

S L HORSFORD AND COMPANY LIMITED

DETAILED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 SEPTEMBER 2013

S L HORSFORD AND COMPANY LIMITED

DETAILED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2013

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## INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS

S L HORSFORD AND COMPANY LIMITED

We have audited the non-consolidated Financial Statements of S L Horsford and Company Limited which comprise the non-consolidated statement of financial position as at 30 September 2013, and the non-consolidated income statement, non-consolidated statement of comprehensive income, non-consolidated statement of changes in equity and non-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 non-consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these non-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' judgement, 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 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.

THE SHAREHOLDERS

S L HORSFORD AND COMPANY LIMITED

**Opinion**

In our opinion, the non-consolidated financial statements give a true and fair view of the financial position of the Company as at 30 September 2013 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants:

BASSETERRE - ST KITTS  
6 February 2014

S L HORSFORD AND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2013

(Expressed in Eastern Caribbean Dollars)

1 INCORPORATION AND PRINCIPAL ACTIVITY

Incorporation:

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.

Principal Activities:

S L Horsford and Company Limited is a diversified trading company which deals principally in building materials and general merchandise, hardware items, motor vehicles and spare parts. The Company is also engaged in the sale of petrol products.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting:

The Financial Statements are prepared in accordance with International Financial Reporting Standards under the historical cost basis of accounting except for the revaluation of certain property, plant and equipment carried out during 1987, 2003 and 2009.

The accounting policies adopted are consistent with those of the previous year including the adoption of the new and amended IAS, IFRS and IFRIC (International Financial Reporting Interpretation Committee) interpretations for accounting periods beginning on or after dates indicated below.

**New and amended standards and interpretations in effect and applicable:**

|        |                                                                        |                |
|--------|------------------------------------------------------------------------|----------------|
| IAS 12 | Income Taxes – Deferred Tax: Recovery of Underlying Assets (Amendment) | 1 January 2012 |
| IAS 1  | Presentation of Financial Statements (Amendment)                       | 1 July 2012    |

Adoption of these standards did not have any effect on the performance of the company.

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## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

**Standards and interpretations in issue but not yet effective and not early adopted:**

|                                                                                                                                                         |                |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| IFRS 1 First-time Adoption of International Standards (Amendment)                                                                                       | 1 January 2013 |
| IFRS 7 Offsetting Financial Assets and Financial Liabilities (Amendment)                                                                                | 1 January 2013 |
| IFRS 9 Financial Instruments (2009 & 2010)                                                                                                              | 1 January 2015 |
| IFRS 10 Consolidated Financial Statements                                                                                                               | 1 January 2013 |
| IFRS 11 Joint Arrangements                                                                                                                              | 1 January 2013 |
| IFRS 12 Disclosure of Interest in Other Entities                                                                                                        | 1 January 2013 |
| IFRS 13 Fair Value Measurement                                                                                                                          | 1 January 2013 |
| IAS 19 Employee Benefits (2011)                                                                                                                         | 1 January 2013 |
| IAS 27 Separate Financial Statements (2011)                                                                                                             | 1 January 2013 |
| IAS 28 Investments in Associated and Joint Ventures                                                                                                     | 1 January 2013 |
| IAS 32 Financial Instruments (Amendment)                                                                                                                | 1 January 2014 |
| IFRS 1, IAS 1, IAS16, IAS 32 and IAS 34 Annual Improvements 2009- 2011 Cycle                                                                            | 1 January 2013 |
| IFRS 10, IFRS 11 and IFRS 12 Consolidated Financial Statements, Joint Arrangements<br>And Disclosure of Interest in Other Entities: Transition Guidance | 1 January 2013 |
| IFRS 10, IFRS 12 and IAS 27 (Amendments) Investment Entities                                                                                            | 1 January 2014 |
| IAS 36 Impairment of Assets (Amendment)                                                                                                                 | 1 January 2014 |
| IAS 39 Financial Instruments: Recognition and Measurement (Amendment)                                                                                   | 1 January 2014 |
| IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine                                                                                      | 1 January 2013 |
| IFRIC 21 Levies                                                                                                                                         | 1 January 2014 |

S L HORSFORD AND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
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2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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.

(c) Foreign Currencies:

All amounts are expressed in Eastern Caribbean Dollars. Current assets and liabilities are translated into Eastern Caribbean Dollars at the exchange rates prevailing at the year end. 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 Income Statement.

(d) 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.

(e) Revenue Recognition:

The company 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.

S L HORSFORD AND COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2013

(Expressed in Eastern Caribbean Dollars)

(Continued)

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

## (e) Revenue Recognition: (cont'd)

## Interest income:

Interest from hire purchase sales 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 is accrued, unless collectibility is in doubt.

## Dividend:

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

## (f) Hire Purchase Sales:

Furniture:

The gross profit and interest charges are apportioned over the periods in which the installments are due in the proportion which installments due bear to total selling price.

