

S L HORSFORD AND COMPANY LIMITED
AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 SEPTEMBER 2005

S L HORSFORD AND COMPANY LIMITED
AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2005

C O N T E N T S

	<u>PAGE</u>
AUDITORS' REPORT	1
CONSOLIDATED BALANCE SHEET	2
CONSOLIDATED PROFIT AND LOSS ACCOUNT	3
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	4
CONSOLIDATED STATEMENT OF CASH FLOWS	5
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	6 - 19

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REPORT OF THE AUDITORS TO THE MEMBERS OF

S L HORSFORD AND COMPANY LIMITED

We have audited the Consolidated Balance Sheet of S L Horsford and Company Limited as at 30 September 2005, and the related Consolidated Profit and Loss Account and Consolidated Statements of Changes in Equity and Cash Flows 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. These 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 Consolidated Financial Statement present fairly, in all material respects, the financial position of the Company as at 30 September 2005 and the results of its operations and changes in its equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards except as disclosed in Note 2(i) to the Financial Statements.

PANNELL KERR FORSTER  
Chartered Accountants:

BASSETERRE - ST KITTS  
21 December 2005

S L HORSFORD AND COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET AT 30 SEPTEMBER 2005

(Expressed in Eastern Caribbean Dollars)

| CURRENT ASSETS                     | <u>Notes</u> | <u>2005</u>         | <u>2004</u>         |
|------------------------------------|--------------|---------------------|---------------------|
| Cash at Bank and in Hand           |              | 544,001             | 921,909             |
| Accounts Receivable                | 3            | 23,925,159          | 24,514,240          |
| Inventories                        |              | <u>36,657,176</u>   | <u>33,197,641</u>   |
|                                    |              | <u>61,126,336</u>   | <u>58,633,790</u>   |
| <br>                               |              |                     |                     |
| CURRENT LIABILITIES                |              |                     |                     |
| Loans and Bank Overdrafts          | 4            | 23,643,368          | 21,490,113          |
| Accounts Payable and Accruals      | 5            | 8,427,499           | 6,780,152           |
| Provision for Taxation             | 6            | <u>1,093,753</u>    | <u>1,183,795</u>    |
|                                    |              | <u>33,164,620</u>   | <u>29,454,060</u>   |
| <br>                               |              |                     |                     |
| WORKING CAPITAL                    |              | 27,961,716          | 29,179,730          |
| INVESTMENT IN ASSOCIATED COMPANIES | 7            | 7,572,028           | 7,609,727           |
| AVAILABLE-FOR-SALE INVESTMENTS     | 8            | 218,209             | 218,209             |
| PROPERTY, PLANT AND EQUIPMENT      | 4 & 9        | <u>55,924,330</u>   | <u>56,973,150</u>   |
| TOTAL                              |              | <u>\$91,676,283</u> | <u>\$93,980,816</u> |
| <br>                               |              |                     |                     |
| FINANCED BY                        |              |                     |                     |
| SHARE CAPITAL                      | 10           | 30,148,430          | 30,148,430          |
| RESERVES                           | 11           | <u>29,346,152</u>   | <u>27,373,657</u>   |
| SHAREHOLDERS' FUNDS                |              | 59,494,582          | 57,522,087          |
| <br>                               |              |                     |                     |
| DEFERRED TAX LIABILITY             | 12           | 1,301,717           | 1,053,710           |
| <br>                               |              |                     |                     |
| LOANS - NON-CURRENT                | 4            | <u>30,879,984</u>   | <u>35,405,019</u>   |
| FUNDS EMPLOYED                     |              | <u>\$91,676,283</u> | <u>\$93,980,816</u> |

The attached Notes form part of these Financial Statements.

