SLH
ESTABLISHED 1875

S L HORSFORD AND COMPANY LIMITED
AND ITS SUBSIDIARY COMPANIES

ANNUAL REPORT 2006

TABLE OF CONTENTS

CORPORATE INFORMATION

DIRECTORS:

Willliam A. Kelsick O.B.E., C.S.M.	Chairman
W. Anthony Kelsick B.A., B.Com., C.A.	Managing Director
Donald L. Kelsick B.A., 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.,	Retired Vice President for Administration and Finance U.S.V.I
Rosemarie A. Matheson	Retired 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

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

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the seventeenth Annual General Meeting of the Company, as a Public Company, will be held at Frigate Bay Resort, Frigate Bay, on Thursday 14 June 2007 at 5 o'clock in the afternoon for the following purposes:

(1) To receive and consider the Profit & Loss Account and Statement of Revenue Reserves for the twelve months ended 30 September 2006 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 2 May 2007

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. LIMITED, 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 Limited, 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) Limited, S.L. Horsford Fianance Co. Limited, S. L. Horsford Nevis Ltd., and S. L. Horsford Shipping Ltd.

Associate companies include St. Kitts Masonry Products Limited, 50% owned, Carib Brewery (St. Kitts and Nevis) Limited, 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.

CHAIRMAN'S REVIEW

I am pleased to report that 2006 was a very satisfactory year, it being the most successful financial performance ever reported by the group. Group sales increased by $5,612,434 or 4.96 % to $118,695,180, and group profit before taxation by $2,530,807 or 50.20 % to $7,571,784. Group after tax profit increased by $1,509,013 or 51.96 % to $4,412,967. Earnings per share improved to $0.15 versus $0.09 in 2005.

It should be noted that these reported results are after conforming for the first time with the International Financial Reporting Standards requirement that depreciation be charged on the group's buildings. The additional charge recorded for 2006 was $591,889. The adoption of this accounting policy also resulted in similar charges in 2005 and 2004, which has resulted in a restatement on the 2005 results as well as prior period adjustments to 2004 and 2005.

The reason for the improvement in sales is as a result of improvements in performances in several departments, most notably in building materials and hardware items in both St.Kitts and Nevis, automotive items, furniture (including hire purchase sales) and food retail.

Gross profit percentages improved by a full percentage point to 20.10% as a result of improved inventory management. There, however, remains opportunity for further improvement in this area.

Other income increased by $541,053 to $9,091,939 as a result of improvements in shipping agency activities as well as automobile financing.

The major challenge experienced in 2006 was caused by the increase in world oil prices which in turn caused the near doubling of electricity costs as well as similar increases in fuel costs. This is reflected in the increases shown in Administrative Expenses as well as Distribution Costs-Transport.

Prudent control of remaining expenses is reflected in the minimal increases in these costs.

Share of profit of associated companies increased by $1,329,239 or 90.46 % to $2,798,735. This increase was due to improved results of all our associated companies. St.Kitts Developments has reported record results as a result of unprecedented demand for resort area residential housing lots. St.Kitts Masonry Products has emerged from a difficult period caused by increased raw material costs. Carib Brewery (St.Kitts -Nevis) Ltd has also enjoyed improved performance.

The income tax expense of $3,158,817 is an effective rate of 41.72% versus the nominal rate of 35%. The effective rate in 2005 showed a similarly high rate of 42.39%. The rates reflect a high tax regime, which along with high electricity rates makes it difficult for the indigenous private sector to assume its proper role in stimulating the growth in the economy and job creation through reinvestment of profits.

The outlook for 2007 is equally as promising as 2006 was, as the economy remains strong due to the continued strength in the construction sector.

Your Directors have recommended a dividend of six cents per share as compared to five cents in 2006.

This is my last meeting serving you as Chairman as I will be retiring as Chairman and as a Director of this Company at the end of this meeting. It has been my pleasure to serve this Company for over 63 years and I wish to extend my thanks to all the shareholders, Directors, staff and customers for their support over the many years.

This is also the last meeting as Directors for Mr. Sydney Blake and Mr. Vernon Mallalieu as they have also indicated their retirement after several years of service. I would like to thank them for their valued counsel over the years and I wish them good health in the coming years.

I wish to thank all of our customers on both St. Kitts and Nevis for their continued loyal support over the year under review.