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

## (g) Inventories:

Inventories are stated at the lower of cost and net realisable value on a first-in, first-out basis. Adequate provision is made for obsolete and slow-moving items.

## (h) Property, Plant and Equipment

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

Depreciation rates are as follows:

|                        |                   |
|------------------------|-------------------|
| Buildings              | 2%                |
| Vehicles               | 12.5%, 15% & 20%  |
| Furniture and Fittings | 10% & 20%         |
| Plant and Equipment    | 20%, 10% & 33.33% |



S L HORSFORD AND COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS  
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(Expressed in Eastern Caribbean Dollars)

(Continued)

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

## (i) 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 the investments, where necessary provision is made for permanent impairment in the value of investments.

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 recognised in equity is included in the profit or loss.

## Associated Companies:

The investments in associated companies are stated at cost.

## (j) Taxation:

The company 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.

S L HORSFORD AND COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS  
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(Expressed in Eastern Caribbean Dollars)

(Continued)

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

## (k) Trade Creditors 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 company.

## (l) Provisions:

Provisions are recognised when the company 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.

## (m) Intangibles:

Intangible assets are identifiable non-monetary assets without physical substance. Computer software meets this description. Acquired computer software licences, upgrades to software and related costs that are expected to contribute to the future economic benefit of the company are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives at a rate of 33 1/3% per annum.

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

## n) Borrowing Costs:

Borrowing 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.

S L HORSFORD AND COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS  
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(Expressed in Eastern Caribbean Dollars)

(Continued)

|   |                                                          |                    |                    |
|---|----------------------------------------------------------|--------------------|--------------------|
| 3 | ACCOUNTS RECEIVABLE                                      | <u>2013</u>        | <u>2012</u>        |
|   | Trade Receivables                                        | 9,385,602          | 9,113,190          |
|   | Instalment Receivables                                   | <u>11,057,387</u>  | <u>11,703,145</u>  |
|   |                                                          | 20,442,989         | 20,816,335         |
|   | <u>Less: Provision for Impairment</u>                    | <u>(6,387,430)</u> | <u>(6,383,561)</u> |
|   |                                                          | 14,055,559         | 14,432,774         |
|   | Sundry Receivables and Prepayments                       | <u>594,046</u>     | <u>478,299</u>     |
|   |                                                          | 14,649,605         | 14,911,073         |
|   | <u>Less: Non-Current portion of Receivables (Page 3)</u> | <u>(7,025,188)</u> | <u>(6,916,785)</u> |
|   | TOTAL - Current (Page 3)                                 | <u>\$7,624,417</u> | <u>\$7,994,288</u> |

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## Movement on Provision for Impairment:

|                                      |                    |                    |
|--------------------------------------|--------------------|--------------------|
| Balance at beginning of year         | 6,383,561          | 6,163,517          |
| Increase in provision for impairment | 1,044,027          | 843,978            |
| Bad debts recovered                  | <u>(1,040,158)</u> | <u>(623,934)</u>   |
| Balance at end of year               | <u>\$6,387,430</u> | <u>\$6,383,561</u> |

## Ageing analysis of trade receivables:

|                   | <u>Total</u>        | <u>Future Due</u>  | <u>Neither past due nor impaired</u> | <u>Past due but not impaired 30 to 90 days</u> | <u>Over 90 days</u> |
|-------------------|---------------------|--------------------|--------------------------------------|------------------------------------------------|---------------------|
| 30 September 2013 | <u>\$14,055,559</u> | <u>\$7,025,188</u> | <u>\$5,933,338</u>                   | <u>\$464,503</u>                               | <u>\$632,530</u>    |
| 30 September 2012 | <u>\$14,432,774</u> | <u>\$6,916,785</u> | <u>\$6,137,795</u>                   | <u>\$542,252</u>                               | <u>\$835,942</u>    |

|   |                               |                     |                     |
|---|-------------------------------|---------------------|---------------------|
| 4 | INVENTORIES AND STOCK ON HIRE | <u>2013</u>         | <u>2012</u>         |
|   | Merchandise                   | 16,511,675          | 15,621,585          |
|   | Stock on Hire                 | <u>2,478,807</u>    | <u>2,753,768</u>    |
|   | TOTAL (Page 3)                | <u>\$18,990,482</u> | <u>\$18,375,353</u> |

S L HORSFORD AND COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS  
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(Expressed in Eastern Caribbean Dollars)