Director: \_\_\_\_\_

Director: \_\_\_\_\_

S L HORSFORD AND COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30 SEPTEMBER 2005

(Expressed in Eastern Caribbean Dollars)

|                                                     | <u>2005</u>         | <u>2004</u>         |
|-----------------------------------------------------|---------------------|---------------------|
| TURNOVER (Note 2 (1))                               | 113,082,746         | 102,296,604         |
| Cost of Sales                                       | <u>(91,497,469)</u> | <u>(82,835,706)</u> |
| Gross Profit                                        | 21,585,277          | 19,460,898          |
| Other Income                                        | 8,550,886           | 8,191,872           |
| Distribution Costs                                  | <u>(3,118,294)</u>  | <u>(2,603,229)</u>  |
| Administrative Expenses                             | <u>(17,514,490)</u> | <u>(16,932,495)</u> |
| Other Expenses                                      | <u>( 1,900,338)</u> | <u>( 2,099,181)</u> |
| Finance Costs                                       | <u>( 3,439,671)</u> | <u>( 4,030,829)</u> |
| Share of Profit of Associated Companies (Note 2(c)) | <u>913,090</u>      | <u>1,443,465</u>    |
| PROFIT BEFORE TAXATION                              | 5,076,460           | 3,430,501           |
| Income Tax Expense (Note 6)                         | <u>(1,844,266)</u>  | <u>(1,016,436)</u>  |
| PROFIT FOR THE YEAR CARRIED TO STATEMENT OF EQUITY  | <u>\$3,232,194</u>  | <u>\$2,414,065</u>  |
| <br>                                                |                     |                     |
| BASIC EARNINGS PER SHARE (See Note 14)              | <u>\$0.11</u>       | <u>\$0.08</u>       |

The attached Notes form part of these Financial Statements.

S L HORSFORD AND COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 SEPTEMBER 2005  
(Expressed in Eastern Caribbean Dollars)

|                                            | <u>Share<br/>Capital</u>    | <u>Capital<br/>Reserves</u> | <u>Retained<br/>Earnings</u> | <u>Total</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)          | <u>-</u>                    | <u>-</u>                    | <u>(2,116,220)</u>           | <u>(2,116,220)</u>          |
| As restated                                | 30,148,430                  | 16,905,057                  | 10,398,828                   | 57,452,315                  |
| Decrease in Capital Reserve (Note 11)      | -                           | (1,289,098)                 | -                            | (1,289,098)                 |
| Profit for the Year (Page 3)               | -                           | -                           | 2,414,065                    | 2,414,065                   |
| Dividend Paid                              | -                           | -                           | (1,055,195)                  | (1,055,195)                 |
|                                            | <u>                    </u> | <u>                    </u> | <u>                    </u>  | <u>                    </u> |
| Balance at 30 September 2004<br>(Restated) | <u>\$30,148,430</u>         | <u>\$15,615,959</u>         | <u>\$11,757,698</u>          | <u>\$57,522,087</u>         |
| Balance at 30 September 2004               |                             |                             |                              |                             |
| - As previously reported                   | 30,148,430                  | 15,615,959                  | 12,567,790                   | 58,332,179                  |
| - Prior Year Adjustment (Note 13)          | <u>-</u>                    | <u>-</u>                    | <u>(810,092)</u>             | <u>(810,092)</u>            |
|                                            | 30,148,430                  | 15,615,959                  | 11,757,698                   | 57,522,087                  |
| Decrease in Capital Reserve (Note 11)      | -                           | (53,762)                    | -                            | (53,762)                    |
| Profit for the Year (Page 3)               | -                           | -                           | 3,232,194                    | 3,232,194                   |
| Dividend Paid                              | -                           | -                           | (1,205,937)                  | (1,205,937)                 |
|                                            | <u>                    </u> | <u>                    </u> | <u>                    </u>  | <u>                    </u> |
| Balance at 30 September 2005               | <u>\$30,148,430</u>         | <u>\$15,562,197</u>         | <u>\$13,783,955</u>          | <u>\$59,494,582</u>         |

The attached Notes form part of these Financial Statements.

