair value. The fair value of listed investments is their quoted market price at the reporting date. Privately held investments, in the absence of readily ascertainable market values, have been estimated by management on the basis of recent trades of similar investment. Unrealized gains or losses are recorded in the consolidated statement of income.

The values assigned to the investments are based on available information and do not necessarily represent the amounts that might ultimately be realized, since such amounts depend on future circumstances and cannot be determined until the investments are actually liquidated. Because of the inherent uncertainties of valuation, the assigned values may differ significantly from the values that would have been used had a ready market for the investments existed, and the difference could be material.

o) Employee retirement benefits

The Group operates a defined benefit plan, the assets of which are held in a separate fund administered by Trustees. The Group meets the balance of the cost of funding the plan and the Group pays contributions of 0.1% of the employee's salary. The funding requirements are based on regular actuarial valuations of the pension plan every three years, and the assumptions used to determine the funding may differ to those set out in Note 13.

BANKS HOLDINGS LIMITED

Notes to the Consolidated Financial Statements

16 Months ended 31 December 2016

(with comparatives for the year ended 31 August 2015)

3. Significant accounting policies (cont'd)

o] Employee retirement benefits (cont'd)

The pension accounting costs are accrued using the projected unit credit method. Under this method, the cost of providing pensions is charged to the consolidated statement of comprehensive income so as to spread the regular cost over the service lives of the employees in accordance with the advice of independent qualified actuaries who carry out a full valuation of the plans every three years. The pension obligation is measured as the present value of the estimated future cash flows using interest rates of government securities which have terms to maturity approximating the terms of the related liability.

The Group also operates a contributory defined contribution pension scheme. Contributions are charged to the consolidated statement of comprehensive income in the year to which they relate.

The Group also provides post-employment healthcare benefits to its employees, pensioners and their registered dependants. These benefits are funded by contributions from the Group to Guardian Life. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit pension plans. These obligations are valued by independent qualified actuaries.

p] Leases

Finance leases are capitalized at fair value on inception of the lease agreement. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

q] Interest bearing loans receivable and payable

All interest bearing loans receivable and payable are initially recognized at cost. After initial recognition, they are measured at amortized cost, using the effective interest rate method.

r] Cash

Cash comprises cash at bank and in hand and short-term deposits net of bank overdrafts.

BANKS HOLDINGS LIMITED**Notes to the Consolidated Financial Statements****16 Months ended 31 December 2016***(with comparatives for the year ended 31 August 2015)***3. Significant accounting policies (cont'd)****s] Grants**

Grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. Where the Company receives non-monetary grants, the asset and the grant are recorded at nominal amounts and released to the consolidated statement of income over the expected useful life of the relevant asset by equal annual instalments.

t] Convertible promissory notes

Convertible promissory notes are separated into liability and equity components based on the terms of the contract. On issuance of the convertible promissory notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond. This amount is classified as a financial liability measured at amortized cost (net of transaction costs) until it is extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognized and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

u] Investment properties

Properties that are held by the Group to earn third party rental income and/or for capital appreciation are classified as investment properties.

Investment properties are measured initially at cost, including transactions costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the statement of financial position date. Transfers are made to investment property when there is a change in use, evidenced by ending of owner-occupation.

Gains and losses arising from the changes in fair values of investment properties are included in the consolidated statement of income in the year in which they arise. Fair values are based on market value which is determined by independent valuers and/or directors' valuation taking into consideration asset replacement and land tax valuations and valuations of similar properties.

Investment properties are derecognized either when they have been disposed of or whether they are permanently withdrawn from use and no further economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in income in the period of derecognition.

BANKS HOLDINGS LIMITED

Notes to the Consolidated Financial Statements

16 Months ended 31 December 2016

(with comparatives for the year ended 31 August 2015)

3. Significant accounting policies (cont'd)

v] Share-based payment transactions

Employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ('equity-settled transactions').

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in Note 17. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the company, if applicable.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date').

The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The consolidated statement of income charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

BANKS HOLDINGS LIMITED**Notes to the Consolidated Financial Statements****16 Months ended 31 December 2016***(with comparatives for the year ended 31 August 2015)*

3. Significant accounting policies (cont'd)**w) Impairment of financial assets**

The Group assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account and the amount of the loss is recognized in income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in income.

In relation to loans and receivables, a provision for impairment is made when there is objective evidence that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of loans and receivables is reduced through use of an allowance account.

BANKS HOLDINGS LIMITED

Notes to the Consolidated Financial Statements

16 Months ended 31 December 2016

(with comparatives for the year ended 31 August 2015)

x] Impairment of other non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount.

That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

y] Borrowing costs

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

BANKS HOLDINGS LIMITED**Notes to the Consolidated Financial Statements****16 Months ended 31 December 2016***(with comparatives for the year ended 31 August 2015)*

3. Significant accounting policies (cont'd)**z) Significant accounting judgments, estimates and assumptions**

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below:

Operating lease commitments

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases.

Impairment of non-financial assets

The Group determines whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of financial assets

When the fair value declines or when there is objective evidence of impairment, management makes assumptions about the declines in value to determine whether it is an impairment that should be recognized in the consolidated statement of income.

Fair value of unquoted equity instruments

Where the fair value of financial assets recorded on the statement of financial position cannot be derived from active markets, they are determined by management on the basis of recent trades of the same instrument.

BANKS HOLDINGS LIMITED

Notes to the Consolidated Financial Statements

16 Months ended 31 December 2016

(with comparatives for the year ended 31 August 2015)

3. Significant accounting policies (cont'd)

z) Significant accounting judgments, estimates and assumptions (cont'd)

Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Employee retirement benefits

The cost of the defined benefit pension plan and other post-employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, future pension increases, proportion of employees opting for early retirement, and future increases in the NIS ceiling. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Assumptions used are disclosed in Notes 13 and 14.

Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield, and making assumptions about them. The assumptions and models used are disclosed in Note 17.

Property, plant and equipment

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

Revaluation of property, plant and equipment and investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognized in the consolidated statement of income. In addition, it measures land and buildings at revalued amounts with changes to fair value being recognized in other comprehensive income. For investment properties, a valuation methodology based on reference to market-based evidence was used. Land and buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific factors such as nature, location and condition of the property.

BANKS HOLDINGS LIMITED**Notes to the Consolidated Financial Statements****16 Months ended 31 December 2016***(with comparatives for the year ended 31 August 2015)***3. Significant accounting policies (cont'd)****z] Significant accounting judgments, estimates and assumptions (cont'd)**Revaluation of property, plant and equipment and investment properties (cont'd)

The key assumptions used to determine the fair value of the properties and sensitivity analysis are provided in Notes 11 and 12.

Provision for deposits owed to customers

This liability pertains to returnable bottles and is represented by the cumulative net movement of deposits received and repaid. The estimate of the provision is based on the level of sales and historical returns and is revised annually.

4. Profit from operations

	2016	2015
	\$	\$
Sales	204,095,483	135,348,882
Cost of sales	<u>(143,804,847)</u>	<u>(99,877,777)</u>
Gross profit	60,290,636	35,471,105
Other income	1,503,346	1,307,209
Selling, general and administrative expenses	<u>(29,488,467)</u>	<u>(25,927,265)</u>
Profit from operations	<u>32,305,515</u>	<u>10,851,049</u>

Profit from operations is after charging:

	2016	2015
	\$	\$
Depreciation	<u>16,945,509</u>	<u>12,383,890</u>
Staff costs	<u>52,877,426</u>	<u>34,446,400</u>

BANKS HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
16 Months ended 31 December 2016
(with comparatives for the year ended 31 August 2015)

5. Taxation

	2016	2015
	\$	\$
Statement of income		
The taxation charge on net income of continuing operations consists of:		
Deferred tax credit for the period/year	(1,048,700)	(683,417)
Under provision of prior year corporation tax	-	4,122
	<u>(1,048,700)</u>	<u>(679,295)</u>
 The taxation charge on net income of discontinued operations consists of:		
Deferred tax (credit) charge for the period/year	(258,290)	184,195
Corporation tax charge	344,418	350,415
	<u>86,128</u>	<u>534,610</u>

The tax on the income before taxation differs from the theoretical amount that would arise using the basic corporation tax rate as follows:

	2016	2015
	\$	\$
Profit before taxation – parent and subsidiaries	29,062,330	7,529,488
Taxed at statutory rates of 25% (2015 - 25%)	7,265,582	1,882,372
Tax effect of capital allowances	(1,136,690)	(1,084,876)
Losses utilized	(3,303,232)	(859,383)
Other	202,636	272,915
Deferred tax asset previously not recognized	(1,154,026)	-
Overprovision of prior year deferred tax	(398,949)	(330,015)
Effect of different tax rates in certain subsidiaries	(2,174,021)	(835,308)
Change in fair value of investment property	(350,000)	275,000
	<u>(1,048,700)</u>	<u>(679,295)</u>

