



S L HORSFORD AND COMPANY LIMITED
AND ITS SUBSIDIARY COMPANIES

Published Accounts for the year ended 30th September 2004



S L HORSFORD AND COMPANY LIMITED
AND ITS SUBSIDIARY COMPANIES

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Corporate Information

DIRECTORS:

William A. Kelsick O.B.E., C.S.M.	Executive Chairman
W. Anthony Kelsick B.A., B.Com., C.A.	Managing Director
Donald L. Kelsick H.B.A.	Executive Director
Christopher L. Martin B.A., M.B.A.	Executive Director
Calvin L. Wilkin M.B.E.	Retired Business Executive
D. Sydney Blake D.I.C.T.A (Agriculture)	Retired Business Executive
Malcolm C. Kirwan B.S., M.B.A.,	Vice-President for Administration and Finance U.S.V.I
Rosemarie A. Matheson	Hotel Department Manager
K. Vernon Mallalieu	Retired Business Executive
Mark A. Wilkin B.A., M.B.A.	Managing Director, Carib Brewery (St. Kitts & Nevis) Ltd.
Adrian L. Lam B.Com	Manager, Walls Deluxe Record & Bookstore

SECRETARY:

Judith Ng'alla F.C.C.A.

REGISTERED OFFICE:

MARSHALL HOUSE
INDEPENDENCE SQUARE WEST
BASSETERRE
ST. KITTS, WEST INDIES.

AUDITORS:

Pannell Kerr Forster
Chartered Accountants
Independence Square North,
Basseterre, St. Kitts

BANKERS:

Royal Bank of Canada, St. Kitts
First Caribbean International Bank,
St. Kitts and Nevis
Bank of Nova Scotia, St. Kitts and Nevis
SKNA National Bank, St. Kitts and Nevis

SOLICITORS:

Kelsick, Wilkin and Ferdinand
Independence Square South, Basseterre,
St. Kitts, West Indies



S L HORSFORD AND COMPANY LIMITED
AND ITS SUBSIDIARY COMPANIES

Notice of Meeting

NOTICE IS HEREBY GIVEN that the fifteenth Annual General Meeting of the Company, as a Public Company, will be held at the Frigate Bay Resort, Frigate Bay on Thursday 19 May 2005 at 5 o'clock in the afternoon for the following purposes:

- (1) To receive and consider the Profit & Loss Account and Statement of Changes in Equity for the twelve months ended 30 September 2004 and the Balance Sheet at that date.
- (2) To receive and consider the Report of Directors thereon.
- (3) To receive and consider the Report of Auditors thereon.
- (4) To declare a Dividend.
- (5) To appoint Directors in place of those retiring.
- (6) To appoint Auditors and fix their remuneration.

NOTE: A member is entitled to appoint a proxy to attend and on a poll to vote instead of him/her. A form of proxy is enclosed. Proxies must reach Secretary not less than 48 hours prior to Annual General Meeting.

Dated 16 March 2005

Marshall House
1 Independence Square West
Basseterre, St. Kitts,
West Indies.

BY ORDER OF THE BOARD

JUDITH P. NG'ALLA

Company Secretary

Company Profile

S.L. HORSFORD & CO. LTD., founded in 1875, was incorporated in 1912. Shares to the general public were first issued in 1990, signifying its conversion to a Public Company. Today, the company is a highly diversified business establishment involved in multiple trading, service and manufacturing activities through its various departments and subsidiary companies. It has traded profitably since its incorporation.

S.L. Horsford & Company Ltd., comprised of several operational departments and subsidiaries, trades in both St. Kitts and Nevis. Products and services traded include building materials, hardware, furniture, appliances, petroleum products, food, cars, trucks, insurance, shipping, car rentals, hire purchase and consumer credit.

The key brands and principals represented include IGA, Nissan, Kia, Daihatsu, Geest Line, Bernuth, Holland America Line, Norwegian Cruise Line, Festival Cruises, Avis Rent a Car, NEMWIL, ORGILL Brothers Inc., General Electric Corp. and Trinidad Cement Limited. Actively trading subsidiary companies are Ocean Cold Storage (St. Kitts) Ltd., and S.L. Horsford Finance Co. Ltd. Associate companies include St. Kitts Masonry Products Limited 50% owned, Carib Brewery (St. Kitts and Nevis) Ltd., 20% owned, and St. Kitts Developments Limited, which is 30% owned and involved in the development of housing sites on 200 acres of land at Half Moon Bay, St. Kitts.



S L HORSFORD AND COMPANY LIMITED
AND ITS SUBSIDIARY COMPANIES

Chairman's Review

OUR GROUP SALES for the financial year ended 30th September 2004 amounted to \$102,296,604, as compared to \$96,163,221 for the previous financial year. This was an improvement of \$6,133,383. The Group profit before taxation amounted to \$3,430,501, an improvement of \$1,565,157 or 83.9%. This was partly due to our share of profits from St Kitts Developments Limited and also to an improvement in our Parent Company's trading profits.

Our Parent Company's profit for the year after the provision for taxation carried to the Statement of Equity amounts to \$2,034,370. Your Directors are recommending the payment of a dividend of 4%, which will amount to \$1,205,937, leaving \$828,433 to enhance the reserves.

The economy of St Kitts and Nevis continues to improve, and it appears that the current trading year will show an improvement on the year ended 30 September 2004. This improvement is mainly due to an increase in tourism.

Our Company was listed on the Eastern Caribbean Securities Exchange on the 2 July 2004. Trading of our common shares on this Exchange has been limited and shares were sold at a price of around \$1.90 per one dollar share.

During 2004, the Inland Revenue Department conducted an examination of the Group's accounting records for the income years 2000 to 2002. This examination resulted in additional tax payable of \$346,578 to the Group (\$479,500 to the Parent Company).

Similarly, an additional amount of \$106,922 has been provided for the Group (\$106,922 to the Parent Company) for the year ended 30 September 2003 on the same basis as the re-assessments.

The primary reasons for the re-assessments were related to the Group's treatment of group transactions as well as the allocation of salaries and other remunerations and benefits within the Group. Certain amounts were disallowed as tax-deductible expenses within the Group and Parent Company under the tax

rule which limits the tax expense of salaries to \$60,000 per person per annum.