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## 5 LOANS AND BANK OVERDRAFTS

|                                         | Current             | ----- Non -Current ----- |           | Total              |                     |                     |
|-----------------------------------------|---------------------|--------------------------|-----------|--------------------|---------------------|---------------------|
|                                         | Within 1 Year       | Over 1 Year              | - 5 Years | Over 5 Years       | 2013                | 2012                |
| a) Royal Bank of Canada:                |                     |                          |           |                    |                     |                     |
| - Loan #3550645                         | 657,726             | -                        | -         | -                  | 657,726             | 5,467,382           |
| - Loan #3553474                         | 378,250             | 1,765,655                |           | 2,796,234          | 4,940,139           | 5,000,000           |
| First Caribbean International Bank      |                     |                          |           |                    |                     |                     |
| - Loan #160948568                       | 402,375             | 1,878,266                |           | 3,132,334          | 5,412,975           | 5,791,602           |
| Demand Loans                            | 11,193,500          | -                        |           | -                  | 11,193,500          | 11,336,279          |
| Carib Brewery<br>(St Kitts & Nevis) Ltd | 1,521,150           | -                        |           | -                  | 1,521,150           | 1,624,568           |
| St Kitts Developments Ltd               | <u>2,944,544</u>    | <u>-</u>                 |           | <u>-</u>           | <u>2,944,544</u>    | <u>-</u>            |
|                                         | 17,097,545          | 3,643,921                |           | 5,928,568          | 26,670,034          | 29,219,831          |
| Bank Overdrafts<br>(see 5(b) below)     | <u>4,266,045</u>    | <u>-</u>                 |           | <u>-</u>           | <u>4,266,045</u>    | <u>2,103,536</u>    |
| TOTAL 2013 (Page 3)                     | <u>\$21,363,590</u> | <u>\$3,643,921</u>       |           | <u>\$5,928,568</u> | <u>\$30,936,079</u> | <u>\$31,323,367</u> |
| TOTAL 2012 (Page 3)                     | <u>\$17,151,966</u> | <u>\$6,794,278</u>       |           | <u>\$7,377,123</u> |                     |                     |

Non-Current Portion:                      2013                      2012

Amounts Payable:

|                    |                    |                     |
|--------------------|--------------------|---------------------|
| Within 2 – 5 years | 3,643,921          | 6,794,278           |
| After 5 years      | <u>5,928,568</u>   | <u>7,377,123</u>    |
| TOTAL (Page 3)     | <u>\$9,572,489</u> | <u>\$14,171,401</u> |

S L HORSFORD AND COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS  
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(Expressed in Eastern Caribbean Dollars)

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## 5 LOANS AND BANK OVERDRAFTS (cont'd)

|                                               | <u>2013</u>        | <u>2012</u>        |
|-----------------------------------------------|--------------------|--------------------|
| b) Bank Overdrafts:                           |                    |                    |
| Royal Bank of Canada (St Kitts)               | 1,783,632          | 709,230            |
| First Caribbean International Bank (St Kitts) | <u>2,482,413</u>   | <u>1,394,306</u>   |
| TOTAL (See Note 5 (a) above)                  | <u>\$4,266,045</u> | <u>\$2,103,536</u> |

## c) Collateral for Bank and Other Advances:

The Overdraft and Loan Facilities are secured by the following:

Royal Bank of Canada:

- 1 First Registered Demand Mortgage Debenture dated 30 December 1975 creating a fixed and floating charge on all assets of the company, including uncalled capital and goodwill and a floating charge on all other assets. The foregoing debenture is stamped to secure \$32,000,000 and ranking pari passu with a debenture executed in favour of First Caribbean International Bank;
- 2 Indenture of mortgage of all properties of the company title to which is held by Deed of Conveyance and which were not included in the debenture of mortgage above;
- 3 Lodgement of Fire Insurance Policies which cover Buildings, Furniture, Fixtures, Equipment, Machinery and Inventories. In accordance with the terms of the pari-passu agreement, Royal Bank's share of any claim on these policies is 60% and First Caribbean International Bank Limited 40% where applicable;
- 4 Memorandum of Deposit of all certificates of title of S L Horsford and Company Limited not included in first registered Demand Mortgage Debenture;
- 5 Under terms of new debenture from the Company to First Caribbean International Bank, Royal Bank of Canada hold all Certificates of Titles and Indentures of Mortgage in trust for Royal Bank of Canada and First Caribbean International Bank in accordance with the Pari-passu arrangement.

S L HORSFORD AND COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS  
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(Expressed in Eastern Caribbean Dollars)  
(Continued)

## 5 LOANS AND BANK OVERDRAFTS (cont'd)

## c) Collateral for Bank and Other Advances: (cont'd)

First Caribbean International Bank:

- 1 Equitable charge over 1,650,150 x \$1 shares in Carib Brewery St Kitts-Nevis Limited.
- 2 Mortgage debenture registered and stamped for XCD 21 million. This debenture ranks pari passu with the debenture held by the Royal Bank of Canada
- 3 Assignment of fire and all other risks/perils insurance.

## d) Repayment Terms of Loans:

## 1 Royal Bank of Canada:

Loan #3550645

This loan is repayable in monthly instalments of \$161,338 inclusive of interest chargeable at the rate of 6.1% per annum.

Loan #3553474

Interest is payable monthly at a rate of 6.1% per annum. There is a 2 year moratorium ending 31 December 2013 after which the loan will be repaid in monthly instalments of \$55,762 inclusive of interest.