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

W.A.KELSICK O.B.E. C.S.M.
Chairman

REPORT OF THE DIRECTORS

The Directors submit their Report and Audited Accounts for the year ended 30 September 2006

	2006	**2005**
Profit for the year		
(after providing for Taxation)	$4,412,967	$2,903,954
The Board recommends a dividend		
of 6% (2005 = 5%)	$1,808,906	$1,507,422

In accordance with Articles 102 and 103 of the Articles of Association, Mr. Calvin Wilkin and Mr. Mark Wilkin retire from the Board on rotation and being eligible offer themselves for re-appointment.

Mr. William Kelsick, Mr. Sydney Blake and Mr. Vernon Mallalieu will retire as Directors of the Company at the end of the Annual General Meeting.

The Directors have agreed to recommend to the Annual General Meeting that Mr. Anthony Gonsalves and Mr. Victor Williams be appointed Directors.

PARTICULARS:

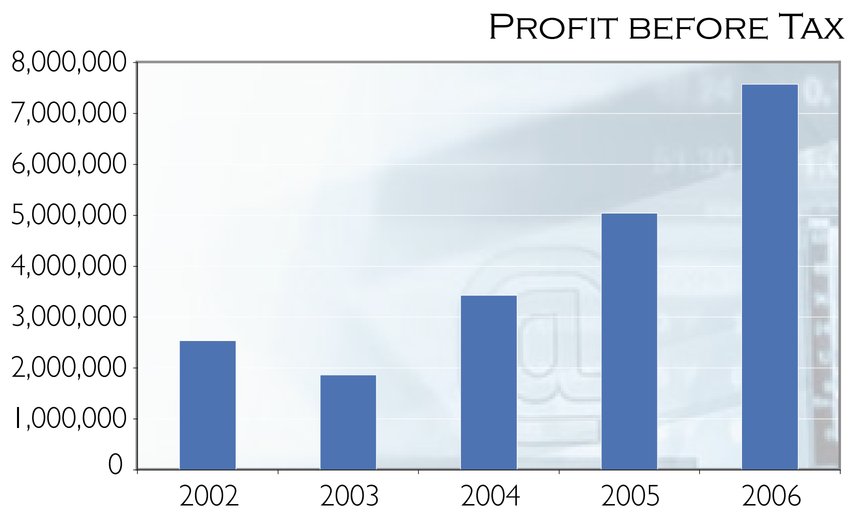
Name:	Anthony Emmanuel Gonsalves	Victor Obadiah Williams
Address:	Frigate Bay	Frigate Bay
	St. Kitts	St. Kitts
Date of Birth:	11 June 1965	23 December 1955
Citizenship	Citizen of St. Kitts and Nevis	Citizen of St. Kitts and Nevis
Business Occupation:	Barrister-at-Law & Solicitor	Architect & Planner

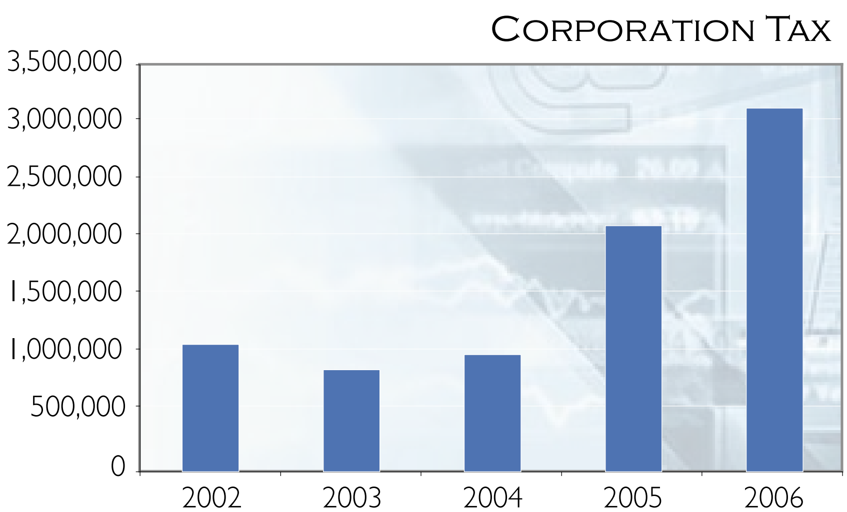
The Auditors, Pannell Kerr Forster, Chartered Accountants, also retire and being eligible, offer themselves for re-appointment.

