

S L HORSFORD AND COMPANY LIMITED
AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 SEPTEMBER 2010

S L HORSFORD AND COMPANY LIMITED
AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2010

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## AUDITORS' REPORT

TO THE SHAREHOLDERS

S L HORSFORD AND COMPANY LIMITED

We have audited the accompanying consolidated financial statements of S L Horsford and Company Limited and its subsidiaries ('the Group'), which comprise the consolidated statement of financial position as at 30 September 2010, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

AUDITORS' REPORT (Cont'd)

TO THE SHAREHOLDERS

S L HORSFORD AND COMPANY LIMITED

**Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 30 September 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PKF  
Chartered Accountants:

BASSETERRE - ST KITTS  
16 December 2010

S L HORSFORD AND COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 30 SEPTEMBER 2010

(Expressed in Eastern Caribbean Dollars)

| CURRENT ASSETS                     | <u>Notes</u> | <u>2010</u>          | <u>2009</u>          |
|------------------------------------|--------------|----------------------|----------------------|
| Cash at Bank and in Hand           |              | 1,650,929            | 544,575              |
| Accounts Receivable – Current      | 3            | 11,539,928           | 11,613,739           |
| Inventories                        | 4            | <u>31,240,801</u>    | <u>35,957,415</u>    |
|                                    |              | <u>44,431,658</u>    | <u>48,115,729</u>    |
| <br>                               |              |                      |                      |
| CURRENT LIABILITIES                |              |                      |                      |
| Loans and Bank Overdrafts          | 5            | 15,626,157           | 16,931,872           |
| Accounts Payable and Accruals      | 6            | 8,453,945            | 10,105,379           |
| Provision for Taxation             | 7            | <u>1,649,916</u>     | <u>2,813,503</u>     |
|                                    |              | <u>25,730,018</u>    | <u>29,850,754</u>    |
| <br>                               |              |                      |                      |
| WORKING CAPITAL                    |              | 18,701,640           | 18,264,975           |
| INTANGIBLES                        | 8            | 8,155                | 18,280               |
| ACCOUNTS RECEIVABLE – Non-Current  | 3            | 14,199,515           | 15,954,400           |
| INVESTMENT IN ASSOCIATED COMPANIES | 9            | 12,954,420           | 11,905,710           |
| AVAILABLE-FOR-SALE INVESTMENTS     | 10           | 768,009              | 825,460              |
| PROPERTY, PLANT AND EQUIPMENT      | 5 & 11       | <u>85,153,625</u>    | <u>54,201,704</u>    |
|                                    |              | <u>\$131,785,364</u> | <u>\$101,170,529</u> |
| <br>                               |              |                      |                      |
|                                    | FINANCED BY  |                      |                      |
| SHARE CAPITAL                      | 12           | 30,148,430           | 30,148,430           |
| RESERVES                           |              | <u>80,704,723</u>    | <u>50,296,423</u>    |
|                                    |              | 110,853,153          | 80,444,853           |
| <br>                               |              |                      |                      |
| DEFERRED TAX LIABILITY             | 13           | 5,250,862            | 2,113,901            |
| LOANS - NON-CURRENT                | 5            | <u>15,681,349</u>    | <u>18,611,775</u>    |
|                                    |              | <u>\$131,785,364</u> | <u>\$101,170,529</u> |

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

Approved by the Board of Directors on 15 February 2011.

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W Anthony Kelsick  
Chairman

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Donald Kelsick  
Director

S L HORSFORD AND COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF INCOME  
FOR THE YEAR ENDED 30 SEPTEMBER 2010  
(Expressed in Eastern Caribbean Dollars)

|                                                                                  | <u>2010</u>         | <u>2009</u>          |
|----------------------------------------------------------------------------------|---------------------|----------------------|
| TURNOVER (Note 2 (I))                                                            | 127,095,175         | 147,921,459          |
| Cost of Sales                                                                    | <u>(94,325,243)</u> | <u>(114,247,851)</u> |
| Gross Profit                                                                     | 32,769,932          | 33,673,608           |
| Other Income                                                                     | <u>10,211,646</u>   | <u>9,655,782</u>     |
| TOTAL INCOME                                                                     | <u>42,981,578</u>   | <u>43,329,390</u>    |
| <u>LESS: EXPENSES</u>                                                            |                     |                      |
| Administrative Expenses                                                          | (20,231,835)        | (20,145,490)         |
| Distribution Costs - Transport                                                   | (2,067,867)         | (2,070,647)          |
| - Advertising                                                                    | (2,043,030)         | (2,343,196)          |
| Other Expenses                                                                   | (1,851,548)         | (1,263,401)          |
| Depreciation and Amortisation                                                    | (2,941,138)         | (2,865,253)          |
| Finance Costs                                                                    | <u>(2,137,690)</u>  | <u>(2,840,005)</u>   |
|                                                                                  | <u>(31,273,108)</u> | <u>(31,527,992)</u>  |
| Income Before Results of Associated Companies                                    | 11,708,470          | 11,801,398           |
| Share of Results of Associated Companies (Notes 2(c) & 9)                        | <u>2,730,121</u>    | <u>2,774,003</u>     |
| INCOME BEFORE TAXATION                                                           | 14,438,591          | 14,575,401           |
| Income Tax Expense (Note 7)                                                      | <u>(5,015,078)</u>  | <u>(5,000,487)</u>   |
| INCOME FOR THE YEAR CARRIED TO CONSOLIDATED<br>STATEMENT OF COMPREHENSIVE INCOME | <u>\$9,423,513</u>  | <u>\$9,574,914</u>   |
| <br>BASIC EARNINGS PER SHARE (See Note 14)                                       | <br><u>\$0.31</u>   | <br><u>\$0.32</u>    |