BANKS HOLDINGS LIMITED**Notes to the Consolidated Financial Statements****16 Months ended 31 December 2016***(with comparatives for the year ended 31 August 2015)***5. Taxation (cont'd)**

	2016	2015
	\$	\$
Deferred tax asset:		
Balance – beginning of period/year	9,247,603	8,661,700
Deferred tax credit recognized in the consolidated statement of income on continuing operations	1,048,700	683,417
Deferred tax credit (charge) recognized on discontinued operations	258,290	(184,195)
Deferred tax (charge) credit recognized in other comprehensive income	(801,099)	86,681
Transfer to disposal group held for sale	373,477	-
	<hr/>	<hr/>
Balance – end of period/year	10,126,971	9,247,603

	2016	2015
	\$	\$
Deferred tax asset is made up as follows:		
Unutilized tax losses	7,027,537	6,831,905
Accelerated depreciation for income tax purposes	3,655,050	2,577,361
Pension plan asset	(830,850)	(464,659)
Post-employment medical benefits	275,234	302,996
	<hr/>	<hr/>
	10,126,971	9,247,603

BANKS HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
16 Months ended 31 December 2016
(with comparatives for the year ended 31 August 2015)

5. Taxation (cont'd)

Tax losses totaling \$40,799,685 (2015 - \$66,209,754) are available to be carried forward by certain subsidiaries and offset against future taxable income of those companies. The losses have not been agreed by the Revenue Commissioner of the Barbados Revenue Authority but they are not in dispute. The losses and their expiry dates are as follows:

Income year	Amount \$	Expiry date
2008	1,910,447	2017
2010	10,862,558	2019
2011	7,927,399	2020
2012	3,964,682	2021
2014	1,574,198	2023
2015	13,476,948	2022
2016	1,083,453	2023
	<u>40,799,685</u>	

There is a potential deferred tax asset of \$Nil (31 August 2015 - \$4,634,017) which has not been recognized since it is uncertain that taxable profits will be available against which the deferred tax asset can be utilized.

BANKS HOLDINGS LIMITED**Notes to the Consolidated Financial Statements****16 Months ended 31 December 2016***(with comparatives for the year ended 31 August 2015)***6. Cash, short-term deposits and bank overdraft**

For the purpose of the consolidated statement of cash flows, cash is made up as follows:

	2016	2015
	\$	\$
Cash	115,069,492	19,657,805
Bank overdraft	-	(2,351,554)
Cash attributable to disposal group held for sale (Note 27)	532,294	-
	<u>115,601,786</u>	<u>17,306,251</u>

Bank overdraft

The security for the overdraft facilities of the Group is disclosed in Note 16. Interest was charged at a rate of 4.25% (31 August 2015 - between 4.25% to 5.25%).



BANKS HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
16 Months ended 31 December 2016
(with comparatives for the year ended 31 August 2015)

7. Accounts receivable and prepayments

	2016	2015
	\$	\$
Trade receivables	29,253,503	15,561,954
Other receivables and prepayments	5,029,253	2,380,854
	<u>34,282,756</u>	<u>17,942,808</u>
	2016	2015
	\$	\$
Gross trade receivables	29,530,563	15,954,626
Provisions for doubtful debts	(277,060)	(392,672)
Trade receivables (net)	<u>29,253,503</u>	<u>15,561,954</u>

Trade receivables are non-interest bearing and are generally on 30-60 day terms.

As at 31 December 2016, trade receivables at a nominal value of \$277,060 (31 August 2015 - \$392,672) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	Total
	\$
At 31 August 2014	426,531
Net charge for the year	76,877
Net write-offs	<u>(110,736)</u>
At 31 August 2015	392,672
Net write-backs	42,775
Net credit for the period	(154,940)
Transfer to disposal group held for sale	<u>(3,447)</u>
At 31 December 2016	<u>277,060</u>

BANKS HOLDINGS LIMITED**Notes to the Consolidated Financial Statements****16 Months ended 31 December 2016***(with comparatives for the year ended 31 August 2015)***7. Accounts receivable and prepayments (cont'd)**

As at 31 December 2016 and 31 August 2015, the ageing analysis of trade receivables is as follows:

		<u>Past due but not impaired</u>				
	Total	Neither past due nor impaired	<30 days	30-60 days	60-90 days	>90 days
	\$	\$	\$	\$	\$	\$
2016	29,253,503	26,391,974	2,536,996	421,175	141,540	(238,182)
2015	15,561,954	12,070,042	1,997,794	210,360	99,924	1,183,834

Included within the trade receivables balance of \$29,253,503 are intercompany receivables totaling \$9,706,188 (note 19). With respect to trade receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations since the Group trades only with recognized creditworthy third parties. Included within other receivables are intercompany receivables totaling \$223,224 (note 19). No amount was provided with respect to non-trade receivables in the current year (31 August 2015 – a provision of \$46,110 was recorded).

8. Inventories

	2016	2015
	\$	\$
Raw materials	13,522,154	18,111,680
Finished goods	6,026,356	9,342,511
Work-in-progress	953,646	1,265,803
Marketing materials	769,847	1,098,076
Fuel, factory supplies and spares	4,473,502	3,706,915
	<u>25,745,505</u>	<u>33,524,985</u>

The amount of write-down of inventories recognized as an expense is \$424,935 (31 August 2015 - \$1,278,207). This expense is included in cost of sales as disclosed in Note 4.

BANKS HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
16 Months ended 31 December 2016
(with comparatives for the year ended 31 August 2015)
9. Accounts payable and accruals

	2016	2015
	\$	\$
Trade payables	16,872,734	10,712,222
Other payables and accruals	13,659,092	9,542,929
	<u>30,531,826</u>	<u>20,255,151</u>

Included within the trade payables balance of \$30,531,826 are intercompany payables totaling \$2,520,927 (note 19).

Terms and conditions of the above financial liabilities

- Trade payables are non-interest bearing and are normally settled on 30-120 day terms.
- Other payables are non-interest bearing and have an average of three to six months.

10. Investments in associated companies

	2016	2015
	\$	\$
Cost of investments	41,350,914	67,264,761
Increase in equity value over cost from acquisition to end of period/year	22,225,256	54,483,729
	<u>63,576,170</u>	<u>121,748,490</u>

Movement in investment in associates during the period/year was as follows:

	2016	2015
	\$	\$
Balance - beginning of the period/year	121,748,490	114,304,602
Redemption of preferred shares	-	(1,250,000)
Share of net income	14,586,152	12,963,469
Disposal of associates	(48,151,069)	-
Disposal of BCL (Barbados) Ltd	(100,000)	-
Transfer to other investments	(16,050,356)	-
Dividends received	(8,829,316)	(5,126,918)
Exchange and other adjustments	372,269	857,337
	<u>63,576,170</u>	<u>121,748,490</u>

BANKS HOLDINGS LIMITED**Notes to the Consolidated Financial Statements****16 Months ended 31 December 2016***(with comparatives for the year ended 31 August 2015)***10. Investments in associated companies (cont'd)**

During the year the Company disposed of 75% of its 20% stake in Bank DIH Limited for approximately \$52 million. The resulting gain of approximately \$7.2 million is included in the consolidated statement of income. The remaining investment of less than 5% in Banks DIH Limited is now shown as investments in the Consolidated Statement of Financial Position.

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

	2016	2015
	\$	\$
Bank DIH Limited	-	57,169,568
Citrus Products of Belize Limited	31,590,801	33,881,063
Other associated companies in aggregate	31,985,369	30,697,859
	<u>63,576,170</u>	<u>121,748,490</u>

Other associated companies consist of the remaining associated companies as disclosed in Note 2 (b) of which Caribco Limited is the most significant.

The following illustrates the Summarized financial information for the Group's material associates:

Summarized statements of financial position as at 31 December 2016:

	Citrus Products of Belize Limited	Other Associated Companies
	\$	\$
Current assets	29,256,000	55,194,711
Non-current assets	72,633,000	68,272,435
Current liabilities	(22,442,000)	(22,764,103)
Non-current liabilities	(13,436,000)	(12,164,656)
Net assets	<u>66,011,000</u>	<u>88,538,387</u>

BANKS HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
16 Months ended 31 December 2016
(with comparatives for the year ended 31 August 2015)

10. Investments in associated companies (cont'd)

Summarized statements of financial position as at 31 August 2015:

	Banks DIH Limited \$	Citrus Products of Belize Limited \$	Other Associated Companies \$
Current assets	198,660,170	43,940,139	50,317,814
Non-current assets	508,247,249	76,214,396	69,480,956
Current liabilities	(345,858,464)	(28,869,701)	(15,977,171)
Non-current liabilities	(81,952,475)	(17,668,209)	(14,378,244)
Net assets	279,096,480	73,616,625	89,443,355

The following illustrates the Group's share income of associated companies.