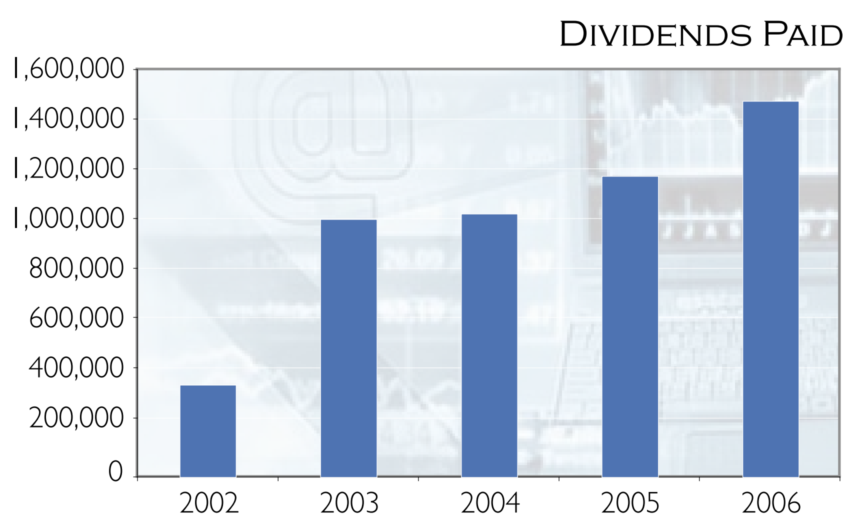
BY ORDER OF THE BOARD

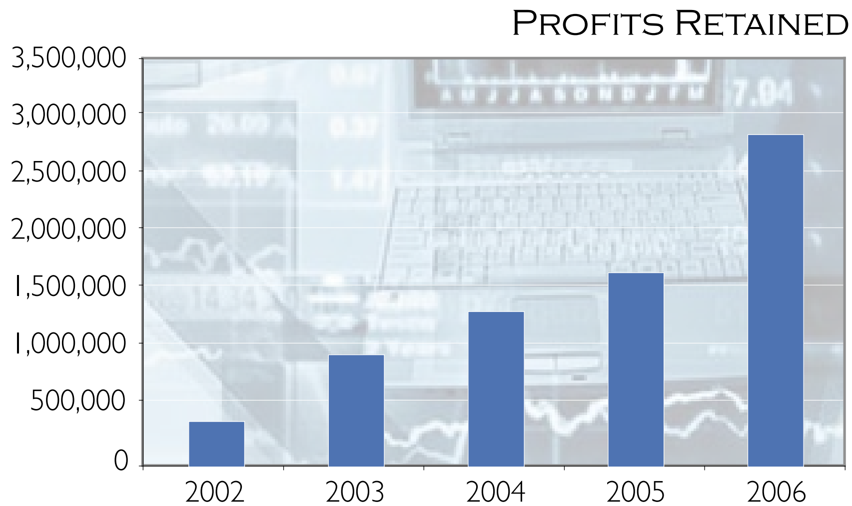
JUDITH P NG'ALLA
Company Secretary

FINANCIAL HIGHLIGHTS



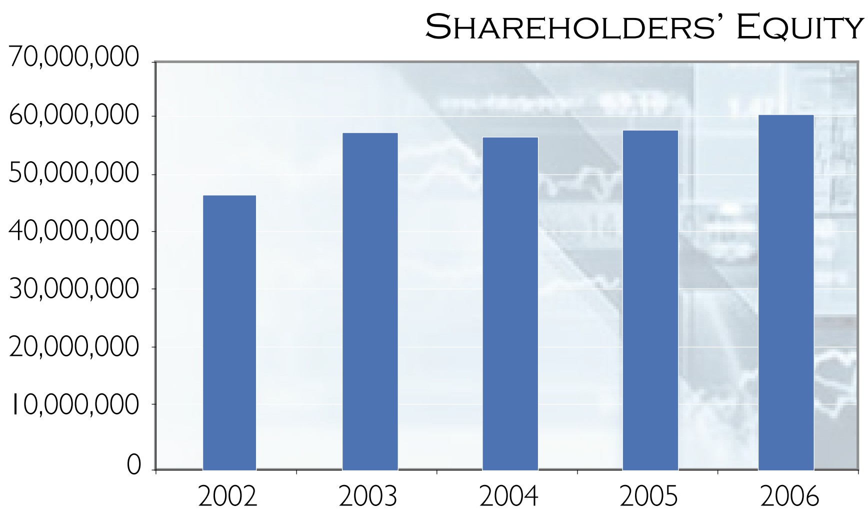


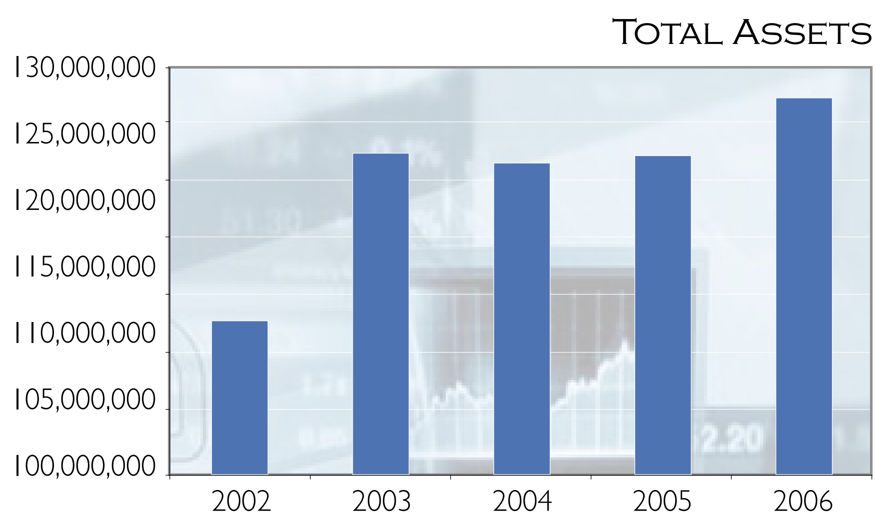




Profits Retained:

2002: After proposed dividends
2003: Without provision for dividends
2004-2006: After payment of dividends in repesct of previous year's profit.





REPORT OF THE AUDITORS

TO THE SHAREHOLDERS
S L HORSFORD AND COMPANY LIMITED

We have audited the accompanying financial statements of S L Horsford and Company Limited and its subsidiaries ('the Group'), which comprised the consolidated balance sheet as at 30 September 2006, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement 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 financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 30 September 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Pannell Kerr Forster

Chartered Accountants:
BASSETERRE St. KITTS
5 April 2007

CONSOLIDATED BALANCE SHEET
AT 30 SEPTEMBER 2006

(Expressed in Eastern Caribbean Dollars)

CURRENT ASSETS	Notes	2006	2005
Cash at Bank and in Hand		592,444	544,001
Accounts Receivable – Current	3	15,685,466	14,982,060
Inventories	4	38,195,362	36,665,176
		54,473,272	52,191,237
CURRENT LIABILITIES			
Loans and Bank Overdrafts	5	30,146,360	23,643,368
Accounts Payable and Accruals	6	7,735,686	8,453,948
Provision for Taxation	7	1,237,834	1,093,753
		39,119,880	33,191,069