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

S L HORSFORD AND COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 SEPTEMBER 2010  
(Expressed in Eastern Caribbean Dollars)

|                                                                                 | <u>2010</u>                | <u>2009</u>               |
|---------------------------------------------------------------------------------|----------------------------|---------------------------|
| Net Income for the Year                                                         | 9,423,513                  | 9,574,914                 |
| Other Comprehensive Income:                                                     |                            |                           |
| Revaluation Reserve (Net of Disposals and related costs) (Note 11)              | 27,178,988                 |                           |
| Less: Related Deferred Tax (Note 13)                                            | <u>(3,061,718)</u>         |                           |
|                                                                                 | 24,117,270                 | -                         |
| Decrease in Revaluation Reserve – Associated Company                            | (60,189)                   | (112,893)                 |
| Unrealised Holding Gain – Decrease in Fair Value (Note 10)                      | <u>(57,451)</u>            | <u>(42,151)</u>           |
| <b>TOTAL COMPREHENSIVE INCOME CARRIED TO STATEMENT<br/>OF CHANGES IN EQUITY</b> | <b><u>\$33,423,143</u></b> | <b><u>\$9,419,870</u></b> |

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

S L HORSFORD AND COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 SEPTEMBER 2010

(Expressed in Eastern Caribbean Dollars)

|                                                                | <u>Share<br/>Capital</u> | <u>Revaluation<br/>Reserve</u> | <u>Other<br/>Capital<br/>Reserves</u> | <u>Unrealised<br/>Holding<br/>Gain-<br/>Investment</u> | <u>Retained<br/>Earnings</u> | <u>Total</u>         |
|----------------------------------------------------------------|--------------------------|--------------------------------|---------------------------------------|--------------------------------------------------------|------------------------------|----------------------|
| Balance at 30 September 2008                                   |                          |                                |                                       |                                                        |                              |                      |
| - As previously reported                                       | 30,148,430               | 14,428,742                     | 555,307                               | 667,130                                                | 26,911,502                   | 72,711,111           |
| -Prior Year Adjustment - Associated<br>Company (See Note 20)   | -                        | -                              | -                                     | -                                                      | 725,746                      | 725,746              |
|                                                                | 30,148,430               | 14,428,742                     | 555,307                               | 667,130                                                | 27,637,248                   | 73,436,857           |
| Comprehensive Income (Restated)                                | -                        | (112,893)                      | -                                     | (42,151)                                               | 9,574,914                    | 9,419,870            |
| Dividend Paid - \$0.08 per shares                              | -                        | -                              | -                                     | -                                                      | (2,411,874)                  | (2,411,874)          |
| Balance at 30 September 2009<br>(Restated)                     | <u>\$30,148,430</u>      | <u>\$14,315,849</u>            | <u>\$555,307</u>                      | <u>\$624,979</u>                                       | <u>\$34,800,288</u>          | <u>\$80,444,853</u>  |
| Balance at 30 September 2009                                   |                          |                                |                                       |                                                        |                              |                      |
| -As previously reported                                        | 30,148,430               | 14,315,849                     | 555,307                               | 624,979                                                | 33,752,246                   | 79,396,811           |
| -Prior Year Adjustment<br>-Associated Company<br>(See Note 20) | -                        | -                              | -                                     | -                                                      | 1,048,042                    | 1,048,042            |
| -As restated                                                   | 30,148,430               | 14,315,849                     | 555,307                               | 624,979                                                | 34,800,288                   | 80,444,853           |
| Comprehensive Income                                           | -                        | 24,057,081                     | -                                     | (57,451)                                               | 9,423,513                    | 33,423,143           |
| Dividend Paid - \$0.10 per shares                              | -                        | -                              | -                                     | -                                                      | (3,014,843)                  | (3,014,843)          |
| Balance at 30 September 2010                                   | <u>\$30,148,430</u>      | <u>\$38,372,930</u>            | <u>\$555,307</u>                      | <u>\$567,528</u>                                       | <u>\$41,208,958</u>          | <u>\$110,853,153</u> |

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



S L HORSFORD AND COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 SEPTEMBER 2010

(Expressed in Eastern Caribbean Dollars)

| CASH FLOWS FROM OPERATING ACTIVITIES                                  | <u>2010</u>        | <u>2009</u>          |
|-----------------------------------------------------------------------|--------------------|----------------------|
| Income before Taxation                                                | 14,438,591         | 14,575,401           |
| Adjustments for:                                                      |                    |                      |
| Depreciation and Amortisation                                         | 2,941,138          | 2,865,253            |
| Gain on Disposal of Property, Plant and Equipment                     | (246,375)          | (173,249)            |
| Finance costs incurred                                                | 2,137,690          | 2,840,005            |
| Share of Income from Associated Companies                             | <u>(2,730,121)</u> | <u>(2,774,003)</u>   |
| Operating profit before working capital changes                       | 16,540,923         | 17,333,407           |
| Net change in non-cash working capital balances related to Operations | <u>3,138,992</u>   | <u>8,571,361</u>     |
| Cash generated from operating activities                              | 19,679,915         | 25,904,768           |
| Finance costs Paid                                                    | (2,137,690)        | (2,840,005)          |
| Taxation Paid                                                         | <u>(5,460,743)</u> | <u>(3,701,075)</u>   |
| <b>Net Cash from Operating Activities</b>                             | <u>12,081,482</u>  | <u>19,363,688</u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                           |                    |                      |
| Purchase of Property, Plant and Equipment                             | (7,814,758)        | (3,187,397)          |
| Proceeds from Disposal of Property, Plant and Equipment               | 1,422,840          | 705,306              |
| Purchase of Intangibles                                               | (10,044)           | (12,235)             |
| Revaluation Costs                                                     | (55,607)           | -                    |
| Dividends received from Associated Companies                          | <u>978,543</u>     | <u>613,528</u>       |
| <b>Net Cash used in Investing Activities</b>                          | <u>(5,479,026)</u> | <u>(1,880,798)</u>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                           |                    |                      |
| Non-Current Receivables                                               | 1,754,885          | 304,047              |
| Long term Loans Repaid                                                | (2,757,874)        | (6,401,292)          |
| Dividends Paid to Shareholders                                        | <u>(3,014,843)</u> | <u>(2,411,874)</u>   |
| <b>Net Cash used in Financing Activities</b>                          | <u>(4,017,832)</u> | <u>(8,509,119)</u>   |
| Net Increase in Cash and Cash Equivalents                             | 2,584,624          | 8,973,771            |
| Cash and Cash equivalents - beginning of year                         | <u>(1,209,322)</u> | <u>(10,183,093)</u>  |
| Cash and Cash equivalents – end of year                               | <u>\$1,375,302</u> | <u>\$(1,209,322)</u> |
| Cash and cash equivalents comprise:                                   |                    |                      |
| Cash                                                                  | 1,650,929          | 544,575              |
| Bank Overdrafts                                                       | <u>(275,627)</u>   | <u>(1,753,897)</u>   |
|                                                                       | <u>\$1,375,302</u> | <u>\$(1,209,322)</u> |