	2016 \$	2015 \$
Bank DIH Limited	9,677,104	5,741,820
Citrus Products of Belize Limited	(2,662,531)	1,034,677
Other associated companies in aggregate	7,571,579	6,186,972
	14,586,152	12,963,469

Summarized statements of comprehensive income for the period ended 31 December 2016:

	Citrus Products of Belize Limited \$	Other Associated Companies \$
Revenue	104,197,303	166,431,455
Total net and comprehensive income for the period	(5,224,361)	26,833,345

BANKS HOLDINGS LIMITED**Notes to the Consolidated Financial Statements****16 Months ended 31 December 2016***(with comparatives for the year ended 31 August 2015)***10. Investments in associated companies (cont'd)**

Summarized statements of comprehensive income for the year ended 31 August 2015:

	Banks DIH Limited	Citrus Products of Belize Limited	Other Associated Companies
	\$	\$	\$
Revenue	271,970,186	93,828,892	136,319,335
Total net and comprehensive income for the year	32,995,784	2,221,290	20,336,936

Banks DIH Limited and Caribco Limited paid 93% of the total dividends received by the Group for the period (31 August 2015 - 95%).

The principal activities of the material associated companies are as follows:

Caribco Limited	The bottler and distributor for Coco-Cola products.
Citrus Products of Belize Limited	The manufacture and distribution of a range of citrus products.

BANKS HOLDINGS LIMITED**Notes to the Consolidated Financial Statements****16 Months ended 31 December 2016***(with comparatives for the year ended 31 August 2015)***11. Property, plant and equipment**

	At 31 August 2015 \$	Additions \$	Disposals \$	Transfer \$	Impairment \$	Assets of disposal group \$	At 31 December 2016 \$
Cost or valuation							
Freehold land	14,870,973	-	-	-	-	-	14,870,973
Freehold buildings	40,180,122	-	-	-	-	-	40,180,122
Buildings on leasehold land	23,402,073	186,651	-	-	-	(1,416,917)	22,171,807
Plant and machinery	145,040,368	2,865,335	(2,391,726)	2,468	(1,392,471)	(27,202,756)	116,921,218
Furniture, fittings and other equipment	13,170,318	257,696	(19,499)	-	-	(1,863,305)	11,545,210
Motor vehicles	4,041,716	3,221,192	(1,482,980)	-	-	-	5,779,928
Containers	16,761,369	3,786,189	-	-	-	-	20,547,558
Capital works in progress	282,559	2,230,666	-	(42,468)	-	(33,905)	2,436,852
	257,749,498	12,547,729	(3,894,205)	(40,000)	(1,392,471)	(30,516,883)	234,453,668
Accumulated depreciation							
Freehold buildings	1,004,511	1,339,347	-	-	-	-	2,343,858
Buildings on leasehold land	12,124,854	1,347,757	-	-	-	(1,077,156)	12,395,455
Plant and machinery other equipment	73,033,671	13,745,321	(2,064,992)	-	(1,129,360)	(21,649,243)	61,935,397
Furniture, fittings and other equipment	11,853,036	532,771	-	-	-	(1,832,323)	10,553,484
Motor vehicles	3,923,539	425,821	(1,477,581)	-	-	-	2,871,779
Containers	11,072,919	2,351,876	-	-	-	-	13,424,795
	113,012,530	19,742,893	(3,542,573)	-	(1,129,360)	(24,558,722)	103,524,768
Net book value							
Freehold land	14,870,973						14,870,973
Freehold buildings	39,175,611						37,836,264
Buildings on leasehold land	11,277,219						9,776,352
Plant and machinery	72,006,697						54,985,821
Furniture, fittings and other equipment	1,317,282						991,726
Motor vehicles	118,177						2,908,149
Containers	5,688,450						7,122,763
Capital works in progress	282,559						2,436,852
	144,736,968						130,928,900

BANKS HOLDINGS LIMITED**Notes to the Consolidated Financial Statements****16 Months ended 31 December 2016***(with comparatives for the year ended 31 August 2015)***11. Property, plant and equipment (cont'd)**

	At 31 August 2014 \$	Additions \$	Disposals \$	Impairment \$	At 31 August 2015 \$
Cost or valuation					
Freehold land	14,870,973	-	-	-	14,870,973
Freehold buildings	40,180,122	-	-	-	40,180,122
Buildings on leasehold land	21,589,486	1,812,587	-	-	23,402,073
Plant and machinery	143,664,088	1,693,464	(240,824)	(76,360)	145,040,368
Furniture, fittings and other equipment	12,738,539	445,881	(14,102)	-	13,170,318
Motor vehicles	4,227,748	22,858	(208,890)	-	4,041,716
Containers	12,419,246	4,344,349	(2,226)	-	16,761,369
Capital works in progress	51,318	231,241	-	-	282,559
	249,741,520	8,550,380	(466,042)	(76,360)	257,749,498
Accumulated depreciation					
Freehold buildings	-	1,004,511	-	-	1,004,511
Buildings on leasehold land	11,224,987	899,866	-	-	12,124,853
Plant and machinery	63,159,882	10,080,594	(206,805)	-	73,033,671
Furniture, fittings and other equipment	11,318,879	548,259	(14,102)	-	11,853,036
Motor vehicles	3,963,069	169,360	(208,890)	-	3,923,539
Containers	9,145,002	1,927,918	-	-	11,072,920
	98,811,819	14,630,508	(429,797)	-	113,012,530
Net book value					
Freehold land	14,870,973				14,870,973
Freehold buildings	40,180,122				39,175,611
Buildings on leasehold land	10,364,499				11,277,220
Plant and machinery	80,504,206				72,006,697
Furniture, fittings and other equipment	1,419,660				1,317,282
Motor vehicles	264,679				118,177
Containers	3,274,244				5,688,449
Capital works in progress	51,318				282,559
	150,929,701				144,736,968

BANKS HOLDINGS LIMITED

Notes to the Consolidated Financial Statements

16 Months ended 31 December 2016

(with comparatives for the year ended 31 August 2015)

11. Property, plant and equipment (cont'd)

The Group has plant and equipment with a net book value of \$6,192,468 (31 August 2015 - \$8,045,190) secured under a finance lease.

The Group has plant and equipment with a carrying value of \$40,000 which was transferred to asset held for sale in accordance with IFRS 5 as the asset is currently held for sale.

The Group also entered into an agreement to sell the shares in Barbados Bottling Co. Limited (See Note 27).

As at 31 August 2014, the Group's freehold land and buildings at Wildey and Newton were revalued at a fair value of \$55,051,095 based on valuations performed by an accredited independent valuer. Management determined that these constitute one class of asset under IFRS 13, based on the nature, characteristics and risks of the properties. A valuation model in accordance with that recommended by the International Valuation Committee has been applied. The fair value of the land and building was determined using the market comparable approach and replacement cost approach.

Had the Group's freehold land and buildings been stated at their original cost, their carrying amount would have been at 31 December 2016 \$38,318,354 (31 August 2015 - \$38,080,452).

Fair value hierarchy disclosures are in Note 25.

Significant valuation inputs:	\$
Price per square foot (land)	15 - 36
Price per square foot (building)	125 - 225

12. Investment properties

	2016	2015
	\$	\$
Balance, beginning of the period/year	19,800,000	20,900,000
Change in fair value of investment properties	(1,400,000)	(1,100,000)
Transfer to Held for sale	(10,100,000)	-
Balance, end of the period/year	<u>8,300,000</u>	<u>19,800,000</u>

As at 31 December 2016, the Company's investment properties located at Wildey and Thornbury Hill were revalued based on valuations performed by an accredited independent valuer. The property at Wildey was transferred to held-for-sale in accordance with IFRS 5 as the property is currently held for sale.

BANKS HOLDINGS LIMITED**Notes to the Consolidated Financial Statements****16 Months ended 31 December 2016***(with comparatives for the year ended 31 August 2015)***12. Investment properties (cont'd)**

A valuation model in accordance with that recommended by the International Valuation Committee has been applied. The fair value of the land and building was determined using the market comparable approach, which is based on the price a property would sell for in an open and unrestricted market between informed and prudent parties, acting at arm's length and under no compulsion to act, expressed in terms of cash and achievable in a reasonable time.

Included in profit from operations are the following amounts arising on investment properties:

	2016	2015
	\$	\$
Rental income	1,165,400	1,141,700
Operating expenses	<u>(282,532)</u>	<u>(148,633)</u>
Profit arising from investment properties carried at fair value	<u>882,868</u>	<u>993,067</u>

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Fair value hierarchy disclosures for investment properties are in Note 25.