The effect of this rule has created an additional tax liability of \$160,538 for 2004, or an effective tax rate of 46.5% on taxable income as opposed to the stated rate of 35%.

The real effect of this rule is that of a "personal income tax" on the portion of salaries in excess of \$60,000 at a rate of 35%. This tax, however, is borne by the Company, as opposed to the individual.

This rule is unfair for the following reasons. When it was first introduced in the early 1980s, when personal income tax was abolished, the limit was set at \$50,000. It was increased once in the 1990s to \$60,000. This new limit does not take fully into account the effect of inflation since it was first introduced. Few persons were affected by it at its introduction, whereas today, all managerial staff are. Additionally, it creates a disadvantage to the Company when competing for the services of persons with institutions not subject to the corporate income tax.

This Company, through the St Kitts-Nevis Chamber of Industry and Commerce, has since the early 1980s been requesting that Government review and adjust this and other inequities it has identified in the corporate tax legislation. These include restrictions on capital allowances, bad debts and group taxation issues.

I would once again like to draw Government's attention to these matters.

I again wish to thank all of our customers on both St Kitts and Nevis for their continued and loyal support during the financial year 2003/2004. These of course include our Shareholders who reside on St Kitts and Nevis.

I thank our staff for their support and dedication to their work. Lastly I also would like to thank my fellow Directors for their support and valued counsel.

WILLIAM.A. KELSICK O.B.E., CSM
Chairman

Report of the Directors

THE DIRECTORS submit their report and Audited Accounts for the year ended 30 September 2004.

PARENT COMPANY

	2004	2003
Profit for the year (after providing for Taxation)	\$2,034,370	\$1,292,191
The Board recommends a dividend of 4% free of Tax (2003 = 3.5%)	\$1,205,937	\$1,055,195

In accordance with Articles 102 and 103 of the Articles of Association, Mr. Vernon Mallalieu and Mr. Adrian Lam retire from the Board on rotation and, being eligible, offer themselves for re-appointment.

The Auditors, Pannell Kerr Forster, Chartered Accountants, also retire and, being eligible, offer themselves for re-appointment.

BY ORDER OF THE BOARD



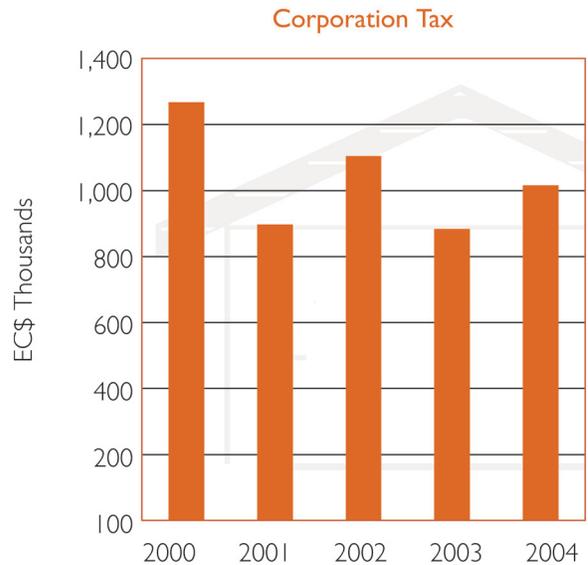
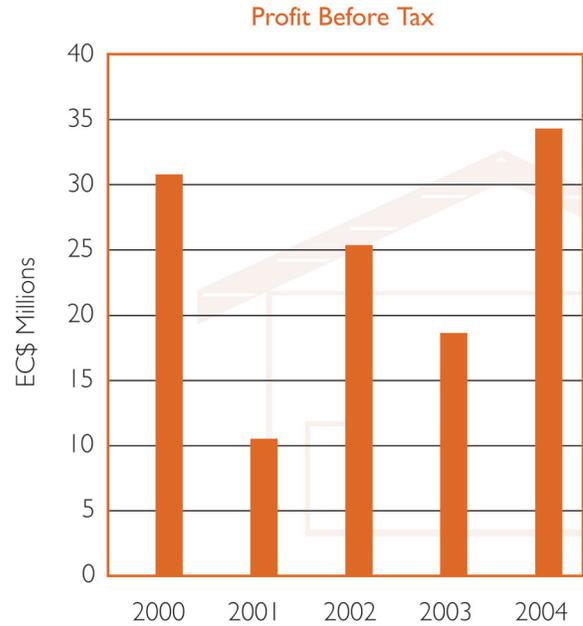
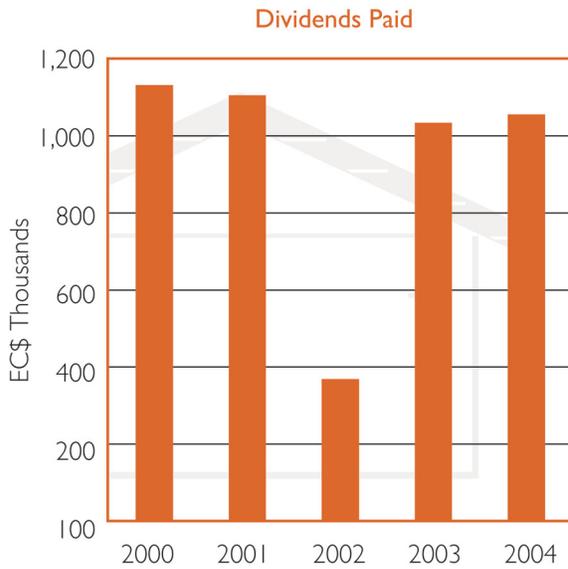
WILLIAM A. KELSICK O.B.E., C.S.M.
Chairman