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

S L HORSFORD AND COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2010  
(Expressed in Eastern Caribbean Dollars)

1 CORPORATE INFORMATION

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

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

Horsfords is a diversified trading company and details of its subsidiary and associated companies and their main activities are set out in Note 17.

2 ACCOUNTING POLICIES

(a) Basis of Accounting:

The consolidated financial statements are prepared on the historical cost basis with the exception of certain property, plant and equipment which are included at net book values based upon valuations. The consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards.

The accounting policies which are followed are set out below.

The accounting policies adopted are consistent with those of the previous financial year including the adoption of the new and amended IAS, IFRS AND IFRIC (International Financial Reporting Committee):

**Standards and interpretations adopted in the current period**

- IAS 1 Presentation of Financial Statements effective January 1 2009
- IAS 7 Statement of Cash Flows effective January 1 2009
- IAS 16 Property Plant and Equipment effective January 1 2009
- IAS 18 Revenue effective January 1 2009
- IAS 23 Borrowing Cost (Revised) effective January 1 2009
- IAS 27 Consolidated and Separate Financial Statements effective January 1 2009
- IAS 28 Investment in Associates effective January 1 2009
- IAS 32 Financial Instrument presentation effective January 1 2009
- IAS 36 Impairment of Assets effective January 1 2009
- IAS 38 Intangibles Assets effective January 1 2009
- IAS 39 Financial Instruments Recognition and Measurement effective January 1 2009
- IFRS 1 First Time Adoption effective January 1 2009
- IFRS 3 Business Combinations effective January 1 2009
- IFRS 5 Non current Assets held for sale and Discontinued Operations.
- IFRS 7 Financial Instruments: Disclosure effective January 1 2009
- IFRIC 13 Customer Loyalty Programme effective January 1 2009.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2010

(Expressed in Eastern Caribbean Dollars)

2 ACCOUNTING POLICIES (cont'd)

(a) Basis of Accounting: (cont'd)

**Standards and interpretation in issue and effective but not applicable**

IAS 19 Employee Benefits effective January 1 2009.

IAS 20 Accounting for Government Grants and Disclosure of Government Assistance effective January 1 2009.

IAS 31 Interest in Joint Ventures

IAS 40 Investment Properties effective January 1 2009

IAS 41 Agriculture effective January 1 2009

IFRS 2 Share-Based Payment effective January 1 2009

IFRS 8 Operating Segments effective January 1 2009

IFRIC 15 Agreements to Construction of Real Estate effective January 1 2009

IFRIC 17 Distribution of non-cash assets to owners effective July 1 2009

IFRIC 18 Transfer of Assets from Customers effective July 1 2009

**Standards and interpretation in issue but not yet effective**

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments effective July 1 2010

IAS 17 Leases effective January 1 2010

(b) Use of Estimates:

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

S L HORSFORD AND COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2010

(Expressed in Eastern Caribbean Dollars)  
(Continued)

2 ACCOUNTING POLICIES (cont'd)

(c) Basis of Consolidation:

The consolidated financial statements include the audited financial statements of the Company and its subsidiary undertakings made up to 30 September, together with the Group's share of the results of associated companies.

Goodwill arising on consolidation, representing the excess of purchase consideration over the fair value of net tangible assets acquired, is written off against reserves in the year of acquisition.

(d) Foreign Currencies:

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

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

(e) Revenue Recognition:

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

Sales to third parties:

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

Rendering of services:

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

Interest income:

Interest from hire purchases is apportioned over the period in which the instalments are due, in the proportion which instalments due bear to total selling price. Other interest income is recognised as the interest accrues, unless collectibility is in doubt.

Dividend:

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2010

(Expressed in Eastern Caribbean Dollars)

(Continued)

2 ACCOUNTING POLICIES (cont'd)

(f) Accounts Receivable:

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

(g) Inventories and Goods in Transit:

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

(h) Hire Purchase Sales:

Furniture:

The gross profit and interest charges relating to Hire Purchase Sales are apportioned over the periods in which the instalments are due, in the proportion which instalments due bear to total selling price.

Hire Purchase stock and debtors are valued at Hire Purchase sale price less deferred gross profit and interest charges and less cash received on account. These values are not greater than cost or net realisable value.

(i) Property, Plant and Equipment:

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

Depreciation rates are as follows:

|                                        |              |
|----------------------------------------|--------------|
| Freehold Buildings                     | 2%           |
| Leasehold Buildings                    | 4%           |
| Vehicles                               | 12.5% - 30%  |
| Cargo Handling Gear                    | 20%          |
| Furniture, Fittings and Equipment      | 10% - 20%    |
| Coldrooms and Electrical Installations | 10%          |
| Plant and Equipment                    | 20% - 33.33% |
| Boat                                   | 20%          |

S L HORSFORD AND COMPANY LIMITED  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2010

(Expressed in Eastern Caribbean Dollars)

(Continued)

2 ACCOUNTING POLICIES (cont'd)

(j) Investments:

Available-for-sale:

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

Investments are initially recognised at cost, being the fair value of the consideration given, including acquisition charges associated with the investment. For securities where there is no quoted market price, fair value has been estimated by management at cost less amounts written off. While it is not practical to determine the current market value of these investments, it is not considered necessary to make further provisions for permanent impairment in the value of investments as at 30 September 2010.