WORKING CAPITAL		15,353,392	19,000,168
ACCOUNTS RECEIVABLE – Non-Current	3	10,702,616	8,961,548
INVESTMENT IN ASSOCIATED COMPANIES	8	7,922,591	7,628,516
AVAILABLE-FOR-SALE INVESTMENTS	9	389,747	479,850
PROPERTY, PLANT AND EQUIPMENT	5 & 10	54,840,686	54,740,553
TOTAL		$89,209,032	$90,810,635
FINANCED BY SHARE CAPITAL	11	30,148,430	30,148,430
RESERVES		31,257,294	28,553,029
SHAREHOLDERS' FUNDS		61,405,724	58,701,459
DEFERRED TAX LIABILITY	12	1,540,933	1,229,192
LOANS NON CURRENT	5	26,262,375	30,879,984
FUNDS EMPLOYED		$89,209,032	$90,810,635

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

Approved by the Board of Directors on 2 May 2007:

W A Kelsick, Chairman

W Anthony Kelsick, Managing Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2006

(Expressed in Eastern Caribbean Dollars)

	2006	2005
TURNOVER (Note 2 (l))	118,695,180	113,082,746
Cost of Sales	(94,836,559)	(91,497,469)
Gross Profit	23,858,621	21,585,277
Other Income	9,091,939	8,550,886
Administrative Expenses	(16,932,383)	(15,352,086)
Distribution Costs - Transport	(1,980,887)	(1,753,110)
- Advertising	(1,425,916)	(1,365,184)
Other Expenses	(1,519,236)	(1,900,338)
Depreciation	(2,732,330)	(2,754,293)
Finance Costs	(3,586,759)	(3,439,671)
Share of Profit of Associated Companies (Note 2(c))	2,798,735	1,469,496
PROFIT BEFORE TAXATION	7,571,784	5,040,977
Income Tax Expense (Note 7)	(3,158,817)	(2,137,023)
PROFIT FOR THE YEAR CARRIED TO STATEMENT OF EQUITY	$4,412,967	$2,903,954
BASIC EARNINGS PER SHARE (See Note 14)	$0.15	$0.09