## 2 First Caribbean International Bank:

Loan #106948568

This loan is repayable in monthly instalments of \$60,120 inclusive of interest chargeable at the rate of 6.1% per annum.

S L HORSFORD AND COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS  
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(Expressed in Eastern Caribbean Dollars)

(Continued)

## 5 LOANS AND BANK OVERDRAFTS (cont'd)

d) Repayment Terms of Loans: (cont'd)

3 Sundry Demand Loans:

These are various unsecured loans repayable on demand with interest being charged at the rate of 5 ½% per annum.

4 Carib Brewery (St Kitts &amp; Nevis) Limited:

The loan is unsecured and repayable on demand. Interest is being charged at the rate of 5 ½% per annum.

The principal instalments due within the twelve months ending 30 September 2014 have been shown under current liabilities.

| 6 | TRADE CREDITORS AND ACCRUALS             | <u>2013</u>        | <u>2012</u>        |
|---|------------------------------------------|--------------------|--------------------|
|   | Trade Payables                           | 2,546,024          | 2,008,535          |
|   | Sundry Payables, Provisions and Accruals | <u>2,431,252</u>   | <u>2,182,586</u>   |
|   | TOTAL (Page 3)                           | <u>\$4,977,276</u> | <u>\$4,191,121</u> |

## 7 TAXATION

a) Statement of Financial Position 2013 2012

The taxation in the statement of financial position is made up as follows:

|                                           |                  |                  |
|-------------------------------------------|------------------|------------------|
| Taxation Provision (Net of Taxation Paid) |                  |                  |
| - Current Year (Page 3)                   | <u>\$321,297</u> | <u>\$213,649</u> |

S L HORSFORD AND COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS  
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(Continued)

## 7 TAXATION (cont'd)

|    |                                   |                    |                    |
|----|-----------------------------------|--------------------|--------------------|
| b) | <u>Taxation Expense</u>           | <u>2013</u>        | <u>2012</u>        |
|    | Current Taxation                  | 1,009,558          | 868,218            |
|    | Underprovision                    | 177,507            | -                  |
|    | Deferred Taxation (see (c) below) | (131,869)          | 145,229            |
|    | TOTAL (Page 4)                    | <u>\$1,055,196</u> | <u>\$1,013,447</u> |

Income tax is calculated at 35 percent up to 31 December 2012 and 33% from 1 January 2013 of assessable profit for the year. The charge for the year can be reconciled to the statutory rate as follows:

|                                                                              |                    |                    |
|------------------------------------------------------------------------------|--------------------|--------------------|
| Profit before Taxation (Page 4)                                              | <u>\$6,989,709</u> | <u>\$4,979,807</u> |
| Taxation expense at rates of 35%/33% for the year                            | 2,341,553          | 1,742,932          |
| Tax effect of expenses that are not deductible in determining taxable profit | 316,905            | 224,523            |
| Tax effect of income not assessable for taxation                             | (1,408,268)        | (1,093,118)        |
| Tax effect of gain on disposal of non-qualifying assets                      | (3,962)            | (5,416)            |
| Tax effect of depreciation on Non-qualifying Assets                          | 122,884            | 131,652            |
| Underprovision – previous year                                               | 177,507            | -                  |
| Deferred Tax Asset Written Off – Inland Revenue Assessment                   | 65,141             | -                  |
| Deferred Tax Liability adjustment – Inland Revenue Assessment                | (234,909)          | -                  |
| Deferred Tax Adjustment re: change in rate of tax                            | (332,932)          | -                  |
| Other                                                                        | <u>11,277</u>      | <u>12,874</u>      |
| Tax at effective rate of 15% (2012 = 20%)                                    | <u>\$1,055,196</u> | <u>\$1,013,447</u> |

Effective 1 January 2013, the rate of Corporation Tax was reduced from 35% to 33%.

|    |                                                              |                    |                    |
|----|--------------------------------------------------------------|--------------------|--------------------|
| c) | <u>Deferred Tax Liability</u>                                | <u>2013</u>        | <u>2012</u>        |
|    | Deferred Tax Liability brought forward                       | 5,761,177          | 5,615,948          |
|    | (Credit)/Charge to income for the year (net) (see (b) above) | (131,869)          | 145,229            |
|    | Deferred Tax Liability carried forward (net) (Page 3)        | <u>\$5,629,308</u> | <u>\$5,761,177</u> |
|    | Deferred Tax Liability:                                      |                    |                    |
|    |                                                              | <u>2013</u>        | <u>2012</u>        |
|    | Balance at Beginning of Year                                 | 5,826,318          | 5,855,691          |
|    | Charge to Income for the Year                                | (109,638)          | (29,373)           |
|    | Balance at End of Year                                       | <u>\$5,716,680</u> | <u>\$5,826,318</u> |
|    | Deferred Tax Asset:                                          |                    |                    |
|    |                                                              | <u>2013</u>        | <u>2012</u>        |
|    | Balance at Beginning of Year                                 | 65,141             | 239,743            |
|    | Credit to Income for the Year                                | <u>22,231</u>      | (174,602)          |
|    | Balance at end of Year                                       | <u>\$87,372</u>    | <u>\$65,141</u>    |