JUDITH NG'ALLA
Company Secretary

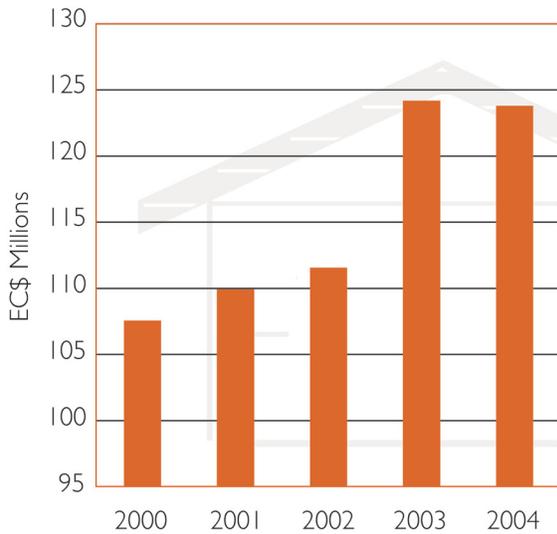


Financial Highlights

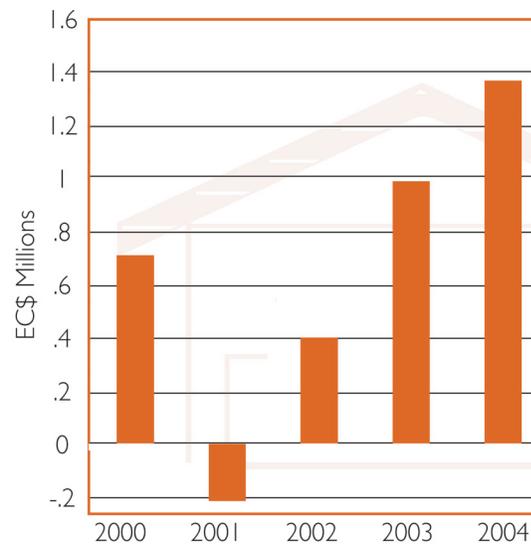


Financial Highlights

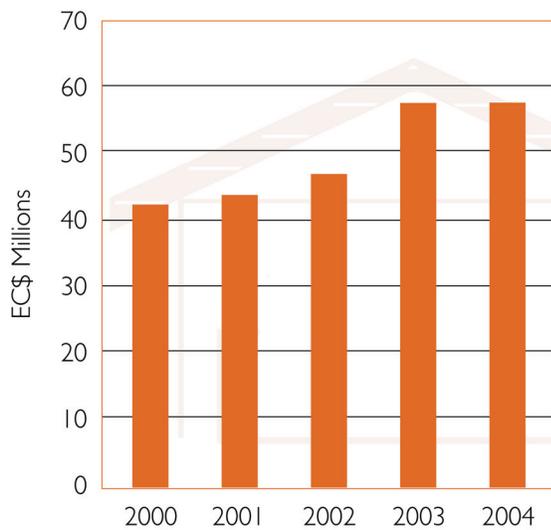
Total Assets



Profits Retained



Shareholders' Equity



Profits Retained:

2000 - 2002: After proposed dividends

2003: Without provision for dividends

2004: After payment of dividends

in respect of 2003.



TO THE MEMBERS OF SL HORSFORD AND COMPANY LIMITED

We have audited the Balance Sheets of the Company and of the Group at 30 September 2004 and the Profit and Loss Accounts and Statements of Changes in Equity and Changes in Financial Position for the year then ended. These Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Financial Statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, these Financial Statements present fairly, in all material respects, the financial position of the Company and of the Group at 30 September 2004 and the results of their operations and changes in their equity and financial positions for the year then ended in accordance with International Financial Reporting Standards except as disclosed in Note 2 (g) to the Financial Statements.

PANNELL KERR FORSTER

Chartered Accountants

BASSETERRE – ST KITTS

17 January 2005

Balance Sheets

at 30 September 2004 (expressed in Eastern Caribbean Dollars)

PARENT COMPANY				GROUP	
2003	2004	Current assets	Notes	2004	2003
414,412	679,491	Cash at Bank and in Hand		921,909	459,294
24,490,212	22,754,877	Accounts Receivable	3	24,514,240	25,460,099
30,809,559	31,797,485	Inventories		33,197,641	32,291,081
1,846,964	3,243,119	Due from Subsidiary Companies		-	-
<u>57,561,147</u>	<u>58,474,972</u>			<u>58,633,790</u>	<u>58,210,474</u>
		Current liabilities			
21,980,733	11,763,346	Loans and Bank Overdrafts	4	12,645,046	22,173,662
15,597,975	15,128,203	Accounts Payable and Accruals	5	15,625,219	16,513,685
1,443,422	1,122,807	Provision for Taxation	6	1,131,757	1,380,652
<u>39,022,130</u>	<u>28,014,356</u>			<u>29,402,022</u>	<u>40,067,999</u>
18,539,017	30,460,616	Working capital		29,231,768	18,142,475
1,359,915	1,359,915	Investment in subsidiaries	7	-	-
2,816,645	2,816,645	Other investments	8	8,185,345	9,068,994
1,483,182	-	Amount due from subsidiary company		-	-
<u>54,118,753</u>	<u>54,017,875</u>	Fixed assets	4 & 9	<u>56,973,150</u>	<u>56,897,139</u>
<u>\$78,317,512</u>	<u>\$88,655,051</u>	Total		<u>\$94,390,263</u>	<u>\$84,108,608</u>
		Financed by: -			
30,148,430	30,148,430	Share Capital	10	30,148,430	30,148,430
19,948,127	20,927,302	Reserves	11	28,183,749	28,113,977
<u>50,096,557</u>	<u>51,075,732</u>	Shareholders' Funds		<u>58,332,179</u>	<u>58,262,407</u>
1,149,533	1,309,418	Deferred Tax Liability	12	653,065	494,830
1,856,092	1,854,737	Amount due to subsidiary company		-	-
<u>25,215,330</u>	<u>34,415,164</u>	Loans – Non-Current	4	<u>35,405,019</u>	<u>25,351,371</u>
<u>\$78,317,512</u>	<u>\$88,655,051</u>	Funds employed		<u>\$94,390,263</u>	<u>\$84,108,608</u>

The attached Notes form part of these Financial Statements.