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

(k) Taxation:

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

(l) Turnover:

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

(m) Borrowing costs:

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

The group capitalizes borrowing costs for all eligible assets where construction was commenced on or after January 1, 2009.

(n) Accounts Payable and Accruals:

Liabilities for trade and other amounts payable are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the group.

S L HORSFORD AND COMPANY LIMITED  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2010

(Expressed in Eastern Caribbean Dollars)

(Continued)

2 ACCOUNTING POLICIES (cont'd)

(o) Provisions:

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

(p) Intangibles:

Intangible assets are identifiable non-monetary assets without physical substance. Computer software meets this description and has been removed from property, plant and equipment in order to comply with International Accounting Standard No. 38. Acquired computer software licences, upgrades to software and related costs that are expected to contribute to the future economic benefit of the group are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives at a rate of 33 1/3% per annum.

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

| 3 ACCOUNTS RECEIVABLE                                   | <u>2010</u>                | <u>2009</u>                |
|---------------------------------------------------------|----------------------------|----------------------------|
| Trade Receivables (Net of provision for doubtful debts) | 24,566,968                 | 26,822,989                 |
| Sundry Receivables and Prepayments                      | <u>1,172,475</u>           | <u>745,150</u>             |
|                                                         | 25,739,443                 | 27,568,139                 |
| <u>Less: Non-current portion of Receivables</u>         | <u>(14,199,515)</u>        | <u>(15,954,400)</u>        |
| <b>TOTAL - Current</b>                                  | <b><u>\$11,539,928</u></b> | <b><u>\$11,613,739</u></b> |

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

| 4 INVENTORIES    | <u>2010</u>                | <u>2009</u>                |
|------------------|----------------------------|----------------------------|
| Merchandise      | 25,370,293                 | 30,731,832                 |
| Stock on Hire    | 3,877,116                  | 3,854,359                  |
| Goods In Transit | <u>1,993,392</u>           | <u>1,371,224</u>           |
| <b>TOTAL</b>     | <b><u>\$31,240,801</u></b> | <b><u>\$35,957,415</u></b> |

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|   |                                             |                         |                         |
|---|---------------------------------------------|-------------------------|-------------------------|
| 5 | LOANS AND BANK OVERDRAFTS                   | <u>2010</u>             | <u>2009</u>             |
|   | Current:                                    |                         |                         |
|   | Overdrafts                                  | 275,627                 | 1,753,897               |
|   | Loans – Current Portion                     | <u>15,350,530</u>       | <u>15,177,975</u>       |
|   | <br>TOTAL CURRENT LOANS AND BANK OVERDRAFTS | <br><u>\$15,626,157</u> | <br><u>\$16,931,872</u> |
|   | LOANS – NON-CURRENT                         | <u>\$15,681,349</u>     | <u>\$18,611,775</u>     |
|   | Summary of Loans:                           |                         |                         |
|   | Amount Payable:                             |                         |                         |
|   | Within 1 year                               | 15,350,530              | 15,177,975              |
|   | 2 – 5 Years                                 | 10,926,592              | 10,813,611              |
|   | Over 5 Years                                | <u>4,754,757</u>        | <u>7,798,164</u>        |
|   | <br>TOTAL LOANS                             | <br><u>\$31,031,879</u> | <br><u>\$33,789,750</u> |
|   | Analysed as follows:                        |                         |                         |
|   | Secured                                     | 18,645,670              | 21,267,751              |
|   | Unsecured                                   | <u>12,386,209</u>       | <u>12,521,999</u>       |
|   | <br>TOTAL                                   | <br><u>\$31,031,879</u> | <br><u>\$33,789,750</u> |

Repayment Terms:

Loans are repayable over periods varying from one (1) to twelve (12) years at rates of interest of between approximately 6% and 9%.

Collateral for Advances:

The Bank Loans and Overdrafts are secured by debentures executed by the Parent Company and two subsidiaries totalling \$62,345,000 (2009 = \$62,345,000).

The principal instalments due within the twelve months ending 30 September 2011 have been shown under Current Liabilities.



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|   |                                                                                        |                    |                     |
|---|----------------------------------------------------------------------------------------|--------------------|---------------------|
| 6 | ACCOUNTS PAYABLE AND ACCRUALS                                                          | <u>2010</u>        | <u>2009</u>         |
|   | Trade Payables                                                                         | 5,201,484          | 6,550,546           |
|   | Sundry Payables and Accruals                                                           | <u>3,252,461</u>   | <u>3,554,833</u>    |
|   | TOTAL                                                                                  | <u>\$8,453,945</u> | <u>\$10,105,379</u> |
| 7 | PROVISION FOR TAXATION                                                                 | <u>2010</u>        | <u>2009</u>         |
|   | <u>Statement of Financial Position</u>                                                 |                    |                     |
|   | The taxation provision in the Statement of Financial Position comprises the following: |                    |                     |
|   | Current Year                                                                           | <u>\$1,649,916</u> | <u>\$2,813,503</u>  |
|   | <u>Statement of Income</u>                                                             |                    |                     |
|   | The Taxation charge in the Statement of Income comprises the following:                |                    |                     |
|   | Provision for charge on Current Profits                                                | 4,297,156          | 4,234,463           |
|   | Overprovision                                                                          | -                  | (75,420)            |
|   | Deferred Tax (Note 13)                                                                 | <u>75,243</u>      | <u>227,233</u>      |
|   |                                                                                        | 4,372,399          | 4,386,276           |
|   | Associated Companies (Note 9)                                                          | <u>642,679</u>     | <u>614,211</u>      |
|   | TOTAL                                                                                  | <u>\$5,015,078</u> | <u>\$5,000,487</u>  |

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7 PROVISION FOR TAXATION (cont'd) 2010 2009