S L HORSFORD AND COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS  
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(Continued)

|    |                                                                                                                                    |                    |                    |
|----|------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| 8  | INVESTMENT IN SUBSIDIARY COMPANIES - At Cost                                                                                       | <u>2013</u>        | <u>2012</u>        |
| a) | Marshall Plantations Limited<br>(Wholly- owned Subsidiary)<br>79,850 Ordinary Shares of £1 each                                    | 348,410            | 348,410            |
| b) | Ocean Cold Storage (St Kitts) Limited<br>(Wholly-owned Subsidiary)<br>67,427 Ordinary Shares of \$5 each                           | 315,565            | 315,565            |
|    | 24,000 9 1/2% Cumulative Preference<br>Shares @ \$5 each                                                                           | 95,940             | 95,940             |
| c) | S L Horsford Finance Company Limited<br>(Wholly-owned Subsidiary)<br>250,000 Shares of \$1 each                                    | 250,000            | 250,000            |
| d) | S L Horsford Shipping Limited<br>(Wholly-owned Subsidiary)<br>(formerly S L Horsford Motors Limited)<br>350,000 Shares of \$1 each | 350,000            | 350,000            |
| e) | S L Horsford Nevis Limited<br>(Wholly-owned Subsidiary)<br>7,000,000 Shares of \$1 each                                            | <u>7,000,000</u>   | <u>7,000,000</u>   |
|    | TOTAL (Page 3)                                                                                                                     | <u>\$8,359,915</u> | <u>\$8,359,915</u> |

In the opinion of the Directors, the aggregate value of the investments is not less than book value.

|    |                                                                                    |                  |                  |
|----|------------------------------------------------------------------------------------|------------------|------------------|
| 9  | AVAILABLE-FOR-SALE INVESTMENTS - At Cost/Valuation                                 | <u>2013</u>      | <u>2012</u>      |
| a) | Associated Companies:                                                              |                  |                  |
|    | St Kitts Developments Limited (See Note below)                                     |                  |                  |
|    | 522 Ordinary Shares of \$100 each - At Cost                                        | 21,457           | 21,457           |
|    | 1,800 Preference Shares of \$100 each - At Cost                                    | <u>57,028</u>    | <u>57,028</u>    |
|    |                                                                                    | 78,485           | 78,485           |
|    | Carib Brewery (St Kitts & Nevis) Limited<br>1,650,150 Shares of \$1 each - At Cost | <u>2,519,951</u> | <u>2,519,951</u> |
|    | Carried Forward                                                                    | <u>2,598,436</u> | <u>2,598,436</u> |

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| 9  | OTHER INVESTMENTS - At Cost/Valuation (Cont'd)                                                         | <u>2013</u>        | <u>2012</u>        |
|----|--------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| a) | Associated Companies – brought forward                                                                 | <u>2,598,436</u>   | <u>2,598,436</u>   |
| b) | Trade Investments:                                                                                     |                    |                    |
|    | Port Services Limited                                                                                  |                    |                    |
|    | 50,000 Ordinary Shares of \$1 each                                                                     | 50,000             | 50,000             |
|    | BP AMOCO PLC (formerly The Standard Oil Company Limited) 1,354 Shares of US \$0.25 each – At Valuation | 153,652            | 154,057            |
|    | Cable & Wireless St Kitts & Nevis Limited                                                              |                    |                    |
|    | 90,000 Shares of \$1 each - At Valuation                                                               | 382,500            | 441,000            |
|    | Federation Media Group Limited                                                                         |                    |                    |
|    | 605 Shares of \$100 each - At Cost less impairment                                                     | <u>1</u>           | <u>1</u>           |
|    |                                                                                                        | <u>586,153</u>     | <u>645,058</u>     |
|    | GRAND TOTAL (Page 3)                                                                                   | <u>\$3,184,589</u> | <u>\$3,243,494</u> |

St Kitts Developments Limited:

The only asset of St Kitts Developments Limited is land at Half Moon Bay and Muddy Pond located adjacent to Frigate Bay (prime tourist resort). The Company has the approval of the Government for the development of these lands for housing and tourism.

The Directors' opinion, based on the current market value of lands of similar nature in the adjacent Frigate Bay Development and general land values in St Kitts, is that the present value of the Company's lands exceeds their historical value quite considerably.

In the opinion of the Directors, the total realisable value of these investments is not less than the book value.