Director



Director



Profit and Loss Accounts

for the year ended 30 September 2004 (expressed in Eastern Caribbean Dollars)

PARENT COMPANY			GROUP	
2003	2004		2004	2003
85,638,524	89,598,853	Turnover (Note 2 (j))	102,296,604	96,163,221
<u>(68,939,426)</u>	<u>(71,787,565)</u>	Cost of Sales	<u>(82,835,706)</u>	<u>(77,922,813)</u>
16,699,098	17,811,288	Gross Profit	19,460,898	18,240,408
6,934,959	7,609,261	Other Income	8,191,872	7,797,832
(2,103,038)	(2,206,696)	Distribution Costs	(2,603,229)	(2,468,000)
(13,916,178)	(14,512,419)	Administrative Expenses	(16,932,495)	(16,016,617)
(1,317,481)	(1,847,730)	Other Expenses	(2,099,181)	(1,495,899)
(4,197,342)	(3,941,248)	Finance Costs	(4,030,829)	(4,289,460)
-	-	Share of Profit of Associated Companies (Note 2(b))	<u>1,443,465</u>	<u>97,080</u>
2,100,018	2,912,456	Profit before taxation	3,430,501	1,865,344
<u>(807,827)</u>	<u>(878,086)</u>	Income Tax Expense (Note 6)	<u>(1,016,436)</u>	<u>(884,077)</u>
<u>\$1,292,191</u>	<u>\$2,034,370</u>	Profit for the year carried to statements of equity	<u>\$2,414,065</u>	<u>\$981,267</u>

The attached Notes form part of these Financial Statements.

Statement of Changes in Equity

for the year ended 30 September 2004 (expressed in Eastern Caribbean Dollars)

	Share Capital	Capital Reserves	Retained Earnings	Total
PARENT COMPANY				
Balance at 1 October 2002				
- as previously reported	29,540,380	15,000	10,103,371	39,658,751
- prior year adjustment (Note 13)	-	-	(1,502,128)	(1,502,128)
	<hr/>	<hr/>	<hr/>	<hr/>
- as restated	29,540,380	15,000	8,601,243	38,156,623
Issue of Share Capital	608,050	-	-	608,050
Revaluation of Land	-	10,039,693	-	10,039,693
Profit for the Year	-	-	1,292,191	1,292,191
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 September 2003 (Restated)	<u>\$30,148,430</u>	<u>\$10,054,693</u>	<u>\$9,893,434</u>	<u>\$50,096,557</u>
Balance at 1 October 2003				
- as previously reported	30,148,430	10,054,693	11,629,389	51,832,512
- prior year adjustment (Note 13)	-	-	(1,735,955)	(1,735,955)
	<hr/>	<hr/>	<hr/>	<hr/>
- as restated	30,148,430	10,054,693	9,893,434	50,096,557
Profit for the Year	-	-	2,034,370	2,034,370
Dividend Paid	-	-	(1,055,195)	(1,055,195)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 September 2004	<u>\$30,148,430</u>	<u>\$10,054,693</u>	<u>\$10,872,609</u>	<u>\$51,075,732</u>

The attached Notes form part of these Financial Statements.

Statement of Changes in Equity

for the year ended 30 September 2004 (expressed in Eastern Caribbean Dollars)

Group	Share Capital	Capital Reserves	Retained Earnings	Total
Balance at 1 October 2002				
- as previously reported	29,540,380	6,865,364	11,115,257	47,521,001
- prior year adjustment(Note 13)	-	-	(887,604)	(887,604)
- as restated	29,540,380	6,865,364	10,227,653	46,633,397
Issue of Share Capital	608,050	-	-	608,050
Revaluation of Land	-	10,039,693	-	10,039,693
Profit for the Year (Restated)	-	-	981,267	981,267
Balance at 30 September 2003 (Restated)	<u>\$30,148,430</u>	<u>\$16,905,057</u>	<u>\$11,208,920</u>	<u>\$58,262,407</u>
Balance at 1 October 2003				
- as previously reported	30,148,430	16,905,057	12,515,048	59,568,535
- prior year adjustment (Note 13)	-	-	(1,306,128)	(1,306,128)
- as restated	30,148,430	16,905,057	11,208,920	58,262,407
Decrease in Capital Reserve	-	(1,289,098)	-	(1,289,098)
Profit for the Year	-	-	2,414,065	2,414,065
Dividend Paid	-	-	(1,055,195)	(1,055,195)
Balance at 30 September 2004	<u>\$30,148,430</u>	<u>\$15,615,959</u>	<u>\$12,567,790</u>	<u>\$58,332,179</u>

The attached Notes form part of these Financial Statements.

Statements of Changes in Financial Position

for the year ended 30 September 2004 (expressed in Eastern Caribbean Dollars)

PARENT COMPANY			GROUP	
2003	2004		2004	2003
		CASH PROVIDED BY (USED IN)		
		OPERATING ACTIVITIES		
2,100,018	2,912,456	Net Income for the year before Taxation	3,430,501	1,865,344
1,653,522	1,641,862	Depreciation	2,187,549	2,047,416
(70,608)	(46,674)	Gain on Disposal of Fixed Assets	(90,173)	(133,410)
<u>-</u>	<u>-</u>	Share of Net Earnings of Associated Companies	<u>(1,443,465)</u>	<u>(97,080)</u>
3,682,932	4,507,644		4,084,412	3,682,270
		CHANGES IN WORKING CAPITAL		
		BALANCES OTHER THAN CASH AND		
		CURRENT PORTION OF LONG TERM DEBT		
63,822	1,735,335	Accounts Receivable	945,859	170,432
(3,463,995)	(987,926)	Inventories	(906,560)	(3,149,746)
(936,883)	(1,396,155)	Due from Subsidiary Companies	-	-
540,569	(469,772)	Accounts Payable and Accruals	(888,466)	555,185
<u>(236,000)</u>	<u>(1,038,816)</u>	Taxation Paid	<u>(1,107,098)</u>	<u>(311,706)</u>
(349,555)	2,350,310		2,128,147	946,435
		CASH PROVIDED BY (USED IN)		
		INVESTING ACTIVITIES		
(1,122,028)	(2,391,323)	Purchase of Fixed Assets	(4,291,688)	(3,059,748)
478,041	897,013	Proceeds on Disposal of Fixed Assets	2,118,301	882,416
<u>-</u>	<u>-</u>	Dividends received from Associated Companies	<u>1,038,018</u>	<u>558,018</u>
(643,987)	(1,494,310)		(1,135,369)	(1,619,314)
		CASH PROVIDED BY (USED IN)		
		FINANCING ACTIVITIES		
(2,574,784)	6,777,705	Loans Received/(Paid) - Net	8,403,669	(2,617,442)
(1,033,913)	(1,055,195)	Dividends Paid to Shareholders	(1,055,195)	(1,033,913)
104,002	1,481,827	Increase in Amount due to Subsidiary (Net)	-	-
<u>608,050</u>	<u>-</u>	Proceeds from Issue of Shares	<u>-</u>	<u>608,050</u>
(2,896,645)	7,204,337		7,348,474	(3,043,305)
		CASH INCREASE/(DECREASE)		
		FOR THE YEAR	8,341,252	(3,716,184)
(3,890,187)	8,060,337	CASH POSITION – BEGINNING OF YEAR	<u>(10,011,591)</u>	<u>(6,295,407)</u>
<u>(6,020,013)</u>	<u>(9,910,200)</u>			
<u>\$ (9,910,200)</u>	<u>\$ (1,849,863)</u>	CASH POSITION – END OF YEAR	<u>\$ (1,670,339)</u>	<u>\$ (10,011,591)</u>
		Comprised of:		
414,412	679,491	Cash	921,909	459,294
<u>(10,324,612)</u>	<u>(2,529,354)</u>	Bank Overdrafts	<u>(2,592,248)</u>	<u>(10,470,885)</u>
<u>\$ (9,910,200)</u>	<u>\$ (1,849,863)</u>		<u>\$ (1,670,339)</u>	<u>\$ (10,011,591)</u>