The group's effective tax rate of 36.8% (2009 = 36.6%) differs from the Statutory rate of 35% as follows:

|                                                                         |                           |                           |
|-------------------------------------------------------------------------|---------------------------|---------------------------|
| Profit before taxation                                                  | <u>\$14,438,590</u>       | <u>\$14,575,401</u>       |
| Taxes at statutory rate of 35%                                          | 5,053,507                 | 5,101,390                 |
| Tax effect of expenses not deductible in<br>determining taxable profits | 278,916                   | 203,612                   |
| Tax effect of income not assessable for taxation                        | (306,424)                 | (342,506)                 |
| Tax Overprovision – previous years                                      | -                         | (75,420)                  |
| Tax effect of Depreciation on non qualifying assets                     | 107,154                   | 123,484                   |
| Other                                                                   | <u>(118,075)</u>          | <u>(10,073)</u>           |
| <b>TOTAL</b>                                                            | <u><b>\$5,015,078</b></u> | <u><b>\$5,000,487</b></u> |

All income tax assessments up to and including the year of assessment 2010/09 have been examined and agreed by the Comptroller of Inland Revenue and the taxes duly paid.

|                                                                      |                |                 |
|----------------------------------------------------------------------|----------------|-----------------|
| 8 INTANGIBLES                                                        | <u>2010</u>    | <u>2009</u>     |
| Software – reclassification from plant and equipment (See Note 2(p)) | 38,427         | 26,191          |
| Additions                                                            | <u>10,044</u>  | <u>12,236</u>   |
|                                                                      | <u>48,471</u>  | <u>38,427</u>   |
| Accumulated Amortisation – reclassification                          | 20,147         | 8,585           |
| Amortisation                                                         | <u>20,169</u>  | <u>11,562</u>   |
|                                                                      | <u>40,316</u>  | <u>20,147</u>   |
| NET BOOK VALUE                                                       | <u>\$8,155</u> | <u>\$18,280</u> |

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|   |                                                                                      |                     |                           |
|---|--------------------------------------------------------------------------------------|---------------------|---------------------------|
| 9 | INVESTMENT IN ASSOCIATED COMPANIES                                                   | <u>2010</u>         | <u>2009</u><br>(Restated) |
|   | Original cost of investments                                                         | 3,048,436           | 3,048,436                 |
|   | Increase in equity over cost from acquisition to the<br>end of previous year         | <u>8,857,274</u>    | <u>6,698,157</u>          |
|   | Capital reserve reduction                                                            | 11,905,710          | 9,746,593                 |
|   | Prior Year Adjustment                                                                | (60,189)            | (112,893)                 |
|   | Share of net income less dividends received from<br>Associated Companies (see below) | -                   | 725,746                   |
|   |                                                                                      | <u>1,108,899</u>    | <u>1,546,264</u>          |
|   | Balance at End of Year                                                               | <u>\$12,954,420</u> | <u>\$11,905,710</u>       |

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

|                                 |                    |                           |
|---------------------------------|--------------------|---------------------------|
|                                 | <u>2010</u>        | <u>2009</u><br>(Restated) |
| Share of income before taxation | 2,730,121          | 2,774,003                 |
| Taxation (Note 7)               | (642,679)          | (614,211)                 |
| Dividends received              | 2,087,442          | 2,159,792                 |
|                                 | <u>(978,543)</u>   | <u>(613,528)</u>          |
| TOTAL (As Above)                | <u>\$1,108,899</u> | <u>\$1,546,264</u>        |

The Group's share of the results of its associates, all of which are unlisted, and its share of the net assets are as follows:

|                   |             |                           |
|-------------------|-------------|---------------------------|
|                   | <u>2010</u> | <u>2009</u><br>(Restated) |
| Assets            | 17,911,378  | 16,647,102                |
| Liabilities       | 4,952,072   | 4,447,842                 |
| Revenue           | 16,739,450  | 10,857,668                |
| Profit before Tax | 2,730,121   | 2,774,003                 |

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|      |                                     |                                                       |                            |                                                        |                                                     |                     |
|------|-------------------------------------|-------------------------------------------------------|----------------------------|--------------------------------------------------------|-----------------------------------------------------|---------------------|
| 10   | AVAILABLE-FOR-SALE INVESTMENTS      |                                                       | <u>2010</u>                |                                                        | <u>2009</u>                                         |                     |
|      | Quoted Securities                   |                                                       | 668,009                    |                                                        | 725,460                                             |                     |
|      | Unquoted Securities                 |                                                       | <u>100,000</u>             |                                                        | <u>100,000</u>                                      |                     |
|      | TOTAL                               |                                                       | <u>\$768,009</u>           |                                                        | <u>\$825,460</u>                                    |                     |
| <br> |                                     |                                                       |                            |                                                        |                                                     |                     |
| 11   | PROPERTY, PLANT AND EQUIPMENT       |                                                       |                            |                                                        |                                                     |                     |
|      |                                     | Land &<br>Buildings<br>- at cost/<br><u>Valuation</u> | Plant<br>at<br><u>cost</u> | Vehicles<br>and<br>Other<br>Assets<br>- <u>at cost</u> | Capital<br>Work-<br>in-Progress<br>- <u>at cost</u> | <u>Total</u>        |
|      | <b>Year Ended 30 September 2010</b> |                                                       |                            |                                                        |                                                     |                     |
|      | Cost/Valuation -                    |                                                       |                            |                                                        |                                                     |                     |
|      | Beginning of Year                   | 49,277,633                                            | 712,782                    | 19,601,855                                             | 835,546                                             | 70,427,816          |
|      | Additions                           | 354,221                                               | 22,123                     | 1,548,869                                              | 5,889,545                                           | 7,814,758           |
|      | Revaluation                         | 23,840,134                                            | -                          | -                                                      | -                                                   | 23,840,134          |
|      | (Disposals)                         | <u>(1,140,745)</u>                                    | <u>(9,213)</u>             | <u>(1,898,203)</u>                                     | <u>-</u>                                            | <u>(3,048,161)</u>  |
|      | Cost/Valuation -                    |                                                       |                            |                                                        |                                                     |                     |
|      | End of Year                         | <u>72,331,243</u>                                     | <u>725,692</u>             | <u>19,252,521</u>                                      | <u>6,725,091</u>                                    | <u>99,034,547</u>   |
|      | Accumulated Depreciation -          |                                                       |                            |                                                        |                                                     |                     |
|      | Brought Forward                     | 4,039,743                                             | 430,747                    | 11,755,622                                             | -                                                   | 16,226,112          |
|      | Charge                              | 724,151                                               | 108,624                    | 2,088,193                                              | -                                                   | 2,920,968           |
|      | Revaluation                         | (4,003,883)                                           | -                          | -                                                      | -                                                   | (4,003,883)         |
|      | (Disposals)                         | <u>(24,968)</u>                                       | <u>(9,213)</u>             | <u>(1,228,094)</u>                                     | <u>-</u>                                            | <u>(1,262,275)</u>  |
|      | Accumulated Depreciation            |                                                       |                            |                                                        |                                                     |                     |
|      | Carried Forward                     | <u>735,043</u>                                        | <u>530,158</u>             | <u>12,615,721</u>                                      | <u>-</u>                                            | <u>13,880,922</u>   |
|      | Written Down Value - 2010           | <u>\$71,596,200</u>                                   | <u>\$195,534</u>           | <u>\$6,636,800</u>                                     | <u>\$6,725,091</u>                                  | <u>\$85,153,625</u> |