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## 10 PROPERTY, PLANT AND EQUIPMENT

| a) <u>Summary</u>                           | <u>Land &amp;<br/>Buildings -<br/>At Cost/<br/>Valuation</u> | <u>Motor Vehicles<br/>and<br/>Other Assets -<br/>At Cost</u> | <u>Capital<br/>Work in<br/>progress -<br/>At Cost</u> | <u>Total</u>        |
|---------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------|-------------------------------------------------------|---------------------|
| <b>Year Ended 30 September 2013</b>         |                                                              |                                                              |                                                       |                     |
| Gross Carrying Amount                       |                                                              |                                                              |                                                       |                     |
| - Beginning of Year                         | 86,710,793                                                   | 12,239,335                                                   | 117,715                                               | 99,067,843          |
| Additions                                   | 74,093                                                       | 5,095,418                                                    | 464,665                                               | 5,634,176           |
| Disposals                                   | -                                                            | (371,650)                                                    | -                                                     | (371,650)           |
| Transfers                                   | <u>-</u>                                                     | <u>117,715</u>                                               | <u>(117,715)</u>                                      | <u>-</u>            |
| Gross Carrying Amount<br>-End of Year       | <u>86,784,886</u>                                            | <u>17,080,818</u>                                            | <u>464,665</u>                                        | <u>104,330,369</u>  |
| Accumulated Depreciation                    |                                                              |                                                              |                                                       |                     |
| - Brought Forward                           | 2,196,024                                                    | 8,039,118                                                    | -                                                     | 10,235,142          |
| Charge                                      | 971,172                                                      | 1,303,018                                                    | -                                                     | 2,274,190           |
| Disposals                                   | <u>-</u>                                                     | <u>(176,430)</u>                                             | <u>-</u>                                              | <u>(176,430)</u>    |
|                                             | <u>3,167,196</u>                                             | <u>9,165,706</u>                                             | <u>-</u>                                              | <u>12,332,902</u>   |
| Net Carrying Amount -2013<br>(Pages 3 & 10) | <u>\$83,617,690</u>                                          | <u>\$7,915,112</u>                                           | <u>\$464,665</u>                                      | <u>\$91,997,467</u> |
| <b>Year Ended 30 September 2012</b>         |                                                              |                                                              |                                                       |                     |
| Gross Carrying Amount                       |                                                              |                                                              |                                                       |                     |
| - Beginning of Year                         | 73,030,152                                                   | 13,440,788                                                   | 15,224,250                                            | 101,695,190         |
| Additions                                   | -                                                            | 1,438,818                                                    | 674,912                                               | 2,113,730           |
| Disposals                                   | (248,837)                                                    | (2,640,271)                                                  | (1,851,969)                                           | (4,741,077)         |
| Transfers                                   | <u>13,929,478</u>                                            | <u>-</u>                                                     | <u>(13,929,478)</u>                                   | <u>-</u>            |
| Gross Carrying Amount<br>-End of Year       | <u>86,710,793</u>                                            | <u>12,239,335</u>                                            | <u>117,715</u>                                        | <u>99,067,843</u>   |
| Accumulated Depreciation                    |                                                              |                                                              |                                                       |                     |
| - Brought Forward                           | 1,368,551                                                    | 9,018,151                                                    | -                                                     | 10,386,702          |
| Charge                                      | 837,943                                                      | 1,343,674                                                    | -                                                     | 2,181,617           |
| Disposals                                   | <u>(10,470)</u>                                              | <u>(2,322,707)</u>                                           | <u>-</u>                                              | <u>(2,333,177)</u>  |
|                                             | <u>2,196,024</u>                                             | <u>8,039,118</u>                                             | <u>-</u>                                              | <u>10,235,142</u>   |
| Net Carrying Amount -2012<br>(Pages 3 & 10) | <u>\$84,514,769</u>                                          | <u>\$4,200,217</u>                                           | <u>\$117,715</u>                                      | <u>\$88,832,701</u> |

As explained in Note 5(c) to the Financial Statements, the Company's Real Estate has been mortgaged to its principal bankers to secure bank advances.

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## 10 PROPERTY, PLANT AND EQUIPMENT (cont'd)

## b) Revaluation

The company's lands and buildings were revalued in July 2009 to amounts which approximated current market values. The revalued amounts were incorporated in the financial statements at 1 October 2009. The surplus on revaluation has been placed in Capital Reserve and made up as shown hereunder:

|                                                 |                            |
|-------------------------------------------------|----------------------------|
| Land and buildings – At Cost/Valuation          | 48,381,334                 |
| - At 30 September 2009                          |                            |
| Accumulated Depreciation – At 30 September 2009 | (3,551,329)                |
|                                                 | 44,830,005                 |
| Revaluation                                     | <u>72,259,057</u>          |
| <b>SURPLUS ON REVALUATION</b>                   | <b><u>\$27,429,052</u></b> |

Additions subsequent to revaluation are stated at cost.

|    |                                                 |                     |                     |
|----|-------------------------------------------------|---------------------|---------------------|
| 11 | SHARE CAPITAL                                   | <u>2013</u>         | <u>2012</u>         |
|    | Authorised                                      |                     |                     |
|    | 50,000,000 Ordinary Shares of \$1 each          | <u>\$50,000,000</u> | <u>\$50,000,000</u> |
|    | Issued and Fully Paid                           |                     |                     |
|    | 30,148,430 Ordinary Shares of \$1 each (Page 3) | <u>\$30,148,430</u> | <u>\$30,148,430</u> |
|    | Earnings per Ordinary Share (Page 4)            | <u>\$0.20</u>       | <u>\$0.13</u>       |

Earnings per ordinary share is calculated by dividing the net earnings of the company after taxation by the number of ordinary shares in issue during the year.