Significant valuation inputs:	\$
Price per square foot (land)	17 - 36
Price per square foot (building)	150 - 200

BANKS HOLDINGS LIMITED

Notes to the Consolidated Financial Statements

16 Months ended 31 December 2016

(with comparatives for the year ended 31 August 2015)

13. Pension plan asset

The amounts recognized in the Consolidated Statement of Financial Position are as follows:

	2016	2015
	\$	\$
Fair value of plan assets	38,163,649	41,100,735
Present value of funded obligations	(31,748,033)	(36,545,709)
Net asset recognized in the Consolidated Statement of Financial Position	<u>6,415,616</u>	<u>4,555,026</u>

The amounts recognized in the Consolidated Statement of Income are as follows:

	2016	2015
	\$	\$
Current service cost	676,376	591,900
Interest cost	3,723,698	2,762,929
Expected return on plan assets	(4,149,700)	(3,170,744)
Administrative and other non-plan expenses	<u>200,111</u>	<u>76,011</u>
Total	<u>450,485</u>	<u>260,096</u>

Consolidated Statement of Comprehensive income

	2016	2015
	\$	\$
Gain from change in assumptions	(1,906,228)	-
Gain from experience	(3,123,530)	(1,669,230)
Expected return on plan assets	4,149,700	3,170,744
Actual return on plan assets	<u>(3,720,425)</u>	<u>(716,406)</u>
Other comprehensive (gain) loss	<u>(4,600,483)</u>	<u>785,108</u>

BANKS HOLDINGS LIMITED**Notes to the Consolidated Financial Statements****16 Months ended 31 December 2016***(with comparatives for the year ended 31 August 2015)***13. Pension plan asset (cont'd)****Movements in the net asset are as follows:**

	2016	2015
	\$	\$
Balance, beginning of the period/year	4,555,026	5,591,937
Net expense recognized in the Consolidated Statement of Income	(450,485)	(260,096)
Other comprehensive income (loss)	4,600,483	(785,108)
Contributions paid	11,623	8,293
Disposal group held for sale	(2,301,031)	-
	<u>6,415,616</u>	<u>4,555,026</u>
Balance, end of the period/year	6,415,616	4,555,026

Changes in the present value of the obligation are as follows:

	2016	2015
	\$	\$
Balance, beginning of period/year	36,545,709	35,849,380
Interest cost	3,723,698	2,762,929
Current service cost	676,376	591,900
Employee contributions	306,192	256,040
Benefits paid	(2,002,406)	(1,245,309)
Actuarial gain on obligation	(5,029,758)	(1,669,231)
Disposal group held for sale	(2,471,778)	-
	<u>31,748,033</u>	<u>36,545,709</u>
Balance, end of period/year	31,748,033	36,545,709

Changes in the fair value of plan assets are as follows:

	2016	2015
	\$	\$
Fair value of plan assets	41,100,735	41,441,317
Actual return	3,720,425	716,406
Contributions by employer and employees	317,815	264,332
Benefits paid	(2,002,406)	(1,245,309)
Administrative fees	(200,111)	(76,011)
Disposal group held for sale	(4,772,809)	-
	<u>38,163,649</u>	<u>41,100,735</u>
	38,163,649	41,100,735

BANKS HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
16 Months ended 31 December 2016
(with comparatives for the year ended 31 August 2015)

13. Pension plan asset (cont'd)

A quantitative sensitivity analysis for significant assumptions on the present value of the obligation as at 31 December 2016 is shown below:

	Increase \$	Decrease \$
Change in discount rate by 1%	(28,633,531)	39,013,387
Change in salary increase by 0.5%	32,547,589	(31,063,710)

Life expectancy at age 60 for current pensioners in years:

Male – 24.35
 Female – 26.68

The weighted duration of the defined benefit obligation was 16.25 years.

The Group expects to contribute \$5,721 (2015 - \$8,135) to its defined benefit pension plans in 2017.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2016 %	2015 %
Bonds	22	24
Mortgages	7	8
Equities	25	27
Mutual funds	12	13
Real estate	25	24
Other	9	4

The overall expected rate of return on assets is determined based on the market expectations prevailing on that date, applicable to the period over which the obligation is to be settled.

BANKS HOLDINGS LIMITED**Notes to the Consolidated Financial Statements****16 Months ended 31 December 2016***(with comparatives for the year ended 31 August 2015)***13. Pension plan asset (cont'd)****Experience history**

	2016	2015
	%	%
Principal actuarial assumptions as at 31 December 2016 and 31 August 2015 were:		
Discount rate at end of year	7.75	7.75
Future promotional salary increases	2.00	2.00
Future inflationary salary increase for 1 year and 4% per annum thereafter	3.50	3.50
Future increases in NIS ceiling for earnings	4.25	4.25
Future pension increases	3.75	3.75
Mortality	UP94-AA	UP94-AA

Through its defined benefit plan, the Group is exposed to various risk:

- Longevity risk
- Inflation risk
- Interest rate risk due to the liabilities being of longer duration than the date securities
- Investment risk in order to counter the inflation risk and improve the investment return.

14. Post-employment medical liability

The amounts recognized in the consolidated statement of financial position are as follows:

	2016	2015
	\$	\$
Present value of unfunded obligations	1,461,221	1,655,765
Liability recognized in the consolidated statement of financial position	1,461,221	1,655,765

The amounts recognized in the consolidated statement of income are as follows:

	2016	2015
	\$	\$
Past service cost	(209,461)	-
Current service cost	98,127	67,998
Interest on obligation	176,864	120,892
Total, included in staff costs	65,530	188,890

BANKS HOLDINGS LIMITED

Notes to the Consolidated Financial Statements

16 Months ended 31 December 2016

(with comparatives for the year ended 31 August 2015)

14. Post-employment medical liability (cont'd)

Consolidated Statement of Comprehensive income:

	2016	2015
	\$	\$
Loss from experience	73,231	309
Other comprehensive income	73,231	309

Movements in the net liability recognized in the consolidated statement of financial position are as follows:

	2016	2015
	\$	\$
Net liability, beginning of period/year	1,655,765	1,517,220
Net expense recognized in the Consolidated Statement of Income	65,530	188,890
Other comprehensive income	73,231	309
Contributions	(84,618)	(50,654)
Disposal group held for sale	1,709,908 (248,687)	1,655,765 -
Net liability, end of period/year	1,461,221	1,655,765

Changes in the present value of the obligation are as follows:

	2016	2015
	\$	\$
Balance, beginning of period/year	1,655,765	1,517,220
Interest cost	176,864	120,892
Current service cost	98,127	67,998
Contributions	(84,618)	(50,654)
Past service costs	(209,461)	-
Actuarial gain	73,231	309
Disposal group held for sale	(248,687)	-
Balance, end of period/year	1,461,221	1,655,765

BANKS HOLDINGS LIMITED**Notes to the Consolidated Financial Statements****16 Months ended 31 December 2016***(with comparatives for the year ended 31 August 2015)***14. Post-employment medical liability (cont'd)**

	2016	2015
	%	%
Principal actuarial assumptions used for accounting purposes at 31 December 2016 and 31 August 2015 were as follows:		
Discount rate at end of period/year	7.75	7.75
Future medical claims/premium inflation	4.25	4.25

A one percentage point change in the assumed rate of the following assumptions would have the following effect on the present value of the obligation:

	Increase	Decrease
	\$	\$
2016		
Change of medical inflation by 1%	1,715,530	(1,247,515)
Change of discount rate by 1%	(1,246,754)	1,711,731

The weighted duration of the defined benefit obligation was 15.68 years.

Assuming no changes in the premium rates the Group expects to pay premiums of \$51,709 during the 2017 financial year (2016 - \$51,823).

15. Grant

	2016	2015
	\$	\$
Balance, beginning of period/year	318,400	378,100
Released to the consolidated statement of income	(79,600)	(59,700)
Transferred to disposal group held for sale	(238,800)	-
Balance, end of period/year	<u>-</u>	<u>318,400</u>

In 2011, a Grant was received by the Group for the purchase of certain items of plant and equipment. There are no unfulfilled conditions or contingencies attached to these grants.

	2016	2015
	\$	\$
Current	60,000	59,700
Non-current	<u>178,800</u>	<u>258,700</u>
	<u>238,800</u>	<u>318,400</u>

BANKS HOLDINGS LIMITED

Notes to the Consolidated Financial Statements

16 Months ended 31 December 2016

(with comparatives for the year ended 31 August 2015)

16. Long-term liabilities

	2016 \$	2015 \$
(i) FirstCaribbean International Bank	17,608,401	20,858,938
(ii) Tetra Pak S.A.	398,404	1,691,396
(iii) SLU Beverages Ltd.	2,450,687	2,450,687
	<u>20,457,492</u>	<u>25,001,021</u>
Less: Current portion	<u>(4,434,448)</u>	<u>(5,861,094)</u>
Long-term portion	<u>16,023,044</u>	<u>19,139,927</u>

- (i) The FirstCaribbean International Bank loans bear interest at a rate of 4.25% (31 August 2015 - 4.25% and 5.25%). The loans are repayable in various installments of principal and interest. The Group has granted security for all the bank loans and the bank overdrafts as follows: (a) a debenture over its fixed and floating assets registered and stamped to cover \$41,700,000; (b) the assignment of the insurance policies on various properties and other permanent fixtures for sums assured totaling \$66,400,000; (c) a letter of undertaking to the bank to provide a mortgage over a subsidiary's assets.