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11 PROPERTY, PLANT AND EQUIPMENT (cont'd)

|                                     | Land &<br>Buildings<br>- at cost/<br><u>Valuation</u> | Plant<br>at<br><u>cost</u> | Vehicles<br>and<br>Other<br>Assets<br>- at cost | Capital<br>Work-<br>in-Progress<br>- at cost | <u>Total</u>        |
|-------------------------------------|-------------------------------------------------------|----------------------------|-------------------------------------------------|----------------------------------------------|---------------------|
| <b>Year Ended 30 September 2009</b> |                                                       |                            |                                                 |                                              |                     |
| Cost/Valuation -                    |                                                       |                            |                                                 |                                              |                     |
| Beginning of Year                   | 49,277,633                                            | 605,387                    | 22,611,032                                      | 298,583                                      | 72,792,635          |
| Additions                           | -                                                     | 112,460                    | 2,537,974                                       | 536,963                                      | 3,187,397           |
| (Disposals)                         | <u>-</u>                                              | <u>(5,065)</u>             | <u>(5,547,151)</u>                              | <u>-</u>                                     | <u>(5,552,216)</u>  |
| Cost/Valuation -                    |                                                       |                            |                                                 |                                              |                     |
| End of Year                         | <u>49,277,633</u>                                     | <u>712,782</u>             | <u>19,601,855</u>                               | <u>835,546</u>                               | <u>70,427,816</u>   |
| Accumulated Depreciation -          |                                                       |                            |                                                 |                                              |                     |
| Brought Forward                     | 3,445,085                                             | 335,590                    | 14,594,298                                      | -                                            | 18,374,973          |
| Charge                              | 594,658                                               | 100,222                    | 2,158,811                                       | -                                            | 2,853,691           |
| (Disposals)                         | <u>-</u>                                              | <u>(5,065)</u>             | <u>(4,997,487)</u>                              | <u>-</u>                                     | <u>(5,002,552)</u>  |
| Accumulated Depreciation            |                                                       |                            |                                                 |                                              |                     |
| Carried Forward                     | <u>4,039,743</u>                                      | <u>430,747</u>             | <u>11,755,622</u>                               | <u>-</u>                                     | <u>16,226,112</u>   |
| Written Down Value - 2009           | <u>\$45,237,890</u>                                   | <u>\$282,035</u>           | <u>\$7,846,233</u>                              | <u>\$835,546</u>                             | <u>\$54,201,704</u> |

Leasehold Lands at Pond's Industrial Site

The lands upon which warehouses of the Parent Company and the Coldrooms and Dry Goods Warehouse of a Subsidiary are built have been leased to these Companies by Government. There are three lease agreements for a period of thirty five years each effective from the following dates:

Parent Company:

- 1 First Lease - 35 years from 15 January 1981
- 2 Second Lease - 35 years from 1 June 1986

Subsidiary Company:

- 1 First Lease - 35 years from 1 April 1973 (land purchased during year under review)
- 2 Second Lease - 35 years from 1 February 1985

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11 PROPERTY, PLANT AND EQUIPMENT (cont'd)

The first lease (subsidiary company) effective from 1 April 1973 expired and the Company was in negotiation with the Government of St Kitts-Nevis for the purchase of this piece of land. During the year under review, the Company purchased this piece of land.

Revaluation:

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

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

Additions subsequent to revaluation are stated at cost.