The attached Notes form part of these Financial Statements.



for the year ended 30 September 2004 (expressed in Eastern Caribbean Dollars)

I PRINCIPAL ACTIVITIES

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), the Company was re-registered as a company with limited liability under the provisions of the Companies Act (No 22 of 1996).

Horsfords is a diversified trading company and details of its subsidiary and associated companies and their main activities are set out in Note 15.

2 ACCOUNTING POLICIES

a) Basis of Accounting:

The Financial Statements are prepared on the historical cost basis with the exception of certain fixed assets which are included at net book values based upon valuations.

b) Basis of Consolidation:

The consolidated accounts include the audited accounts 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.

c) Foreign Currencies:

All amounts are expressed in Eastern Caribbean Dollars. Current Assets and Liabilities in foreign currencies are translated into Eastern Caribbean Dollars at 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 Accounts.

d) Accounts Receivable:

Known bad debts are written off. Provisions are made specifically for any debts considered to be doubtful.

Notes to the Financial Statements (continued)

for the year ended 30 September 2004 (expressed in Eastern Caribbean Dollars)

2 ACCOUNTING POLICIES (continued)

e) 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.

f) Hire Purchase Sales:

Cars:

Gross Profit is recognised at the time of sale with interest being apportioned in the same manner as furniture (see below).

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.

g) Fixed Assets:

Fixed assets 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. No depreciation is provided for on freehold and leasehold properties of the Parent Company.

It is the Company's policy to maintain its freehold and leasehold properties in good condition and repair which substantially prolongs their useful lives and any depreciation involved would not be material. Consequently, no depreciation is provided for on these assets in the Parent Company. This policy however, is not in accordance with International Accounting Standard No. 16.

Depreciation rates are as follows:

Leasehold Buildings	4%
Vehicles	15% and 20%
Cargo Handling Gear	20%
Furniture, Fittings and Equipment	10%
Coldrooms and Electrical Installations	10%
Plant and Equipment	20%

2 ACCOUNTING POLICIES (continued)

h) Investments:

Investments are stated at cost less amounts written off. While it is not practical to determine the current market value of the investments, it is not considered necessary to make further provisions for permanent impairment in the value of investments as at 30 September 2004.

i) Taxation:

The group has, for the first time, adopted IAS 12 and 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.

j) Turnover:

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

3 ACCOUNTS RECEIVABLE

PARENT COMPANY			GROUP	
2003	2004		2004	2003
17,673,066	16,459,200	Trade Receivables	17,906,300	18,565,950
<u>(1,723,527)</u>	<u>(3,918,105)</u>	Less: Provision for Doubtful Debts	<u>(4,034,317)</u>	<u>(2,092,368)</u>
15,949,539	12,541,095		13,871,983	16,473,582
7,316,313	8,889,861	Instalment Receivables	8,889,861	7,316,313
<u>1,224,360</u>	<u>1,323,921</u>	Sundry Receivables and Prepayments	<u>1,752,396</u>	<u>1,670,204</u>
<u>\$24,490,212</u>	<u>\$22,754,877</u>	TOTAL	<u>\$24,514,240</u>	<u>\$25,460,099</u>

Notes to the Financial Statements (continued)

for the year ended 30 September 2004 (expressed in Eastern Caribbean Dollars)

4 LOANS AND BANK OVERDRAFTS

PARENT COMPANY			GROUP	
2003	2004		2004	2003
		Current:		
10,324,612	2,529,354	Overdrafts	2,592,248	10,470,885
<u>11,656,121</u>	<u>9,233,992</u>	Loans – Current Portion	<u>10,052,798</u>	<u>11,702,777</u>
		TOTAL CURRENT LOANS AND BANK OVERDRAFTS	<u>\$12,645,046</u>	<u>\$22,173,662</u>
		LOANS - NON-CURRENT	<u>\$35,405,019</u>	<u>\$25,351,371</u>
		Summary of Loans:		
11,656,121	9,233,992	Current	10,052,798	11,702,777
<u>25,215,330</u>	<u>34,415,164</u>	Non-Current	<u>35,405,019</u>	<u>25,351,371</u>
		TOTAL LOANS	<u>\$45,457,817</u>	<u>\$37,054,148</u>
		Analysed as follows:		
28,188,254	37,955,624	Secured	39,764,285	28,370,951
<u>8,683,197</u>	<u>5,693,532</u>	Unsecured	<u>5,693,532</u>	<u>8,683,197</u>
<u>\$36,871,451</u>	<u>\$43,649,156</u>	TOTAL	<u>\$45,457,817</u>	<u>\$37,054,148</u>

Repayment Terms:

Loans are repayable over periods varying from one (1) to twelve (12) years at rates of interest of between approximately 5% and 9%.