In March 2015, one of the subsidiaries entered into a \$3 million committed installation loan facility, which will mature in 15 years. The loan bears interest of 4.25% and is repayable in 180 monthly instalments of \$22,575 of blended principal and interest. The loan is secured by an unlimited guarantee endorsed by the parent company Banks Holdings Limited and a letter of under-taking to provide the bank with a mortgage over the Company's assets.

There are also certain covenants and other conditions which the Group must maintain.

In March 2017, the loans due to FirstCaribbean International Bank were repaid in full.

- (ii) The four Tetra Pak leases bear an interest rate of 3 Month Libor (0.27%) plus 2.5% with quarterly and annual lease payments over 4 years. All of the leases are secured by certain equipment (See Note 11). Future lease payments due within one year are 398,404 (31 August 2015 - \$970,875). Lease payments due after one year total \$Nil (31 August 2015 - \$720,521).

BANKS HOLDINGS LIMITED**Notes to the Consolidated Financial Statements****16 Months ended 31 December 2016***(with comparatives for the year ended 31 August 2015)***16. Long-term liabilities (cont'd)**

- (iii) In 2010, the parent company of the Group entered into a convertible debt purchase agreement with Latin Capital Fund 1, L.P. and SLU Beverages Ltd. (the Lenders) and issued 56 senior secured convertible promissory notes to SLU Beverages Ltd. Each note carries a par value of \$1,000,000 and is convertible in whole or in part at the option of the note holder into common shares of the parent of the Group at \$4.00 per common share. The notes carry an interest rate of 1 year LIBOR plus 1.75%, payable bi-annually on 30 June and 31 December. The shares of Banks (Barbados) Breweries Limited and Barbados Bottling Co. Limited have been pledged as security for the notes. At 31 December 2016, 3 notes remained unconverted. Any notes not converted will mature on 28 February 2020. The equity component of the notes issued but not converted is reflected in share capital. The liability component is reflected in long-term liabilities.

The principal and interest under the notes may not be prepaid by the Company, in whole or in part, prior to the maturity date, without the consent of the note holders. None of the notes or common shares obtained by the conversion of the notes shall be subject to repurchase, purchase, or redemption at the option of the Company, and they shall only be redeemed or repurchased at the option of the note holders. It is a condition of the agreement that no further shares in Banks Holdings Limited be issued except with the written consent of the Lenders until such times as the Lenders cease to hold shares and/or notes convertible into shares in Banks Holdings Limited.

If a fundamental change (as defined in the Purchase Agreement) occurs at any time that any notes, or commons shares which are conversion shares issued upon conversion of any notes, are outstanding, then any holder of any such notes or common shares will have the right, at its sole option, to require the Company or any successor entity to the Company (i) to convert any or all of the notes into common shares, (ii) to purchase any or all of such notes, or (iii) to purchase any or all such conversion shares.

If a holder elects to require the Company to convert any Notes pursuant to the Agreement, the conversion price shall be determined in the same manner as the conversion price as set forth in the agreement and the notes.

If a holder elects to require the Company purchase any notes pursuant to the Agreement then the purchase price the Company shall pay to the holder of such notes shall be 2.5 times the outstanding principal amount thereof, plus accrued and unpaid interest.

If the holder elects to require the Company to purchase any common shares which are conversion shares issued upon conversion of any notes, then the purchase price the Company shall pay to the holder of such common shares shall be 2.5 times the outstanding principal amount thereof, plus accrued and unpaid dividends to, but excluding, the date of such purchase by the Company.

BANKS HOLDINGS LIMITED

Notes to the Consolidated Financial Statements

16 Months ended 31 December 2016

(with comparatives for the year ended 31 August 2015)

16. Long-term liabilities (cont'd)

A fundamental change will be deemed to have taken place upon the occurrence of any one or more events. These include (i) any person or group becomes the direct or indirect ultimate owner of common shares of the company representing more than 25% of the total voting power of the common shares; (ii) Consummation of any share exchange, consolidation or merger of the Company pursuant to which the common shares are converted in cash, securities or other property, or any conveyance, transfer, sale, lease or other disposition in one transaction or a series of transactions of all or substantially all of the consolidated assets of the company and its subsidiaries, taken as a whole, to an (iii) any board members appointed by the investors are removed without just cause (iv) the shareholders of the company approve any plan or proposal for the liquidation or dissolution of the Company (v) the common shares cease to be quoted or listed on the Barbados Stock Exchange (vi) for any reason, no director appointed by the investors is a member of the Company's board of directors (vii) for any reason, any holders of Notes are prevented from exercising conversion rights as set out in the purchase agreement and the notes (viii) revocation of any of the necessary regulatory approvals described as closing conditions in article V of the purchase agreement.

There are also certain covenants and other conditions which the Group must maintain until such time as the Lenders cease to hold shares obtained by the conversion of the notes and/or notes convertible into shares in Banks Holdings Limited.

17. Share capital

Authorized:

The Company is authorized to issue an unlimited number of shares of one class designated as common shares.

Stated and issued:

	Number		Stated	
	2016	2015	2016	2015
			\$	\$
At the beginning of the year	64,853,760	64,853,760	145,740,799	145,865,436
Exercised during the year	107,000	-	374,500	-
Change in equity component of convertible promissory notes	-	-	-	(124,637)
At the end of the year	64,960,760	64,853,760	146,115,299	145,740,799

BANKS HOLDINGS LIMITED**Notes to the Consolidated Financial Statements****16 Months ended 31 December 2016***(with comparatives for the year ended 31 August 2015)***17. Share capital (cont'd)****Share-based payment plans**

At a Special General Meeting held on 28 May 1998, the shareholders approved an Employee Stock Option Plan ("ESOP") in respect of the senior management of the Group for shares of not more than 5% of the shares outstanding at that date. The term of the options is seven years from the grant date and the options are granted at the closing prices of the Company's shares on the Barbados Stock Exchange as at the date of allotment, less a 10% discount. Under the terms of the ESOP, the options vest in equal monthly installments over a period of three years.

During the period, the employees exercised 107,000 of the options at \$3.50 per share. As at 31 December 2016 no stock options (31 August 2015 - 113,600) at exercise prices of \$3.50 were outstanding. All options that were issued in prior years were fully vested at 31 August 2013. Consequently, there were no options that vested during the period and no expense to report for the period ended 31 December 2016 (31 August 2015 - \$Nil). There have been no cancellations or modifications to the Plan during 2016 or 2015.

The movement in the number of share options and the weighted average exercise prices ("WAEP") are as follows:

	Number		WAEP	
	2016	2015	2016	2015
Outstanding at beginning of year	113,600	135,200	-	3.50
Exercised during the year	(107,000)	(21,600)	-	3.50
Expired during the year	(6,600)	-	-	-
Outstanding at end of year	-	113,600	-	3.50
Exercisable at end of year	-	113,600	-	3.50

The fair value of equity-settled share options granted is estimated at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted.

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. There were no options granted in the year ended 31 December 2016 or 31 August 2015.

BANKS HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
16 Months ended 31 December 2016
(with comparatives for the year ended 31 August 2015)
18. Capital reserves

	Revaluation Surplus \$	Defined Benefit Plans \$	Other Reserves \$	Total \$
Balance as at 31 August 2014	26,616,009	89,439	43,394	26,748,842
Share of fair value gains on available for sale assets of associated companies	-	-	815,671	815,671
Share of re-measurements gains on provision for employee benefits of associate companies	-	41,666	-	41,666
Re-measurement loss on defined benefit plans	-	(611,049)	-	(611,049)
Balance as at 31 August 2015	26,616,009	(479,944)	859,065	26,995,130
Share of fair value gains on available for sale assets of associate companies	-	-	372,269	372,269
Transfer of associate company reserves on disposal	-	-	(3,133,043)	(3,133,043)
Re-measurement gain on defined benefit plans	-	3,726,153	-	3,726,153
Balance as at 31 December 2016	26,616,009	3,246,209	(1,901,709)	27,960,509

Other reserves

These reserves are comprised primarily of the Group's share of fair value gains (losses) on available for sale assets of an associated company and adjustments relating to currency translation on associates.

BANKS HOLDINGS LIMITED**Notes to the Consolidated Financial Statements****16 Months ended 31 December 2016***(with comparatives for the year ended 31 August 2015)***19. Related party balances and transactions**

Included in accounts receivable and accounts payable are the following related party balances:

	2016	2015
	\$	\$
Receivables		
Associated companies	-	268,924
Other related parties	9,929,412	4,166,000
	<u>9,929,412</u>	<u>4,434,924</u>
Payables		
Associated companies	1,797,945	1,089,565
Other related parties	2,520,297	136,229
	<u>4,318,242</u>	<u>1,225,794</u>

During the year, the Group entered into the following transactions with its associates and related companies

	2016	2015
	\$	\$
Sales	13,751,029	49,076,946
Purchases	23,027,908	13,601,547

The sales to and purchases from related parties are made under normal market prices. Outstanding balances at the year-end are unsecured and interest free. There have been no guarantees provided or received for any related party receivables or payables and the Group has not made any provision for doubtful debts relating to amounts owed by related parties for the period ended 31 December 2016 and the year ended 31 August 2015.