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|    |                                                                                                                                                                                                                                                                                                                                                                                            |                      |                      |
|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| 12 | SHARE CAPITAL                                                                                                                                                                                                                                                                                                                                                                              | <u>2010</u>          | <u>2009</u>          |
|    | Authorised                                                                                                                                                                                                                                                                                                                                                                                 |                      |                      |
|    | 50,000,000 Ordinary Shares of \$1 each                                                                                                                                                                                                                                                                                                                                                     |                      |                      |
|    | Issued and Fully Paid                                                                                                                                                                                                                                                                                                                                                                      |                      |                      |
|    | 30,148,430 Ordinary Shares of \$1 each                                                                                                                                                                                                                                                                                                                                                     | \$ <u>30,148,430</u> | \$ <u>30,148,430</u> |
|    | Dividend of 6% (2009 = 10%) per ordinary share (amounting to \$1,808,906/2009 = \$3,014,843) in respect of 2010 has been proposed by the Directors. The Financial Statements for the year ended 30 September 2010 do not reflect this proposed dividend which, if ratified, will be accounted for in equity as an appropriation of retained earnings in the year ending 30 September 2011. |                      |                      |
| 13 | DEFERRED TAX LIABILITY                                                                                                                                                                                                                                                                                                                                                                     | <u>2010</u>          | <u>2009</u>          |
|    | Deferred Tax Liability (Net) – at beginning of year                                                                                                                                                                                                                                                                                                                                        | 2,113,901            | 1,886,668            |
|    | Deferred Tax (Note 7)                                                                                                                                                                                                                                                                                                                                                                      | 75,243               | 227,233              |
|    | Deferred Tax – Revaluation                                                                                                                                                                                                                                                                                                                                                                 | <u>3,061,718</u>     | <u>-</u>             |
|    | Deferred Tax Liability (Net) – at end of year                                                                                                                                                                                                                                                                                                                                              | <u>\$5,250,862</u>   | <u>\$2,113,901</u>   |
|    | Deferred Tax Liability (Net) comprises the following:                                                                                                                                                                                                                                                                                                                                      |                      |                      |
|    | Deferred Tax Asset                                                                                                                                                                                                                                                                                                                                                                         | -                    | (109,788)            |
|    | Deferred Tax Liability                                                                                                                                                                                                                                                                                                                                                                     | <u>5,250,862</u>     | <u>2,223,689</u>     |
|    |                                                                                                                                                                                                                                                                                                                                                                                            | <u>\$5,250,862</u>   | <u>\$2,113,901</u>   |
|    | Deferred Tax Asset comprises:                                                                                                                                                                                                                                                                                                                                                              |                      |                      |
|    | - Unutilised Capital Allowances                                                                                                                                                                                                                                                                                                                                                            | -                    | (54,265)             |
|    | - Accelerated Depreciation                                                                                                                                                                                                                                                                                                                                                                 | <u>-</u>             | <u>(55,523)</u>      |
|    |                                                                                                                                                                                                                                                                                                                                                                                            | <u>\$ -</u>          | <u>\$(109,788)</u>   |
|    | Deferred Tax Liability comprises:                                                                                                                                                                                                                                                                                                                                                          |                      |                      |
|    | - Accelerated Capital Allowances                                                                                                                                                                                                                                                                                                                                                           | <u>\$5,250,862</u>   | <u>\$2,223,689</u>   |

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14 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net income for the year by the number of ordinary shares in issue during the year.

|                                           | <u>2010</u>        | <u>2009</u><br>(Restated) |
|-------------------------------------------|--------------------|---------------------------|
| Net Income for the Year                   | <u>\$9,423,513</u> | <u>\$9,574,914</u>        |
| Number of shares in issue during the year | <u>30,148,430</u>  | <u>30,148,430</u>         |
| Basic earnings per share                  | <u>\$0.31</u>      | <u>\$0.32</u>             |

15 CONTINGENT LIABILITIES

Parent Company:

a) Unfunded Pension:

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

b) Guarantees:

The Company has given guarantees to First Caribbean International Bank, St Kitts, Bank of Nova Scotia and Royal Bank of Canada as collateral for overdraft facilities of up to \$3,515,000 (2009 = \$3,015,000) for its Subsidiary Companies, Ocean Cold Storage (St Kitts) Limited, S L Horsford Finance Company Limited and S L Horsford Shipping Limited.

c) Letters of Credit:

At the year end, the company had outstanding letters of credit totalling \$268,820 (2009 = \$268,820).

d) Legal Claims:

Parent Company:

Counsel has advised that at 30 September 2010 there were no claims pending against the company (2009 = Nil).



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16 RELATED PARTY TRANSACTIONS

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

|                                     | <u>2010</u> | <u>2009</u> |
|-------------------------------------|-------------|-------------|
|                                     | \$          | \$          |
| i) Sales of goods and services      | 3,598,146   | 5,259,014   |
| ii) Purchases of goods and services | 6,256,017   | 6,782,292   |
| iii) Management fees                | 28,800      | 28,800      |
| iv) Dividends received              | 978,543     | 613,528     |

2. Compensation of key management personnel of the Company and its subsidiaries:

|                                                           |                    |                  |
|-----------------------------------------------------------|--------------------|------------------|
| Short-term employee benefits and retirement contributions | <u>\$1,041,998</u> | <u>\$899,026</u> |
|-----------------------------------------------------------|--------------------|------------------|

17 DETAILS OF SUBSIDIARY AND ASSOCIATED COMPANIES

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

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18 FINANCIAL INSTRUMENTS

a) Interest Rate Risk:

Interest rates and terms of borrowing are disclosed in Note 5.

b) Credit Risk:

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

c) Fair Values:

The carrying amounts of the following financial assets and liabilities approximate their fair value: cash and bank balances, accounts receivable, investments, accounts payable, loans and long-term liabilities.

d) Currency Risk:

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

e) Liquidity Risk:

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

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(Continued)

18 FINANCIAL INSTRUMENTS (cont'd)

e) Liquidity Risk: (cont'd)

The following table summarises the maturity profile of the Group's financial liabilities and assets at 30 September 2010:

**Year ended 30 September 2010**

|                               | Due within<br><u>1 Year</u> | >1 year<br><u>to 6 years</u> | Over<br><u>6 years</u> | <u>Total</u>        |
|-------------------------------|-----------------------------|------------------------------|------------------------|---------------------|
| Overdrafts                    | 275,627                     | -                            | -                      | 275,627             |
| Loans                         | 15,350,530                  | 10,926,592                   | 4,754,757              | 31,031,879          |
| Accounts payable and accruals | <u>8,453,945</u>            | <u>-</u>                     | <u>-</u>               | <u>8,453,945</u>    |
|                               | <u>\$24,080,102</u>         | <u>\$10,926,592</u>          | <u>\$4,754,757</u>     | <u>\$39,761,451</u> |

**Year ended 30 September 2009**

|                               | Due within<br><u>1 Year</u> | >1 year<br><u>to 6 years</u> | Over<br><u>6 years</u> | <u>Total</u>        |
|-------------------------------|-----------------------------|------------------------------|------------------------|---------------------|
| Overdrafts                    | 1,753,897                   | -                            | -                      | 1,753,897           |
| Loans                         | 15,177,975                  | 10,813,611                   | 7,798,164              | 33,789,750          |
| Accounts payable and accruals | <u>10,105,379</u>           | <u>-</u>                     | <u>-</u>               | <u>10,105,379</u>   |
|                               | <u>\$27,037,251</u>         | <u>\$10,813,611</u>          | <u>\$7,798,164</u>     | <u>\$45,649,026</u> |