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2006

(Expressed in Eastern Caribbean Dollars)

	Share Capital	Revaluation Reserve	Other Capital Reserves	Unrealised Holding Gain-Investment	Retained Earnings	Total
Balance at 30 September 2004						
- As previously reported	30,148,430	15,045,652	570,307	-	12,567,790	58,332,179
- Prior Year Adjustment (Note 13)	-	-	-	209,838	(1,536,616)	(1,326,778)
- As Restated	30,148,430	15,045,652	570,307	209,838	11,031,174	57,005,401
Decrease in Capital Reserve-Associated Company	-	(53,762)	-	-	-	(53,762)
Increase in Fair Value – Investment	-	-	-	51,803	-	51,803
Profit for the Year	-	-	-	-	2,903,954	2,903,954
Dividend Paid	-	-	-	-	(1,205,937)	(1,205,937)
Balance at 30 September 2005 (Restated)	$30,148,430	$14,991,890	$570,307	$261,641	$12,729,191	$58,701,459
Balance at 30 September 2005						
- As previously reported	30,148,430	14,991,890	570,307	-	13,783,955	59,494,582
- Prior Year Adjustment (Note 13)	-	-	-	261,641	(1,054,764)	(793,123)
- As Restated	30,148,430	14,991,890	570,307	261,641	12,729,191	58,701,459
Decrease in Capital Reserve-Associated Company	-	(178,907)	-	-	-	(178,907)
Decrease in Fair Value – Investment	-	-	-	(22,374)	-	(22,374)
Surplus on Disposal of Investment Transferred to Retained Earnings	-	-	(15,000)	-	15,000	-
Profit for the Year	-	-	-	-	4,412,967	4,412,967
Dividend Paid	-	-	-	-	(1,507,421)	(1,507,421)
Balance at 30 September 2006	$30,148,430	$14,812,983	$555,307	$239,267	$15,649,737	$61,405,724

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2006

(Expressed in Eastern Caribbean Dollars)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before Taxation	7,571,784	5,040,977
Adjustments for:		
Depreciation	2,732,330	2,654,089
Gain on Disposal of Property, Plant and Equipment	(147,873)	(35,264)
Gain on Disposal of Investment	(50,396)	-
Finance costs incurred	3,586,759	3,439,671
Share of Income from Associated Companies	(2,798,735)	(1,469,496)
Operating profit before working capital changes	10,893,869	9,629,977
Net change in non-cash working capital balances related to Operations	(2,951,855)	(1,523,563)
Cash generated from operating activities	7,942,014	8,106,414
Finance costs Paid	(3,586,759)	(3,439,671)
Taxation Paid	(1,675,261)	(1,686,301)
Net Cash from Operating Activities	2,679,994	2,980,442
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property, Plant and Equipment	(4,564,207)	(2,228,119)
Proceeds from Disposal of Property, Plant and Equipment	1,879,619	1,250,003
Proceeds from Disposal of Investment	118,125	-
Dividends received from Associated Companies	1,298,018	897,027
Net Cash used in Investing Activities	(1,268,445)	(81,089)
CASH FLOWS FROM FINANCING ACTIVITIES		
Non-Current Receivables	(1,741,068)	300,456
Long term Loans Repaid	(921,574)	(3,219,325)
Dividends Paid to Shareholders	(1,507,421)	(1,205,937)
Net Cash used in Financing Activities	(4,170,063)	(4,124,806)
Net Decrease in Cash and Cash Equivalents	(2,758,514)	(1,225,453)
Cash and Cash equivalents - beginning of year	(2,895,792)	(1,670,339)
Cash and Cash equivalents – end of year	$(5,654,306)	$(2,895,792)
Cash and cash equivalents comprise:		
Cash	592,444	544,001
Bank Overdrafts	(6,246,750)	(3,439,793)
	$(5,654,306)	$(2,895,792)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2006

(Expressed in Eastern Caribbean Dollars)

1 CORPORATE INFORMATION

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

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

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

2 ACCOUNTING POLICIES

(a) Basis of Accounting:

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

(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) 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.