Collateral for Advances:

The Bank Loans and Overdrafts are secured by debentures executed by the Parent Company and two subsidiaries totalling \$56,345,000 (2003 = \$58,643,000).

The principal instalments due within the twelve months ending 30 September 2005 have been shown under Current Liabilities.

for the year ended 30 September 2004 (expressed in Eastern Caribbean Dollars)

5 ACCOUNTS PAYABLE AND ACCRUALS

PARENT COMPANY			GROUP	
2003	2004		2004	2003
5,386,378	4,221,488	Trade Payables	4,350,005	5,922,283
<u>10,211,597</u>	<u>10,906,715</u>	Sundry Payables and Accruals	<u>11,275,214</u>	<u>10,591,402</u>
<u>\$15,597,975</u>	<u>\$15,128,203</u>	TOTAL	<u>\$15,625,219</u>	<u>\$16,513,685</u>

6 PROVISION FOR TAXATION

Balance sheet:

The taxation provision in the Balance Sheet comprises the following:

PARENT COMPANY			GROUP	
2003	2004		2004	2003
503,922	193,202	- Current Year	274,824	573,359
<u>939,500</u>	<u>929,605</u>	- Previous Years	<u>856,933</u>	<u>807,293</u>
<u>\$1,443,422</u>	<u>\$1,122,807</u>	TOTAL	<u>\$1,131,757</u>	<u>\$1,380,652</u>

Profit and Loss Accounts

The Taxation charge in the Profit and Loss Accounts comprises the following:

PARENT COMPANY			GROUP	
2003	2004		2004	2003
680,922	718,201	Provision for charge on Current Profits	858,201	779,102
126,905	159,885	Deferred Tax Release (Note 12)	158,235	125,525
-	-	Under/(Overprovision)	-	(20,550)
<u>\$807,827</u>	<u>\$878,086</u>	- Taxation	<u>\$1,016,436</u>	<u>\$884,077</u>
		TOTAL		

Notes to the Financial Statements (continued)

for the year ended 30 September 2004 (expressed in Eastern Caribbean Dollars)

6 PROVISION FOR TAXATION (continued)

The group's effective tax rate differs from the Statutory rate of 35% as follows:

PARENT COMPANY			GROUP	
2003	2004		2004	2003
735,006	1,019,360	Taxes at statutory rate of 35%	1,144,764	829,949
295,922	321,076	Tax effect of expenses not deductible in determining taxable profits	321,076	295,922
(223,101)	(462,350)	Tax effect of income not assessable for taxation	(462,350)	(223,101)
-	-	Under / (over) provision for taxation and Other	698	(18,693)
-	-	Tax effect of losses written off	12,248	-
<u>\$807,827</u>	<u>\$878,086</u>		<u>\$1,016,436</u>	<u>\$884,077</u>

All income tax assessments up to and including the year of assessment 2003/02 have been examined and agreed by the Comptroller of Inland Revenue and the taxes duly paid.

Income Tax Re-assessments

The Inland Revenue Department conducted an examination of the Group's accounting records for the income years 2000 to 2002. This examination resulted in additional tax payable of \$346,578 to the Group (Parent Company = \$479,500).

The additional tax payable has been fully paid after the year end.

Similarly, an additional amount of \$106,922 has been provided for the group (Parent Company = \$106,922) for the year ended 30 September 2003 on the same basis as the re-assessments.



for the year ended 30 September 2004 (expressed in Eastern Caribbean Dollars)

7 INVESTMENT IN SUBSIDIARIES

PARENT COMPANY			GROUP	
2003	2004		2004	2003
		Marshall Plantations Limited: (Wholly-owned Subsidiary) 80,000 Ordinary Shares of £1 each – At Cost	-	-
348,410	348,410			
		Ocean Cold Storage (St Kitts) Limited: (Wholly-owned subsidiary) 67,427 Ordinary Shares of \$5 each – At Cost 24,000 9 1/2% Cumulative Preference Shares of \$5 each - At Cost	-	-
315,565	315,565			
95,940	95,940		-	-
		S L Horsford Finance Company Limited: (Wholly-owned Subsidiary) 250,000 shares of \$1 each – At Cost	-	-
250,000	250,000			
		S L Horsford Motors Limited: (Wholly-owned Subsidiary) 350,000 Shares of \$1 each - At Cost	-	-
350,000	350,000			
<u>\$1,359,915</u>	<u>\$1,359,915</u>	TOTAL	<u>-</u>	<u>-</u>

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

Notes to the Financial Statements (continued)

for the year ended 30 September 2004 (expressed in Eastern Caribbean Dollars)

8 OTHER INVESTMENTS

PARENT COMPANY			GROUP	
2003	2004		2004	2003
		Associated Companies: (See Note 2 (b))		
		St Kitts Masonry Products Limited		
		Investment 6,500 Ordinary Shares of } \$100 each fully paid up } }	2,128,705	2,059,324
-	-	Share of Post } Acquisition Reserves }		
			2,128,705	2,059,324
		St Kitts Developments Limited }		
		522 Ordinary Shares of \$100 each } – At Cost } }		
21,457	21,457	1,800 Preference Shares of \$100 each } – At Cost } }	1,669,996	2,890,825
57,028	57,028	Share of Post Acquisition Reserves }		
			1,669,996	2,890,825
		Carib Brewery (St Kitts & Nevis) Limited		
		Investment 1,650,150 Shares of \$1 } each fully paid up - At Cost } }	4,168,435	3,900,636
2,519,951	2,519,951	Share of Post } Acquisition Reserves }		
			4,168,435	3,900,636
2,519,951	2,519,951			
		Sub-Total Carried Forward	7,967,136	8,850,785
2,598,436	2,598,436			



8 OTHER INVESTMENTS (continued)

PARENT COMPANY			GROUP	
2003	2004		2004	2003
2,598,436	2,598,436	a) Sub-Total Brought Forward	7,967,136	8,850,785
		b) Trade Investments:		
		BP Amoco PLC (formerly The Standard Oil Company Limited) 677 Shares of US \$0.50 each (formerly 256 Units of Capital Stock) – At Cost	480	480
480	480	Cultivators (St Kitts) Limited (In Voluntary Liquidation) 179 \$100 Shares - At Cost	-	-
-	-	Caribbean Financial Services Corporation 250 Units of Common Stock of US\$100 Per Unit	67,729	67,729
67,729	67,729	Cable & Wireless St Kitts & Nevis Limited 75,000 Shares of \$1 each - At Cost	100,000	100,000
100,000	100,000	Federation Media Group Limited 500 Shares of \$100 each – At Cost	50,000	50,000
50,000	50,000			
218,209	218,209		218,209	218,209
\$2,816,645	\$2,816,645	TOTAL	\$8,185,345	\$9,068,994