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## 12 CONTINGENT LIABILITIES

## 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) Letters of Credit:

At the year end, the company had outstanding letters of credit totalling \$268,820 (2012 = \$268,820).

## c) Guarantees:

Subsidiaries:

The Company has given a guarantee to First Caribbean International Bank as collateral for overdraft facilities up to \$3,015,000 (2012= \$3,015,000) for its subsidiary companies, Ocean Cold Storage (St Kitts) Limited and S L Horsford Finance Company Limited. The company has also guaranteed overdraft facilities in the amount of \$500,000 for its subsidiary S L Horsford Shipping Limited.

Associated Company:

The Company issued a Letter of Undertaking to First Caribbean International Bank Limited in the amount of EC \$500,000 to meet any shortfalls in debt service of St Kitts Masonry Products Limited, a 50% owned Associated Company.

## d) Legal Claims:

Counsel has advised that at 30 September 2013 there were no claims pending against the company.

| 13 INTANGIBLES                                   | <u>2013</u>     | <u>2012</u>     |
|--------------------------------------------------|-----------------|-----------------|
| Software – cost brought forward (see Note 2 (m)) | 67,503          | 48,471          |
| Additions                                        | 15,209          | 21,749          |
| Disposals                                        | <u>-</u>        | <u>(2,717)</u>  |
| Total Cost carried forward                       | <u>82,712</u>   | <u>67,503</u>   |
| Accumulated Amortisation – brought forward       | 46,404          | 46,963          |
| Amortisation for the Year                        | 9,919           | 2,158           |
| Disposals                                        | <u>-</u>        | <u>(2,717)</u>  |
| Accumulated Amortisation – carried forward       | <u>56,323</u>   | <u>46,404</u>   |
| NET BOOK VALUE (Page 3)                          | <u>\$26,389</u> | <u>\$21,099</u> |

S L HORSFORD AND COMPANY LIMITED

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14 FINANCIAL INSTRUMENTS

a) Interest Rate Risk:

Interest rate and terms of borrowing are disclosed in note 5.

b) Credit Risk:

The Company sells products and provides services to customers primarily in St Kitts-Nevis. The Company 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, trade investments, accounts payable, loans and long term liabilities.

d) Currency Risk:

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

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## 15 FINANCIAL INSTRUMENTS (Cont'd)

## e) Liquidity Risk:

In order to manage liquidity risk, management seeks to maintain sufficient levels of cash and cash equivalents and available credit facilities such as loans and overdrafts to finance its operations and ongoing projects.

The following table summarizes the maturity profile for the company's financial assets and liabilities.

## Maturity Profile:

## Financial liabilities

|                               | Due within 1<br>Year | >1 Yr to 5 Yrs     | >5 Years           | Total               |
|-------------------------------|----------------------|--------------------|--------------------|---------------------|
| Year ended 30 September 2013: |                      |                    |                    |                     |
| Overdrafts                    | 4,266,045            | -                  | -                  | 4,266,045           |
| Loans – Bank and Other        | 17,097,545           | 3,643,921          | 5,928,568          | 26,670,034          |
| Accounts Payable and Accruals | <u>4,982,317</u>     | <u>-</u>           | <u>3,030,274</u>   | <u>8,012,591</u>    |
|                               | <u>\$26,345,907</u>  | <u>\$3,643,921</u> | <u>\$8,958,842</u> | <u>\$38,948,670</u> |

## Year ended 30 September 2012:

|                              |                     |                    |                     |                     |
|------------------------------|---------------------|--------------------|---------------------|---------------------|
| Overdrafts                   | 2,103,536           | -                  | -                   | 2,103,536           |
| Loans – Bank and Other       | 15,048,430          | 6,794,278          | 7,377,123           | 29,219,831          |
| Account Payable and Accruals | <u>4,191,121</u>    | <u>-</u>           | <u>3,012,589</u>    | <u>7,203,710</u>    |
|                              | <u>\$21,343,087</u> | <u>\$6,794,278</u> | <u>\$10,389,712</u> | <u>\$38,527,077</u> |

|  | Due within 1<br>Year | >1 Yr to 5 Yrs | >5 Years | Total |
|--|----------------------|----------------|----------|-------|
|--|----------------------|----------------|----------|-------|