S L HORSFORD AND COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 SEPTEMBER 2005

(Expressed in Eastern Caribbean Dollars)

| CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES                                              | <u>2005</u>          | <u>2004</u>          |
|----------------------------------------------------------------------------------------------|----------------------|----------------------|
| Net Income for the year before Taxation                                                      | 5,076,460            | 3,430,501            |
| Depreciation                                                                                 | 2,062,200            | 2,187,549            |
| Gain on Disposal of Property, Plants and Equipment                                           | (35,264)             | (90,173)             |
| Share of Net Earnings of Associated Companies                                                | <u>(913,090)</u>     | <u>(1,443,465)</u>   |
|                                                                                              | 6,190,306            | 4,084,412            |
| CHANGES IN WORKING CAPITAL BALANCES OTHER THAN<br>CASH AND CURRENT PORTION OF LONG TERM DEBT |                      |                      |
| Accounts Receivable                                                                          | 589,081              | 945,859              |
| Inventories                                                                                  | (3,459,535)          | (906,560)            |
| Accounts Payable and Accruals                                                                | 1,647,347            | (9,733,533)          |
| Taxation Paid                                                                                | <u>(1,686,301)</u>   | <u>(1,107,098)</u>   |
|                                                                                              | <u>3,280,898</u>     | <u>(6,716,920)</u>   |
| CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES                                              |                      |                      |
| Purchase of Property, Plant and Equipment                                                    | (2,228,119)          | (4,291,688)          |
| Proceeds on Disposal of Property, Plant and Equipment                                        | 1,250,003            | 2,118,301            |
| Dividends received from Associated Companies                                                 | <u>897,027</u>       | <u>1,038,018</u>     |
|                                                                                              | <u>(81,089)</u>      | <u>(1,135,369)</u>   |
| CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES                                              |                      |                      |
| Loans (Paid)/Received and Reclassified (Net)                                                 | (3,219,325)          | 17,248,736           |
| Dividends Paid to Shareholders                                                               | <u>(1,205,937)</u>   | <u>(1,055,195)</u>   |
|                                                                                              | <u>(4,425,262)</u>   | <u>16,193,541</u>    |
| Cash and Cash equivalent (decrease)/increase for the year                                    | (1,225,453)          | 8,341,252            |
| Cash and Cash equivalent at beginning of year                                                | <u>(1,670,339)</u>   | <u>(10,011,591)</u>  |
| Cash and Cash equivalent – end of year                                                       | <u>\$(2,895,792)</u> | <u>\$(1,670,339)</u> |
| Cash and cash equivalent comprise:                                                           |                      |                      |
| Cash                                                                                         | 544,001              | 921,909              |
| Bank Overdrafts                                                                              | <u>(3,439,793)</u>   | <u>(2,592,248)</u>   |
|                                                                                              | <u>\$(2,895,792)</u> | <u>\$(1,670,339)</u> |

The attached Notes form part of these Financial Statements.

S L HORSFORD AND COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2005  
(Expressed in Eastern Caribbean Dollars)

1 CORPORATE INFORMATION

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

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

Horsfords is a diversified trading company and details of its subsidiary and associated companies and their main activities are set out in Note 16.

2 ACCOUNTING POLICIES

(a) Basis of Accounting:

The 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 assumption 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 Accounts.



S L HORSFORD AND COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2005

(Expressed in Eastern Caribbean Dollars)

(Continued)

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 accrued, 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.

S L HORSFORD AND COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2005

(Expressed in Eastern Caribbean Dollars)

(Continued)

2 ACCOUNTING POLICIES (cont'd)

(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).

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. 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% - 30% |
| Cargo Handling Gear                    | 20%       |
| Furniture, Fittings and Equipment      | 10%       |
| Coldrooms and Electrical Installations | 10%       |
| Plant and Equipment                    | 20%       |

S L HORSFORD AND COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2005

(Expressed in Eastern Caribbean Dollars)

(Continued)

2 ACCOUNTING POLICIES (cont'd)

(j) Investments:

Available-for-sale:

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

Investments are initially recognised at cost, being the fair value of the consideration given, including acquisition charges associated with the investment. For securities where there is no quoted market price, fair value has been estimated by management at cost less amounts written off. While it is not practical to determine the current market value of the investments, it is not considered necessary to make further provisions for permanent impairment in the value of investments as at 30 September 2005.

(k) 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.

(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) Provision:

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.