(d) Foreign Currencies:

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

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

(Expressed in Eastern Caribbean Dollars)

2 ACCOUNTING POLICIES (CONT'D)

(e) Revenue Recognition:

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

Sales to third parties:

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

Rendering of services:

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

Interest income:

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

Dividend:

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

(f) Accounts Receivable:

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

(g) Inventories and Goods in Transit:

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

(h) Hire Purchase Sales:

Cars:

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

(Expressed in Eastern Caribbean Dollars)

2 ACCOUNTING POLICIES (CONT'D)

(h) Hire Purchase Sales: (cont'd)

Furniture:

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

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

(i) Property, Plant and Equipment:

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

Depreciation rates are as follows:

Freehold Buildings	2%
Leasehold Buildings	4%
Vehicles	15% - 30%
Cargo Handling Gear	20%
Furniture, Fittings and Equipment	10%
Coldrooms and Electrical Installations	10%
Plant and Equipment	20%

The buildings of the Parent Company have been depreciated, for the first time, at the rate of 2% per annum effective 2004. The effect of this change in policy has resulted in profits being reduced by $591,889 (2005 = $591,889). (See Note 13)

(j) Investments:

Available-for-sale:

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

Investments are initially recognised at cost, being the fair value of the consideration given, including acquisition charges associated with the investment. For securities where there is no quoted market price, fair value has been estimated by management at cost less amounts written off. While it is not practical to determine the current market value of these investments, it is not considered necessary to make further provisions for permanent impairment in the value of investments as at 30 September 2006.

(Expressed in Eastern Caribbean Dollars)

2 ACCOUNTING POLICIES (CONT'D)

(j) Investments: (cont'd)

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

(k) Taxation:

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

(l) Turnover:

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

(m) Borrowing costs:

Interest costs on borrowings are recognised as expenses in the period in which they are incurred.

(n) Accounts Payable and Accruals:

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

(o) Provisions:

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

(p) Cash and cash equivalents:

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and at bank, less bank overdrafts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2006

(Expressed in Eastern Caribbean Dollars)

		2006	2005
3	ACCOUNTS RECEIVABLE		
	Trade Receivables	15,011,797	15,173,004
	Instalment Receivables	14,270,155	11,948,731
		29,281,952	27,121,735
	Less: Provision for Doubtful Accounts	(5,290,015)	(4,640,408)
		23,991,937	22,481,327
	Sundry Receivables and Prepayments	2,396,145	1,462,281
		26,388,082	23,943,608
	Less: Non-current portion of Receivables	(10,702,616)	(8,961,548)
	TOTAL - Current	$15,685,466	$14,982,060
4	INVENTORIES		
	Merchandise	32,900,895	31,284,955
	Stock on Hire	3,282,275	2,820,398
	Goods In Transit	2,012,192	2,559,823
	TOTAL	$38,195,362	$36,665,176
5	LOANS AND BANK OVERDRAFTS		
	Current:		
	Overdrafts	6,246,750	3,439,793
	Loans – Current Portion	23,899,610	20,203,575
	TOTAL CURRENT LOANS AND BANK OVERDRAFTS	$30,146,360	$23,643,368
	LOANS – NON-CURRENT	$26,262,375	$30,879,984
	Summary of Loans:		
	Amount Payable:		
	Within 1 year	23,899,610	20,203,575
	2 – 5 Years	13,001,163	14,059,275
	Over 5 Years	13,261,212	16,820,709
	TOTAL LOANS	$50,161,985	$51,083,559
	Analysed as follows:		
	Secured	29,601,394	35,428,109
	Unsecured	20,560,591	15,655,450
	TOTAL	$50,161,985	$51,083,559

(Expressed in Eastern Caribbean Dollars)

5 LOANS AND BANK OVERDRAFTS (CONT'D)

Repayment Terms:

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

Collateral for Advances:

The Bank Loans and Overdrafts are secured by debentures executed by the Parent Company and two subsidiaries totalling $56,345,000 (2005 = $56,345,000).

The principal instalments due within the twelve months ending 30 September 2007 have been shown under Current Liabilities.

	2006	2005
6 ACCOUNTS PAYABLE AND ACCRUALS		
Trade Payables	4,329,188	5,429,035
Sundry Payables and Accruals	3,406,498	3,024,913
TOTAL	$7,735,686	$8,453,948
7 PROVISION FOR TAXATION		
Balance Sheet		
The taxation provision in the Balance Sheet comprises the following:		
Current Year	1,166,228	979,296
Previous Years	71,606	114,457
TOTAL	$1,237,834	$1,093,753
Profit and Loss Account		
The Taxation charge in the Profit and Loss Account comprises the following:		
Provision for charge on Current Profits	1,822,227	1,597,296
Deferred Tax (Note 12)	311,741	40,846
Taxation Overprovision – previous year	(2,886)	(1,037)
	2,131,082	1,637,105
Associated Companies	1,027,735	499,918
TOTAL	$3,158,817	$2,137,023