S L HORSFORD AND COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2010

(Expressed in Eastern Caribbean Dollars)

(Continued)

18 FINANCIAL INSTRUMENTS (cont'd)

e) Liquidity Risk: (cont'd)

Financial Assets:

|                               | Due within<br><u>1 Year</u> | >1 year<br><u>to 6 years</u> | Over<br><u>6 years</u> | <u>Total</u>        |
|-------------------------------|-----------------------------|------------------------------|------------------------|---------------------|
| Year ended 30 September 2010: |                             |                              |                        |                     |
| Cash with bankers and in hand | 1,650,929                   | -                            | -                      | 1,650,929           |
| Accounts Receivables          | 11,539,927                  | 14,199,515                   | -                      | 25,739,442          |
| Investments                   | <u>-</u>                    | <u>-</u>                     | <u>13,722,429</u>      | <u>13,722,429</u>   |
|                               | <u>\$13,190,856</u>         | <u>\$14,199,515</u>          | <u>\$13,722,429</u>    | <u>\$41,112,800</u> |
| Year ended 30 September 2009: |                             |                              |                        |                     |
| Cash with bankers and in hand | 544,575                     | -                            | -                      | 544,575             |
| Accounts Receivables          | 11,613,739                  | 15,954,400                   | -                      | 27,568,139          |
| Investments                   | <u>-</u>                    | <u>-</u>                     | <u>12,731,170</u>      | <u>12,731,170</u>   |
|                               | <u>\$12,158,314</u>         | <u>\$15,954,400</u>          | <u>\$12,731,170</u>    | <u>\$40,843,884</u> |

19 CAPITAL COMMITMENT

At year end, the Parent Company was committed to the completion of the construction of a supermarket and shopping complex at Baths, Nevis at an estimated cost of \$4 million and purchase of equipment in the approximate amount of \$3.5 million (2009 = \$11 million).

The Company is also committed to the conclusion of the purchase of land in the approximate amount of EC \$363,000 (2009 = Nil).

20 PRIOR YEAR ADJUSTMENT – Associated Company

The prior year adjustment represent overprovisions for taxation written back as a result of tax concessions granted to an associated company.



Chartered Accountants  
& business advisers

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## AUDITORS' REPORT

TO THE SHAREHOLDERS

S L HORSFORD AND COMPANY LIMITED

We have audited the accompanying consolidated financial statements of S L Horsford and Company Limited and its subsidiaries ('the Group'), which comprise the consolidated statement of financial position as at 30 September 2010, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PKF IP. O. Box 335/"Independence House"/North Independence Square/Basseterre/St. Kitts  
Tel: (869) 465-2215/465-2746/4664925 Fax: (869) 466-2091/465-1098 Email: [pannells@sisterisles.kn](mailto:pannells@sisterisles.kn)

Partners: Omax A. E. Gardner Wilbur A. Harrigan, OBE

AUDITORS' REPORT (Cont'd)

TO THE SHAREHOLDERS

S L HORSFORD AND COMPANY LIMITED

**Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 30 September 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PKF

Chartered Accountants:

BASSETERRE - ST KITTS  
16 December 2010

**PKF**

S L HORSFORD AND COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES


CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 30 SEPTEMBER 2010

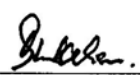
(Expressed in Eastern Caribbean Dollars)

| CURRENT ASSETS                     | Notes  | 2010                 | 2009                 |
|------------------------------------|--------|----------------------|----------------------|
| Cash at Bank and in Hand           |        | 1,650,929            | 544,575              |
| Accounts Receivable – Current      | 3      | 11,539,928           | 11,613,739           |
| Inventories                        | 4      | <u>31,240,801</u>    | <u>35,957,415</u>    |
|                                    |        | <u>44,431,658</u>    | <u>48,115,729</u>    |
| <br>                               |        |                      |                      |
| CURRENT LIABILITIES                |        |                      |                      |
| Loans and Bank Overdrafts          | 5      | 15,626,157           | 16,931,872           |
| Accounts Payable and Accruals      | 6      | 8,453,945            | 10,105,379           |
| Provision for Taxation             | 7      | <u>1,649,916</u>     | <u>2,813,503</u>     |
|                                    |        | <u>25,730,018</u>    | <u>29,850,754</u>    |
| <br>                               |        |                      |                      |
| WORKING CAPITAL                    |        | 18,701,640           | 18,264,975           |
| INTANGIBLES                        | 8      | 8,155                | 18,280               |
| ACCOUNTS RECEIVABLE – Non-Current  | 3      | 14,199,515           | 15,954,400           |
| INVESTMENT IN ASSOCIATED COMPANIES | 9      | 12,954,420           | 11,905,710           |
| AVAILABLE-FOR-SALE INVESTMENTS     | 10     | 768,009              | 825,460              |
| PROPERTY, PLANT AND EQUIPMENT      | 5 & 11 | <u>85,153,625</u>    | <u>54,201,704</u>    |
| TOTAL                              |        | <u>\$131,785,364</u> | <u>\$101,170,529</u> |
| <br>                               |        |                      |                      |
| FINANCED BY                        |        |                      |                      |
| SHARE CAPITAL                      | 12     | 30,148,430           | 30,148,430           |
| RESERVES                           |        | <u>80,704,723</u>    | <u>50,296,423</u>    |
| SHAREHOLDERS' FUNDS                |        | 110,853,153          | 80,444,853           |
| <br>                               |        |                      |                      |
| DEFERRED TAX LIABILITY             | 13     | 5,250,862            | 2,113,901            |
| <br>                               |        |                      |                      |
| LOANS - NON-CURRENT                | 5      | <u>15,681,349</u>    | <u>18,611,775</u>    |
| FUNDS EMPLOYED                     |        | <u>\$131,785,364</u> | <u>\$101,170,529</u> |

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

Approved by the Board of Directors on 15 February 2011.

  
W Anthony Kelsick  
Chairman

  
Donald Kelsick  
Director