BANKS HOLDINGS LIMITED

Notes to the Consolidated Financial Statements

16 Months ended 31 December 2016

(with comparatives for the year ended 31 August 2015)

19. Related party balances and transactions (cont'd)

Compensation of key management personnel of the Group:

	2016	2015
	\$	\$
Short-term employment benefits	3,929,482	2,219,554
Post-employment benefits	114,383	42,525
	<u>4,043,865</u>	<u>2,262,079</u>

20. Earnings per share

Basic earnings per share from continuing operations are calculated based on earnings of \$43,966,185 (31 August 2015 - \$23,601,124) and a weighted average of 64,960,760 (31 August 2015 - 64,853,760) shares in issue during the period/year. Diluted earnings per share from operations as a result of ordinary shares granted under the Company's ESOP and unconverted convertible promissory notes amounted to 67.7¢ (31 August 2015 - 36.3¢) based on a potential weighted average number of ordinary shares in issue of 64,960,760 (31 August 2015 - 64,853,760).

21. Operating lease commitments

The lease expense for the period was \$971,144 (31 August 2015 - \$719,494).

Future minimum lease payments under the non-cancellable leases are as follows as of 31 December 2016 and 31 August 2015:

	2016	2015
	\$	\$
Within one year	351,328	647,950
After one year but not more than five years	<u>709,820</u>	<u>1,437,607</u>
	<u>1,061,148</u>	<u>2,085,557</u>

Future minimum lease receivables under the non-cancellable leases are as follows as of 31 December 2016 and 31 August 2015:

	2016	2015
	\$	\$
Within one year	<u>432,000</u>	<u>432,000</u>

BANKS HOLDINGS LIMITED

Notes to the Consolidated Financial Statements

16 Months ended 31 December 2016

(with comparatives for the year ended 31 August 2015)

22. Material partly-owned subsidiaries

Financial information of Barbados Dairy Industries Limited, a subsidiary that has a material non-controlling interest, is provided below:

Summarized Statement of Profit or Loss:

	2016	2015
	\$	\$
Sales	84,790,334	62,205,626
Cost of sales	(66,905,524)	(54,213,029)
Other income	94,948	342,048
Selling, general and administrative expenses	(6,518,431)	(4,937,626)
Severance cost	(476,941)	(22,122)
Finance costs	(510,114)	(587,309)
Profit before taxation	10,474,272	2,787,588
Taxation	1,453,351	557,878
Net profit for the period/year	11,927,623	3,345,466
Profit allocated to material non-controlling interest	1,857,131	520,889

Summarized statement of financial position:

	2016	2015
	\$	\$
Current assets	27,482,630	21,458,808
Non-current assets	29,303,613	31,492,974
Current liabilities	(14,045,054)	(20,569,795)
Non-current liabilities	(2,895,816)	(4,403,411)
Total equity	39,845,373	27,978,576
Attributable to non-controlling interest	6,203,925	4,356,263

Summarized cash flow information:

	2016	2015
	\$	\$
Operating	8,009,082	2,169,512
Investing	(1,368,486)	(755,209)
Financing	(1,199,143)	(139,537)
Increase in cash for the period/year	5,441,453	1,274,766

23. Commitments and contingencies

Capital commitments

Capital expenditure of \$6,000,000 (2015 - \$12,243,830) was approved by the Directors for the ensuing financial year and no amounts were contracted for at the period end date.

Litigation

As at 31 December 2016, there were certain legal proceedings outstanding against the Group. No provision has been made as professional advice indicates that it is unlikely that a material loss will arise or that it would be premature at this stage of the action to determine that eventuality.

24. Risk management

The Group's principal financial liabilities comprise the bank overdraft, trade payables, deposits owed to customers and long-term liabilities which comprise bank loans, finance lease obligations and senior secured convertible promissory notes. The main purpose of these financial liabilities is to raise finance for the Group's operations and to finance investments. The Group has various financial assets such as trade receivables, investments and cash and short-term deposits, which arise directly from its operations. The Group does not enter into derivative transactions. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group manages its interest rate exposure by using a mixture of fixed and variable rate debt. The Group's exposure to the risk of changes in the market interest rates relates primarily to its long-term liabilities.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with other variables held constant of the Group's income before taxation. There is no impact on the Group's equity.

	2016	2015
Increase/decrease in basis points	Effect on profit before tax	Effect on profit before tax
+-50	102,287	136,763

BANKS HOLDINGS LIMITED**Notes to the Consolidated Financial Statements****16 Months ended 31 December 2016***(with comparatives for the year ended 31 August 2015)*

24. Risk management (cont'd)**Foreign currency risk**

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group operates primarily in the Barbados market and is therefore not subject to significant foreign currency risk. Management monitors its exposure to foreign currency fluctuations and employs appropriate strategies to mitigate any potential losses.

The Group has transactional currency exposures. Approximately 10% of the Group's sales are denominated in a currency other than the functional currency of the operating unit making the sale, whilst 75% of purchases are denominated in a currency other than the functional currency. However, the majority of the Group's transactions are in United States dollars which has a fixed exchange rate to the functional currency. Fluctuations in currencies other than United States dollars are not considered significant.

Foreign currency exposure also arises from investments by the Group in currencies other than the unit's functional currency.

BANKS HOLDINGS LIMITED

Notes to the Consolidated Financial Statements

16 Months ended 31 December 2016*(with comparatives for the year ended 31 August 2015)***24. Risk management (cont'd)**

The aggregate value of assets and liabilities are denoted in Barbados dollars, except for the following:-

Period ended 31 December 2016	USD	BDS	CAD	EURO	XCD	GPB	TOTAL
ASSETS							
Cash	61,304,935	53,764,557	-	-	-	-	115,069,492
Accounts receivables and prepayments	5,762,821	20,581,934	12,434	7,925,567	-	-	34,282,756
Total financial assets	67,067,756	74,346,491	12,434	7,925,567	-	-	149,352,248
LIABILITIES							
Trade payables and accrued liabilities	13,553,102	14,140,481	-	1,157,405	1,679,050	1,788	30,531,826
Long-term debt	2,849,091	17,608,401	-	-	-	-	20,457,492
Total financial liabilities	16,402,193	31,748,882	-	1,157,405	1,679,050	1,788	50,989,318

BANKS HOLDINGS LIMITED**Notes to the Consolidated Financial Statements****16 Months ended 31 December 2016***(with comparatives for the year ended 31 August 2015)*

24. Risk management (cont'd)**Credit risk**

Credit risk arises from the possibility that counterparties may default on their obligations to the Group. The amount of the Group's maximum exposure to credit risk is indicated by the carrying amount of its financial assets.

Concentration of credit risk

Concentrations of credit risk may arise from exposures to a single debtor or to groups of debtors having a common characteristic such that their ability to meet their obligations is expected to be affected similarly by changes in economic or other conditions. Substantially all the assets of the Group are located in Barbados.

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in Note 7. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of Management.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

BANKS HOLDINGS LIMITED

Notes to the Consolidated Financial Statements

16 Months ended 31 December 2016

(with comparatives for the year ended 31 August 2015)

24. Risk management (cont'd)

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. The Group monitors its liquidity risk by considering the maturity of both its financial assets and projected cash flows from operations. Where possible, the Group utilizes available credit facilities such as loans, overdrafts and other financing options.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans.

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted payments.

Period ended 31 December 2016

	On demand \$	1 year \$	2 to 5 years \$	5 Years \$	Total \$
Bank overdraft	-	-	-	-	-
Accounts payable and accruals	-	30,531,826	-	-	30,531,826
Provision for deposits owed to customers	-	1,122,578	-	-	1,122,578
Long term liabilities	2,450,687	2,735,240	16,995,204	-	22,181,131

Year ended 31 August 2015

	On demand \$	1 year \$	2 to 5 years \$	5 Years \$	Total \$
Bank overdraft	2,351,554	-	-	-	2,351,554
Accounts payable and accruals	-	20,255,151	-	-	20,255,151
Provision for deposits owed to customers	-	662,781	-	-	662,781
Long term liabilities	4,057,391	3,123,004	21,825,944	2,027,767	31,034,106

BANKS HOLDINGS LIMITED**Notes to the Consolidated Financial Statements****16 Months ended 31 December 2016***(with comparatives for the year ended 31 August 2015)***24. Risk management (cont'd)****Capital management**

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the period ended 31 December 2016 and year ended 31 August 2015.

25. Fair value of financial instruments

Set out below is a comparison by category of carrying amounts and fair values of all the Group's financial instruments that are carried in the financial statements:

	Carrying amount		Fair value	
	2016	2015	2016	2015
	\$	\$	\$	\$
Financial assets				
Cash and short-term deposits	115,069,042	19,657,805	115,069,042	19,657,805
Trade receivables	29,253,503	15,561,954	29,253,503	15,561,954
Investments	10,460,902	5	10,460,902	5
Financial liabilities				
Bank overdraft	-	2,351,554	-	2,351,554
Accounts payable and accrual	30,531,826	20,255,151	30,531,826	20,255,151
Long-term liabilities	20,457,492	25,001,021	20,457,492	25,001,021

The carrying amounts of financial assets and liabilities comprise the Group's cash and short-term deposits, accounts receivable, accounts payable, provision for deposits owed to customers and bank overdraft approximate their fair values because of their short-term maturities.