(Expressed in Eastern Caribbean Dollars)

7 PROVISION FOR TAXATION (CONT'D)

The group's effective tax rate of 42% (2005 = 42%) differs from the Statutory rate of 35% as follows:

	2006	2005
Profit before taxation	$7,571,784	$5,040,977
Taxes at statutory rate of 35%	2,650,124	1,764,342
Tax effect of expenses not deductible in determining taxable profits	307,195	406,403
Tax effect of income not assessable for taxation	(47,071)	(46,792)
Under(over) provision for taxation	64,145	(19,445)
Tax effect of Capital Allowances disallowed on Motor Vehicles	20,815	40,545
Tax effect of Loss on land and building not assessable for tax	(1,471)	5,699
Tax effect of losses written off	165,590	-
Tax effect on gain on disposal of investments	(17,639)	-
Other	17,129	(13,729)
TOTAL	$3,158,817	$2,137,023

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.

8 INVESTMENT IN ASSOCIATED COMPANIES

	2006	2005
Original cost of investments	3,048,436	3,048,436
Increase in equity over cost from acquisition to the end of previous year	4,580,080	4,561,291
	7,628,516	7,609,727
Capital reserve reduction	(178,907)	(53,762)
Share of net income less dividends received from Associated Companies (see below)	472,982	16,063
Prior year Adjustment	-	56,488
Balance at End of Year	$7,922,591	$7,628,516

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

	2006	2005
Share of income before taxation	2,798,735	1,413,008
Taxation (Note 7)	(1,027,735)	(499,918)
	1,771,000	913,090
Dividends received	(1,298,018)	(897,027)
TOTAL (As Above)	$472,982	$16,063

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2006

(Expressed in Eastern Caribbean Dollars)

	2006	2005
8 INVESTMENT IN ASSOCIATED COMPANIES (CONT'D)		
The Group's share of the results of its associates, all of which are unlisted, and its share of the net assets are as follows:		
Assets	14,701,883	14,131,159
Liabilities	6,113,851	5,837,203
Revenue	14,854,748	12,486,141
Profit before Tax	2,798,735	1,413,008
9 AVAILABLE-FOR-SALE INVESTMENTS		
Unquoted Securities	$389,747	$479,850

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2006

(Expressed in Eastern Caribbean Dollars)

10 PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings - at cost/ Valuation	Plant at cost	Other Assets - at cost	Capital Work-in-Progress - at cost	Total
Cost/Valuation - Beginning of Year	49,290,772	375,075	19,573,837	265,583	69,505,267
Additions	-	77,625	4,486,582	-	4,564,207
(Disposals)	(13,139)	-	(4,046,960)	-	(4,060,099)
Cost/Valuation - End of Year	49,277,633	452,700	20,013,459	265,583	70,009,375
Accumulated Depreciation - Brought Forward	1,616,768	303,662	12,844,284	-	14,764,714
Charge	619,844	32,222	2,080,264	-	2,732,330
(Disposals)	-	-	(2,328,355)	-	(2,328,355)
Accumulated Depreciation Carried Forward	2,236,612	335,884	12,596,193	-	15,168,689
Written Down Value - 2006	$47,041,021	$116,816	$7,417,266	$265,583	$54,840,686
Written Down Value - 2005	$47,674,004	$71,413	$6,729,553	$265,583	$54,740,553

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:

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

(Expressed in Eastern Caribbean Dollars)

10 PROPERTY, PLANT AND EQUIPMENT (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 Financial Statements for the year ended 30 September 1987. The surplus on revaluation was placed in Capital Reserve.

The Parent Company's lands and buildings 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.

11 SHARE CAPITAL

	2006	2005
Authorised		
50,000,000 Ordinary Shares of $1 each		
Issued and Fully Paid		
30,148,430 Ordinary Shares of $1 each	$30,148,430	$30,148,430

Dividend of 6% (2005 = 5%) per ordinary share (amounting to $1,808,906/2005 - $1,507,422) in respect of 2006 has been proposed by the Directors. The Financial Statements for the year ended 30 September 2006 do not reflect this proposed dividend which, if ratified, will be accounted for in equity as an appropriation of retained earnings in the year ending 30 September 2007

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2006

(Expressed in Eastern Caribbean Dollars)