## Financial Assets:

## Year ended 30 September 2013:

|                               |                     |                    |                     |                     |
|-------------------------------|---------------------|--------------------|---------------------|---------------------|
| Cash with bankers and in hand | 298,630             | -                  | -                   | 298,630             |
| Account Receivables           | 9,932,499           | 7,025,188          | 7,657,486           | 24,615,173          |
| Investments                   | <u>-</u>            | <u>-</u>           | <u>11,544,504</u>   | <u>11,544,504</u>   |
|                               | <u>\$10,231,129</u> | <u>\$7,025,188</u> | <u>\$19,201,990</u> | <u>\$36,458,307</u> |

## Year ended 30 September 2012:

|                               |                     |                    |                     |                     |
|-------------------------------|---------------------|--------------------|---------------------|---------------------|
| Cash with bankers and in hand | 209,893             | -                  | -                   | 209,893             |
| Accounts Receivable           | 10,773,856          | 6,916,785          | 7,379,504           | 25,070,145          |
| Investments                   | <u>-</u>            | <u>-</u>           | <u>11,603,409</u>   | <u>11,603,409</u>   |
|                               | <u>\$10,983,749</u> | <u>\$6,916,785</u> | <u>\$18,982,913</u> | <u>\$36,883,447</u> |

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## 16 RELATED PARTY BALANCES AND TRANSACTIONS

|                                                        | <u>2013</u>        | <u>2012</u>        |
|--------------------------------------------------------|--------------------|--------------------|
| <b>Due from Subsidiaries:</b>                          |                    |                    |
| Current:                                               |                    |                    |
| S L Horsford Shipping                                  | 170,470            | 423,612            |
| S L Horsford Finance Company Limited                   | 947,226            | 228,439            |
| S L Horsford Nevis Limited                             | -                  | 827,157            |
| Ocean Cold Storage (St Kitts) Limited                  | <u>1,190,386</u>   | <u>1,300,360</u>   |
|                                                        | <u>\$2,308,082</u> | <u>\$2,779,568</u> |
| Non-Current:                                           |                    |                    |
| Loans - S L Horsford Nevis Limited                     | 3,000,000          | 3,000,000          |
| - S L Horsford Finance Company Limited                 | 2,000,000          | 2,000,000          |
| - Ocean Cold Storage (St Kitts) Limited                | 1,245,126          | 1,245,126          |
| S L Horsford Finance Company Limited                   | <u>1,412,360</u>   | <u>1,134,378</u>   |
|                                                        | <u>\$7,657,486</u> | <u>\$7,379,504</u> |
| <b>Due to Subsidiaries:</b>                            |                    |                    |
| Current:                                               |                    |                    |
| S L Horsford Nevis Limited                             | <u>\$5,041</u>     | -                  |
| Non-Current                                            |                    |                    |
| Loans - S L Horsford Shipping Company Limited          | 700,000            | 700,000            |
| - S L Horsford Finance Company Limited                 | 1,800,000          | 1,800,000          |
| Marshall Plantations Limited                           | <u>530,274</u>     | <u>512,589</u>     |
|                                                        | <u>\$3,030,274</u> | <u>\$3,012,589</u> |
| <b>Due from Associated Companies:</b>                  |                    |                    |
| St Kitts Developments Limited                          | 8,019              | 25,936             |
| Carib Brewery (St Kitts & Nevis) Limited               | 13,549             | 23,376             |
| St Kitts Masonry Products Limited                      | <u>10,218</u>      | <u>144</u>         |
|                                                        | <u>\$31,786</u>    | <u>\$49,456</u>    |
| <b>Due to Associated Companies:</b>                    |                    |                    |
| St Kitts Developments Limited                          | 2,944,544          | -                  |
| Carib Brewery (St Kitts & Nevis) Limited – Demand Loan | 1,521,150          | 1,624,568          |
| Carib Brewery (St Kitts & Nevis) Limited – Current A/c | 22,335             | 17,784             |
| St Kitts Masonry Products Limited – Current A/c        | <u>348,204</u>     | <u>192,566</u>     |
|                                                        | <u>\$4,836,233</u> | <u>\$1,834,918</u> |
| <b>Due from Directors</b>                              | <u>\$29,400</u>    | <u>\$82,196</u>    |
| <b>Due to Directors</b>                                | <u>\$2,728,224</u> | <u>\$2,898,878</u> |



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## 16 RELATED PARTY BALANCES AND TRANSACTIONS (cont'd)

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

|           | <u>2013</u> | <u>2012</u> |
|-----------|-------------|-------------|
| Sales     | \$2,604,616 | \$3,327,212 |
| Purchases | \$4,926,424 | \$4,316,760 |

The salaries, fees and benefits paid to key management personnel of the company during the year are analysed below:

|                                                 | <u>2013</u>      | <u>2012</u>      |
|-------------------------------------------------|------------------|------------------|
| Salaries and other short-term employee benefits | <u>\$604,923</u> | <u>\$341,710</u> |

## 17 CAPITAL COMMITMENT

At year end, the Company was committed to the installation of a Solar Energy Plant in the total approximate amount of \$1.1 million (2012 = \$4 million).