Long-term loans payable are at variable rates and consequently their fair values approximate their carrying values.

Fair value of short-term investments is derived from quoted market prices in active markets, if available at the reporting date.

BANKS HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
16 Months ended 31 December 2016
(with comparatives for the year ended 31 August 2015)
25. Fair value of financial instruments (cont'd)
Fair value hierarchy

The Group measures financial instruments at fair value at each Statement of Financial Position date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- i) In the principal market for the asset or liability, or
- ii) In the absence of a principal market, in the most advantageous market for the asset or liability

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

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

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identifiable assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 December 2016 and 31 August 2015, the Group held the following financial instruments carried at fair value on the consolidated statement of financial position:

BANKS HOLDINGS LIMITED**Notes to the Consolidated Financial Statements****16 Months ended 31 December 2016***(with comparatives for the year ended 31 August 2015)***25. Fair value of financial instruments (cont'd)****Assets measured at fair value**

	31 December 2016	Level 1	Level 2	Level 3
	\$	\$	\$	\$
Investments	10,460,902	10,460,902	-	-
Freehold land buildings	52,707,236	-	-	52,707,236
Investment properties	8,300,000	-	-	8,300,000
	31 August 2015	Level 1	Level 2	Level 3
	\$	\$	\$	\$
Short-term investments	5	5	-	-
Freehold land buildings	54,046,584	-	-	54,046,584
Investment properties	19,800,000	-	-	19,800,000

During the reporting period ending 31 December 2016 (year ended 31 August 2015), there were no transfers between Level 1 and 2 fair value adjustments (2015 - Nil).

BANKS HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
16 Months ended 31 December 2016
(with comparatives for the year ended 31 August 2015)
26. Segmental 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.

Inter-segment revenues are eliminated upon consolidation and reflected in the ‘adjustments and eliminations’ column. All other adjustments and eliminations are part of the detailed reconciliations presented further below.

Operating segments

	Manufacture and processing of dairy products and fruit juices	Other segments	Adjustments and eliminations	Total
	\$	\$	\$	\$
2016				
Revenue	84,790,334	291,564,761	(172,259,612)	204,095,483
Segment profit before undernoted items	16,286,939	77,082,560	(43,831,577)	49,537,922
Finance income	-	2,049,532	(2,029,104)	20,428
Finance costs	(510,114)	(3,056,500)	2,029,104	(1,537,510)
Depreciation	(4,825,612)	(12,119,897)	-	(16,945,509)
Restructuring cost	(476,941)	(1,536,060)	-	(2,013,001)
Segment profit before taxation	10,474,272	62,419,635	(43,831,577)	29,062,330
Share of income of associated companies				14,586,152
Income before taxation				43,648,482
2016				
Segment assets	56,786,243	397,388,081	(102,697,521)	351,476,803
Investment in associated companies				63,576,170
Total assets				415,052,973
Segment liabilities	16,940,870	142,214,812	(105,582,566)	53,573,116

BANKS HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
16 Months ended 31 December 2016
(with comparatives for the year ended 31 August 2015)
26. Segmental reporting (cont'd)
Operating segments

	Manufacture and processing of dairy products and fruit juices \$	Other segments \$	Adjustments and eliminations \$	Total \$
2015				
Revenue	62,205,626	191,638,212	(118,494,956)	135,348,882
Segment profit before undernoted items	7,120,722	20,225,407	(5,211,190)	22,134,939
Finance income	-	1,543,669	(1,524,685)	18,984
Finance costs	(587,309)	(2,654,824)	1,524,685	(1,717,448)
Depreciation	(3,723,703)	(8,660,187)	-	(12,383,890)
Restructuring cost	(22,122)	(500,975)	-	(523,097)
Segment profit before taxation	2,787,588	9,953,090	(5,211,190)	7,529,488
Share of income of associated companies				12,963,469
Income before taxation				20,492,957
2015				
Segment assets	52,951,782	326,701,959	(130,185,318)	249,468,423
Investment in associated Companies				121,748,490
Total assets				371,216,913
Segment liabilities	24,973,206	116,876,794	(91,254,913)	50,595,087

BANKS HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
16 Months ended 31 December 2016
(with comparatives for the year ended 31 August 2015)
27. Disposal group classified as Held for sale

On 15 November 2016, the Company entered into an agreement for the sale of 100% minus one share of the issued and outstanding shares of Barbados Bottling Co. Limited for USD \$53 million. With Barbados Bottling Co. Limited being classified as discontinued operations, the soft drinks segment is no longer included in the segment note. As at the statement of financial position date, the transaction has not been completed.

The classes of assets and liabilities of the subsidiary classified as held for sale are as follows:

	2016
	\$
Assets	
Cash	532,294
Accounts receivable and prepayments	613,929
Inventories	6,047,334
Pension asset	2,301,031
Property, plant and equipment	5,958,161
Total	<u>15,452,749</u>
Liabilities	
Accounts payable and accruals	7,910,636
Tax payable	343,942
Grant	238,800
Deferred tax liability	373,477
Post-employment medical liability	248,687
Total	<u>9,115,542</u>
Net assets in the statement of financial position of subsidiary	6,337,207
Adjustments for intercompany balances	10,816,661
	<u>17,153,868</u>
Amounts included in accumulated other comprehensive income	
Re-measurement gains on defined benefit plans	176,222
Income tax effect	(26,433)
	<u>149,789</u>

BANKS HOLDINGS LIMITED**Notes to the Consolidated Financial Statements****16 Months ended 31 December 2016***(with comparatives for the year ended 31 August 2015)***27. Disposal group classified as Held for Sale (cont'd)**

The analysis of the results of discontinuing operations is as follows:

	2016	2015
	\$	\$
Sales	75,499,190	54,131,328
Cost of sales	(49,513,256)	(36,682,708)
Gross profit	25,985,934	17,448,620
Other (expense) income	(109,599)	81,535
Interest expense	(55,007)	(39,039)
Selling, general and administrative expenses	(21,779,639)	(11,806,891)
Depreciation expense	(2,797,384)	(2,246,618)
Income before taxation	1,244,305	3,437,607
Taxation (note 5)	(86,128)	(534,610)
Net income for the period/year	1,158,177	2,902,997
Earnings per share		
Basic and diluted earnings per share from discontinued operations	1.78¢	4.48¢

Basic and diluted earnings per share are based on the income for the period from discontinued operations of \$1,158,177 (2015 - \$2,902,997). To calculate the basic earnings and diluted earnings per share from discontinued operations, the weighted average number of ordinary shares for both basic and diluted amounts is disclosed in Note 20.

The net cash flows incurred by Barbados Bottling Co. Limited are as follows:

	2016	2015
	\$	\$
Operating	6,720,108	6,811,070
Investing	(345,959)	(2,624,554)
Financing	(8,552,121)	(1,362,789)
Net cash (outflow)/inflow	(2,177,972)	2,823,727

**BANKS HOLDINGS LIMITED****Notes to the Consolidated Financial Statements****16 Months ended 31 December 2016***(with comparatives for the year ended 31 August 2015)***27. Disposal group classified as Held for Sale (cont'd)**

	2016	2015
	\$	\$
Assets classified as Held for Sale		
Transferred from Investment properties (Note 12)	10,100,000	-
Transferred from Property, plant and equipment (Note 11)	40,000	-
	<hr/>	<hr/>
	10,140,000	-

BANKS HOLDINGS LIMITED

COMPANY NO: 15726

MANAGEMENT PROXY CIRCULAR

Management is required by the *Companies Act* Chapter 308 of the Laws of Barbados (hereinafter called 'the *Companies Act*') to send, with the Notice convening the Meeting, forms of proxy. By complying with the *Companies Act*, Management is deemed to be soliciting proxies within the meaning of the *Companies Act*.

This Management Proxy Circular accompanies the Notice of the Fifty-Eighth (58th) Annual General Meeting of the Shareholders of Banks Holdings Limited (the 'Company') to be held at the **Banks (Barbados) Breweries Ltd. Complex, Newton, Christ Church, Barbados on Thursday the 19th day of October, 2017 at 4:00 p.m.** (hereinafter called 'the Meeting') and is furnished in connection with the solicitation of proxies by the Management of the Company for use at the Meeting, or any adjournments thereof. The solicitation will primarily be by mail. The cost of the solicitation will be borne by the Company.

Proxies

A shareholder who is entitled to vote at a meeting of shareholders has the right by means of the enclosed form of proxy to appoint a person to represent him by inserting the name of such person in the space indicated in the form of proxy. Proxy appointments are required to be deposited at the registered office of the Company, Banks (Barbados) Breweries Ltd. Complex, Newton, Christ Church, Barbados no later than **4:15pm on Tuesday the 17th day of October, 2017**.