12 DEFERRED TAX LIABILITY

	2006	2005
Deferred Tax Liability (Net) – at beginning of year	1,229,192	1,188,346
Deferred Tax (Note 7)	311,741	40,846
Deferred Tax Liability (Net) – at end of year	$1,540,933	$1,229,192
Deferred Tax Liability (Net) comprises the following:		
Deferred Tax Asset	(360,835)	(691,358)
Deferred Tax Liability	1,901,768	1,920,550
	$1,540,933	$1,229,192
Deferred Tax Asset comprises:		
- Unutilised Capital Allowances	(318,184)	(463,372)
- Unutilised Tax Losses	(8,750)	(195,675)
- Accelerated Depreciation	(33,901)	(32,311)
	$(360,835)	$(691,358)
Deferred Tax Liability comprises:		
- Accelerated Capital Allowances	$1,901,768	$1,920,550

13 PRIOR YEAR ADJUSTMENTS

Prior year adjustments comprise:

	2006	2005
Group:		
Deferred Taxation re: Buildings	72,525	(134,636)
Depreciation (see Note 2(i))	(1,183,777)	(591,888)
Unrealised Holding Gain - Investment	261,641	209,838
Underprovision Re: Taxation	-	(452,683)
	(849,611)	(969,369)
Associated Company:		
Deferred Tax	-	(357,409)
Miscellaneous (Net of Tax)	56,488	-
	56,488	(357,409)
TOTAL	$(793,123)	$(1,326,778)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2006

(Expressed in Eastern Caribbean Dollars)

13 PRIOR YEAR ADJUSTMENTS (CONTINUED)

a) **Deferred Tax re: Buildings:**
The prior year adjustment represents the reversal of deferred tax on buildings;

b) **Depreciation:**
As a result of the change in accounting policy regarding buildings, the prior year adjustment represents depreciation charge for the previous years ended 30 September 2005 and 2004;

c) **Unrealised Holding Gain – Investment:**
The prior year adjustments represent an Available-for-Sale investment, previously valued at cost, now revalued at fair value to comply with International Financial Reporting Standards; and

d) **Associated Company:**
The prior year adjustment represents miscellaneous provisions written back.

14 EARNINGS PER SHARE

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

	2006	**2005**
Net Income for the Year	$4,412,967	$2,696,793
Number of shares in issue at the year end	30,148,430	30,148,430
Basic earnings per share	$0.15	$0.09

15 CONTINGENT LIABILITIES

Parent Company:

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

b) **Guarantees:**
The Company has given guarantees to First Caribbean International Bank, St Kitts, Bank of Nova Scotia and Royal Bank of Canada as collateral for overdraft facilities of up to $3,015,000 (2004 = $3,015,000) for its Subsidiary Companies, Ocean Cold Storage (St Kitts) Limited and S L Horsford Finance Company Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2006

(Expressed in Eastern Caribbean Dollars)

15 CONTINGENT LIABILITIES (CONTINUED)

c) **Letters of Credit:**
At the year end there was no outstanding letters of credit (2005 = $271,690).

d) **Legal Claims:**

Parent Company:
Counsel has advised that at 30 September 2006 there were no claims pending against the company.

Subsidiary Company:
A claim has been brought against a subsidiary company for damages arising out of an accident at the company's premises. Judgement was entered against the company for damages to be assessed. An appeal was filed but it is still pending.

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

16 RELATED PARTY BALANCES AND TRANSACTIONS

	2006	2005
1. The following transactions were carried out with associated parties during the year:		
i) Sales of goods and services	3,593,579	2,905,265
ii) Purchases of goods and services	5,538,824	5,408,489
iii) Management fees	28,800	28,800
iv) Dividends received	1,298,018	897,027
2. Compensation of key management personnel of the Company and its subsidiaries:		
Short-term employee benefits and retirement contributions	$1,013,579	$1,032,812

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2006

(Expressed in Eastern Caribbean Dollars)

17 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, Car Sales and Insurance Agency	100
S L Horsford Shipping Limited (previously S L Horsford Motors Limited)	Shipping Agency	100
S L Horsford Nevis Limited	Retail activities and related services	100
Associated Companies		
St Kitts Developments Limited	Land Development	30.0
St Kitts Masonry Products Limited	Concrete and Related Products	50.0
Carib Brewery (St Kitts & Nevis) Limited	Manufacturers of Beer and non-alcoholic Beverages	20.1

18 FINANCIAL INSTRUMENTS

a) **Interest Rate Risk:**

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

b) **Credit Risk:**

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

c) **Fair Values:**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2006

(Expressed in Eastern Caribbean Dollars)

18 FINANCIAL INSTRUMENTS (CONTINUED)

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.

19 RELASSIFICATIONS

Certain items in the Balance Sheet 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.

NOTES

NOTES

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