Notes to the Financial Statements (continued)

for the year ended 30 September 2004 (expressed in Eastern Caribbean Dollars)

8 OTHER INVESTMENTS (continued)

St Kitts Developments Limited:

The only asset of St Kitts Developments Limited is approximately 245 acres of 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 value in St Kitts, is that the present value of the Company's lands exceeds their historical value quite considerably. As indicated previously under Note 2 (b), the Group's share of results of this Associated Company has been consolidated.

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

9 FIXED ASSETS – COST OR VALUATION

PARENT COMPANY

	Land & Buildings - At Cost/ Valuation	Plant - At Cost	Other Assets - At Cost	Capital Work- in-Progress - At Cost	TOTAL
Cost/Valuation at 30 September 2003	48,612,568	-	18,205,093	275,157	67,092,818
Additions/Transfers	-	-	2,400,897	(9,574)	2,391,323
(Disposals)/Transfers	23,970	-	(4,564,950)	-	(4,540,980)
Cost/Valuation at 30 September 2004	<u>48,636,538</u>	<u>-</u>	<u>16,041,040</u>	<u>265,583</u>	<u>64,943,161</u>
Accumulated Depreciation					
At 30 September 2003	-	-	12,974,065	-	12,974,065
Current Year's Depreciation	-	-	1,641,862	-	1,641,862
(Disposals)	-	-	(3,690,641)	-	(3,690,641)
Accumulated Depreciation					
At 30 September 2004	<u>-</u>	<u>-</u>	<u>10,925,286</u>	<u>-</u>	<u>10,925,286</u>
Written Down Value					
- 30 September 2004	<u>\$48,636,538</u>	<u>-</u>	<u>\$5,115,754</u>	<u>\$265,583</u>	<u>\$54,017,875</u>
Written Down Value					
- 30 September 2003	<u>\$48,612,568</u>	<u>-</u>	<u>\$5,231,028</u>	<u>\$275,157</u>	<u>\$54,118,753</u>



for the year ended 30 September 2004 (expressed in Eastern Caribbean Dollars)

9 FIXED ASSETS – COST OR VALUATION (continued)

GROUP

	Land & Buildings - At Cost/ Valuation	Plant - At Cost	Other Assets - At Cost	Capital Work- in-Progress - At Cost	TOTAL
Cost/Valuation at 30 September 2003	49,570,756	332,717	21,558,432	275,157	71,737,062
Additions/Transfers	4,452	94,539	4,202,271	(9,574)	4,291,688
(Disposals)	(7,470)	(76,225)	(5,960,572)	-	(6,044,267)
Cost/Valuation at 30 September 2004	<u>49,567,738</u>	<u>351,031</u>	<u>19,800,131</u>	<u>265,583</u>	<u>69,984,483</u>
Accumulated Depreciation					
At 30 September 2003	371,976	253,460	14,214,487	-	14,839,923
Current Year's Depreciation	32,756	26,194	2,128,599	-	2,187,549
(Disposals)	-	-	(4,016,139)	-	(4,016,139)
Accumulated Depreciation					
At 30 September 2004	<u>404,732</u>	<u>279,654</u>	<u>12,326,947</u>	<u>-</u>	<u>13,011,333</u>
Written Down Value					
- 30 September 2004	<u>\$49,163,006</u>	<u>\$71,377</u>	<u>\$7,473,184</u>	<u>\$265,583</u>	<u>\$56,973,150</u>
Written Down Value					
- 30 September 2003	<u>\$49,198,780</u>	<u>\$79,257</u>	<u>\$7,343,945</u>	<u>\$275,157</u>	<u>\$56,897,139</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 four 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:

- First Lease - 35 years from 1 April 1973
- Second Lease - 35 years from 1 February 1985

Notes to the Financial Statements (continued)

for the year ended 30 September 2004 (expressed in Eastern Caribbean Dollars)

9 FIXED ASSETS – COST OR VALUATION (continued)

Revaluation:

The Parent Company's Freehold Lands and Buildings were revalued in March 1988 by Vincent Morton and Associates Limited, Professional Valuers, to an amount which approximated their replacement costs at 30 September 1987.

The Directors decided to incorporate the revalued figures in the Accounts for the year ended 30 September 1987. The surplus on revaluation was placed in Capital Reserve.

The Parent Company's land and building were again revalued on November 30, 2004, by Williams Architectural, Professional Valuers to an amount which approximated current market values. The directors decided to include only the revalued amounts pertaining to land. The lower market value assigned to these lands by the valuers was \$23,189,129 however the directors have conservatively opted to use a lower value of \$18,867,398 which was incorporated in the Financial Statements for the year ended 30 September 2003.

10 SHARE CAPITAL

PARENT COMPANY			GROUP	
2003	2004		2004	2003
\$50,000,000	\$50,000,000	Authorised:	-	-
		50,000,000 Ordinary Shares of \$ 1 each		
\$30,148,430	\$30,148,430	Issued and Fully Paid:	\$30,148,430	\$30,148,430
		30,148,430 Ordinary Shares of \$1 each		

A dividend of \$0.04 per ordinary share (amounting to \$1,205,937) in respect of 2004 has been proposed by the Directors. In accordance with the revised IAS 10 – "Events after the Balance Sheet Date", this proposed dividend is not recognised as a liability at 30 September 2004 but will be accounted for as an appropriation of revenue reserves in the year ending 30 September 2005.