Proxies given by shareholders for use at the meeting may be revoked by the shareholder giving such proxy at any time prior to their use. In addition to revocation in any other manner permitted by Law, a proxy may be revoked by an instrument in writing executed by the shareholder or by his/her attorney in writing. If the shareholder is a company, the proxy may be executed under its corporate seal or by any duly authorised officer or attorney thereof, and deposited at the registered office of the Company at Banks (Barbados) Breweries Ltd. Complex, Newton, Christ Church, Barbados at any time up to 3:00 p.m. on **Wednesday, 18th October, 2017** being the last business day preceding the day of the meeting (or any adjournment thereof) at which the proxy is to be used. Alternatively, the proxy may be deposited with the Chairman of such meeting, on the day of the meeting (or at any adjournment thereof) and upon either of such deposits, the proxy is revoked.

Record Date, Notice of Meeting and Voting Shares

The Directors of the Company have fixed a record date of **Monday, 25th September, 2017** for determining the shareholders who are entitled to receive notice of the meeting. In accordance with the *Companies Act*, only shareholders of record at the close of business on **Monday, 25th September, 2017** shall be entitled to receive notice of the meeting.

Only such registered holders of common shares of the company will be entitled to vote at the meeting. Each holder is entitled to one vote for each share held. As at the date hereof, there are 64,960,760 common shares without par value of the Company issued and outstanding.

Item 2 - Election of Directors

The Board of Directors consists of members who retire in rotation. On 31st December, 2016 there were eight (8) Board members. The number of Directors of the Company to be elected at the meeting is three (3). The following are the names of the persons who retire as Directors by rotation and are proposed as nominees for election as Directors of the Company and for whom it is intended that votes will be cast for their election as Directors pursuant to the forms of proxy enclosed herewith:-

Nominee for Director	Present Principal Occupation
Mr. Carl Richard Cozier	Retired Corporate Executive
Mr. Marcio Batista Juliano	Corporate Executive
Mr. Saulo Maranhã Rodrigues	Corporate Executive

With respect to the persons named, the term of office for each person so elected will expire at the close of the third Annual General Meeting of the shareholders of the Company following his election or until his successor is elected or appointed. All nominated candidates are willing to serve and have signed declarations of consent attesting to their willingness to serve. The Management of the Company does not reasonably foresee that any of the persons named above will, for any reason, become unable or unwilling to serve as a director.

Mr. Carl Richard Cozier, Mr. Marcio Batista Juliano and Mr. Saulo Maranhã Rodrigues are presently Directors of the Company and will retire at the close of the Fifty-Eighth Annual General Meeting in accordance with the provisions of Clause 4.4 of the By-Laws of the Company but, being qualified, are eligible for re-election. Mr. Carl Richard Cozier was elected at the Fifty-Fifth Annual General Meeting of the Company held on Tuesday, 25 February, 2014 for a period ending at the close of the third Annual General Meeting after his election. Mr. Marcio Batista Juliano was appointed by the Board of Directors on 14 December, 2015, to fill a vacancy created by the resignation of Mr. Dominic George Martin Hadeed, who was appointed by the Board on 4 September, 2012. Mr. Saulo Maranhã Rodrigues was appointed by the Board of Directors on Friday, 18 December, 2015 to fill a vacancy created by the resignation of Mr. Gerald Anthony Allan King, who was appointed by the Board on 16 December, 2004.

Item 3 - Appointment of Auditors

It is proposed to nominate the audit firm Deloitte & Touche, as auditors of the Company to hold office until the next annual general meeting of shareholders. In accordance with Section 11 (2) of the *Financial Services Commission Act, 2010 – 21*, the approval of the Financial Services Commission has been sought for this appointment.

Discretionary Authority

Shares represented by any proxy, given on the enclosed form of proxy to the persons named in the proxy, shall be voted on any ballot in accordance with the instructions contained therein.

In the absence of shareholder instructions, shares represented by proxies shall be VOTED FOR:

- (i) **The adoption of the Annual Report and Financial Statements for the financial period ended 31 December, 2016;**
- (ii) **The election of Mr. Carl Richard Cozier to hold office until the close of the third Annual Meeting of the Shareholders of the Company following his election;**
- (iii) **The election of Mr. Marcio Batista Juliano to hold office until the close of the third Annual Meeting of the Shareholders of the Company following his election;**
- (iv) **The election of Mr. Saulo Maranhã Rodrigues to hold office until the close of the third Annual Meeting of the Shareholders of the Company following his election;**
- (v) **The appointment of Deloitte & Touche as Auditors of the Company for a period ending at the close of the next Annual General Meeting after their appointment.**



The enclosed form of proxy confers discretionary authority upon the persons named with respect to amendments to or variations in matters identified in the Notice of Meeting, or other matters that may properly come before the meeting.

Management knows of no matter to come before the meeting other than the matters referred to in the notice of the meeting enclosed herewith. However, if any other matters which are not now known to Management should properly come before the meeting (or at any adjournment thereof) the shares represented by proxies in favour of Management nominees shall be voted on any such matter in accordance with the best judgment of the proxy nominee. Similar discretionary authority is conferred with respect to amendments to the matters identified in the notice of the meeting. The contents of this Management Proxy Circular and the sending thereof to the holders of the common shares of the Company have been approved by the Directors of the Company.

No director's statement has been received by the Company pursuant to section 71(2) of the *Companies Act*.

No auditor's statement has been received by the Company pursuant to section 163 (1) of the *Companies Act*.

BANKS HOLDINGS LIMITED

COMPANY NO: 15726

PROXY FORM

I/We of

..... shareholder(s) of BANKS HOLDINGS LIMITED

(‘the Company’) hereby appoint of

..... or, failing him,

..... of

as the nominee of the undersigned to attend and act for the undersigned and on behalf of the undersigned at the Fifty-Eighth (58th) Annual General Meeting of the Shareholders of Banks Holdings Limited (the ‘Company’) to be held at Banks (Barbados) Breweries Ltd. Complex, Newton, Christ Church, Barbados on **Thursday the 19th day of October, 2017 at 4:00 p.m.** and at any adjournment thereof in the same manner, to the same extent and with the same powers as if the undersigned were present at the said meeting or such adjournment(s) thereof.

Dated this day of, 2017.

.....
(Please print name of Shareholder)

.....
(Signature of Shareholder)



Please indicate with an 'X' for each resolution below how you wish your votes to be cast. The 'vote withheld' option below is provided to enable you to abstain on any particular resolution. However, it should be noted that an abstention will not be counted in the calculation of the proportion of the votes 'for' and 'against' a resolution. In the absence of Shareholder instructions, shares represented by proxies will be VOTED FOR each of the Resolutions itemised in the table below. With respect to amendments to or variations in matters identified in the Notice of Meeting, or other matters that may properly come before the meeting, proxy-holders shall be entitled to exercise their discretion.

AGENDA ITEM	RESOLUTION	FOR	AGAINST	ABSTAIN
2 (i)	<i>THAT in accordance with the requirements of paragraph 4.4 of By-Law No. 1 of the Company, Mr. Carl Richard Cozier be and is hereby elected Director of the Company to hold office until the close of the third Annual Meeting of the Shareholders of the Company following his election.</i>			
2 (ii)	<i>THAT in accordance with the requirements of paragraph 4.4 of By-Law No. 1 of the Company, Mr. Marcio Batista Juliano be and is hereby elected Director of the Company to hold office until the close of the third Annual Meeting of the Shareholders of the Company following his election.</i>			
2 (iii)	<i>THAT in accordance with the requirements of paragraph 4.4 of By-Law No. 1 of the Company, Mr. Saulo Maranhã Rodrigues be and is hereby elected Director of the Company to hold office until the close of the third Annual Meeting of the Shareholders of the Company following his election.</i>			
3.	<i>THAT Deloitte & Touche be and are hereby appointed as Auditors of the Company for a period ending at the close of the next Annual General Meeting after their appointment.</i>			

NOTES:

1. (a) A shareholder who is entitled to vote at any meeting of the shareholders may by means of a proxy appoint a proxy holder, or one or more alternate proxy holders, none of whom need be shareholders, to attend and act at the meeting in the manner and to the extent authorised by the proxy and with the authority conferred by the proxy.
- (b) In the case of a shareholder who is a body corporate or association, votes at a meeting of shareholders may be given by any individual authorised by a resolution of the directors or governing body of that body corporate or association to represent it at meetings of the shareholders of the Company
2. A proxy must be executed in writing by the shareholder or his attorney authorised in writing.

Proxy appointments are required to be deposited at the registered office of the Company, Banks (Barbados) Breweries Ltd. Complex, Newton, Christ Church, Barbados no later than 4:15 p.m. on Tuesday, the 17th day of October, 2017.



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Banks Holdings Limited

Newton, Christ Church, BB14000, Barbados

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