Notes to the Financial Statements (continued)

for the year ended 30 September 2004 (expressed in Eastern Caribbean Dollars)

II RESERVES

PARENT COMPANY			GROUP	
2003	2004		2004	2003
		Capital:		
		- Group		
15,000	10,054,693	Balance brought forward	11,935,055	1,895,362
<u>10,039,693</u>	<u>-</u>	Revaluation Reserve (Note 9)	<u>-</u>	<u>10,039,693</u>
<u>10,054,693</u>	<u>10,054,693</u>		<u>11,935,055</u>	<u>11,935,055</u>
		- Associated Companies		
-	-	Balance brought forward	4,970,002	4,970,002
<u>-</u>	<u>-</u>	Reduction in Revaluation Reserve	<u>(1,289,098)</u>	<u>-</u>
<u>-</u>	<u>-</u>		<u>3,680,904</u>	<u>4,970,002</u>
<u>10,054,693</u>	<u>10,054,693</u>		<u>15,615,959</u>	<u>16,905,057</u>
		Revenue:		
9,893,434	10,872,609	Retained Earnings from Statements of Equity	<u>12,567,790</u>	<u>11,208,920</u>
<u>\$19,948,127</u>	<u>\$20,927,302</u>	TOTAL RESERVES	<u>\$28,183,749</u>	<u>\$28,113,977</u>

Notes to the Financial Statements (continued)

for the year ended 30 September 2004 (expressed in Eastern Caribbean Dollars)

12 DEFERRED TAX LIABILITY

PARENT COMPANY			GROUP	
2003	2004		2004	2003
1,022,628	1,149,533	Deferred Tax Liability (Net)		
126,905	159,885	- at beginning of year	494,830	369,305
<u>1,149,533</u>	<u>1,309,418</u>	Deferred Tax Release (Note 6)	158,235	125,525
		- at end of year	<u>\$653,065</u>	<u>\$494,830</u>
		Deferred Tax Liability (Net)		
(487,588)	(391,545)	consist of the following:		
1,637,121	1,700,963	Deferred Tax Asset	(1,300,387)	(1,374,480)
<u>1,149,533</u>	<u>1,309,418</u>	Deferred Tax Liability	1,953,452	1,869,310
			<u>\$653,065</u>	<u>\$494,830</u>
		Deferred Tax Asset comprises:		
487,588	391,545	- Unutilised Capital Allowances	1,045,574	1,099,086
-	-	- Unutilised Tax Losses	242,311	265,841
-	-	- Accelerated Depreciation	12,502	9,553
<u>\$487,588</u>	<u>\$391,545</u>		<u>\$1,300,387</u>	<u>\$1,374,480</u>
		Deferred Tax Liability comprises:		
<u>\$1,637,121</u>	<u>\$1,700,963</u>	- Accelerated Capital Allowances	<u>\$1,953,452</u>	<u>\$1,869,310</u>

13 PRIOR YEAR ADJUSTMENTS

PARENT COMPANY			GROUP	
2003	2004		2004	2003
		Prior year adjustments comprise:		
		Group:		
(1,022,628)	(1,149,533)	Deferred Tax	(494,830)	(369,305)
<u>(479,500)</u>	<u>(586,422)</u>	Underprovision Re: Taxation	<u>(453,500)</u>	<u>(346,578)</u>
(1,502,128)	(1,735,955)		(948,330)	(715,883)
		Associated Company:		
-	-	Deferred Tax	(319,876)	(378,165)
<u>-</u>	<u>-</u>	Miscellaneous (Net of Tax)	<u>(37,922)</u>	<u>206,444</u>
-	-		(357,798)	(171,721)
<u>\$(1,502,128)</u>	<u>\$(1,735,955)</u>	TOTAL	<u>\$(1,306,128)</u>	<u>\$(887,604)</u>

Deferred Tax:

The group had adopted IAS 12 which deals with deferred and other income tax matters. Adoption of this standard has resulted in the re-statement of tax expenses and tax provision for the prior year ended 30 September 2003. Retained Earnings has also been adjusted to reflect these changes.

Corporation Tax:

The group was in negotiations with the Inland Revenue Authorities regarding Re-assessment of Corporation Tax for the years of assessment 2001/00 to 2003/02. Agreement has been reached resulting in additional taxes payable by the group. Adjustment has therefore been made in these Financial Statements to reflect the agreed additional taxes.

Notes to the Financial Statements (continued)

for the year ended 30 September 2004 (expressed in Eastern Caribbean Dollars)

14 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 \$3,015,000 (2003 = \$5,313,000) for its Subsidiary Companies, Ocean Cold Storage (St Kitts) Limited and S L Horsford Finance Company Limited.

c) Letters of Credit:

At the year end, outstanding letters of credit amounted to \$271,690 (2003= Nil).

d) Legal Claims:

Counsel has advised that at 30 September 2004 there were two claims pending against the company:

- The first being for special damages for medical expenses totalling \$595.00 and the second, High Court Civil Claim No 150 of 2004, where the claimant is claiming unspecified general damages for defamation and special damages of \$13,925 for wrongful dismissal (2003 = \$51,859.36).

No provision has been made in these Financial Statements for the above claims.

15 DETAILS OF SUBSIDIARY AND ASSOCIATED COMPANIES

Subsidiary Companies	Principal Activities	Interest held in the Equity %
Marshall Plantations Limited	Sugar Plantations and Investments	100
Ocean Cold Storage (St Kitts) Limited	Food Distribution (Wholesale and Retail)	100
S L Horsford Finance Company Limited	Car Rentals and Hire Purchase	100
S L Horsford Motors Limited	Operating the franchise of Ford Motors Company	100
Associated Companies		
St Kitts Developments Limited	Land Development	30
St Kitts Masonry Products Limited	Concrete and Related Products	50
Carib Brewery (St Kitts & Nevis) Limited	Manufacturers of Beer and non-alcoholic Beverages	20.1



for the year ended 30 September 2004 (expressed in Eastern Caribbean Dollars)

16 FINANCIAL INSTRUMENTS

a) Interest Rate Risk:

Interest rates and terms of borrowing are disclosed in Note 4.

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, trade 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.

17 APPROVAL OF FINANCIAL STATEMENTS

The Financial Statements were approved by the Board of Directors and authorised for issue on 16 March 2005.

18 RECLASSIFICATIONS

Certain items in the Income Statements have been reclassified during the current financial year to improve the financial statement presentation. The previous year's figures have been reclassified to be consistent with this year's presentation. This reclassification has no effect on the results as reported for the current and previous years.