S L HORSFORD AND COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2005

(Expressed in Eastern Caribbean Dollars)

(Continued)

|   |                                              |                     |                     |
|---|----------------------------------------------|---------------------|---------------------|
| 3 | ACCOUNTS RECEIVABLE                          | <u>2005</u>         | <u>2004</u>         |
|   | Trade Receivables                            | 17,186,452          | 17,906,300          |
|   | <u>Less: Provision for Doubtful Accounts</u> | <u>(4,640,408)</u>  | <u>(4,034,317)</u>  |
|   |                                              | 12,546,044          | 13,871,983          |
|   | Instalment Receivables                       | 9,935,283           | 8,889,861           |
|   | Sundry Receivables and Prepayments           | <u>1,443,832</u>    | <u>1,752,396</u>    |
|   | TOTAL                                        | <u>\$23,925,159</u> | <u>\$24,514,240</u> |
| 4 | LOANS AND BANK OVERDRAFTS                    | <u>2005</u>         | <u>2004</u>         |
|   | Current:                                     |                     |                     |
|   | Overdrafts                                   | 3,439,793           | 2,592,248           |
|   | Loans – Current Portion                      | <u>20,203,575</u>   | <u>18,897,865</u>   |
|   | TOTAL CURRENT LOANS AND BANK OVERDRAFTS      | <u>\$23,643,368</u> | <u>\$21,490,113</u> |
|   | LOANS – NON-CURRENT                          | <u>\$30,879,984</u> | <u>\$35,405,019</u> |
|   | Summary of Loans:                            |                     |                     |
|   | Amount Payable:                              |                     |                     |
|   | Within 1 year                                | 20,203,575          | 18,897,865          |
|   | 2 – 5 Years                                  | 14,059,275          | 15,270,486          |
|   | Over 5 Years                                 | <u>16,820,709</u>   | <u>20,134,533</u>   |
|   | TOTAL LOANS                                  | <u>\$51,083,559</u> | <u>\$54,302,884</u> |
|   | Analysed as follows:                         |                     |                     |
|   | Secured                                      | 35,428,109          | 39,764,285          |
|   | Unsecured                                    | <u>15,655,450</u>   | <u>14,538,599</u>   |
|   | TOTAL                                        | <u>\$51,083,559</u> | <u>\$54,302,884</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 (2004 = \$56,345,000).

The principal instalments due within the twelve months ending 30 September 2006 have been shown under Current Liabilities.

S L HORSFORD AND COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2005

(Expressed in Eastern Caribbean Dollars)  
(Continued)

|   |                               |                    |                    |
|---|-------------------------------|--------------------|--------------------|
| 5 | ACCOUNTS PAYABLE AND ACCRUALS | <u>2005</u>        | <u>2004</u>        |
|   | Trade Payables                | 5,429,035          | 4,350,005          |
|   | Sundry Payables and Accruals  | <u>2,998,464</u>   | <u>2,430,147</u>   |
|   | TOTAL                         | <u>\$8,427,499</u> | <u>\$6,780,152</u> |

|   |                        |             |             |
|---|------------------------|-------------|-------------|
| 6 | PROVISION FOR TAXATION | <u>2005</u> | <u>2004</u> |
|---|------------------------|-------------|-------------|

Balance Sheet

The taxation provision in the Balance Sheet comprises the following:

|                |                    |                    |
|----------------|--------------------|--------------------|
| Current Year   | 979,296            | 274,824            |
| Previous Years | <u>114,457</u>     | <u>908,971</u>     |
| TOTAL          | <u>\$1,093,753</u> | <u>\$1,183,795</u> |

Profit and Loss Accounts

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

|                                         |                    |                    |
|-----------------------------------------|--------------------|--------------------|
| Provision for charge on Current Profits | 1,597,296          | 910,240            |
| Deferred Tax Release (Note 12)          | 248,007            | 106,196            |
| Taxation Overprovision – previous year  | <u>(1,037)</u>     | <u>-</u>           |
| TOTAL                                   | <u>\$1,844,266</u> | <u>\$1,016,436</u> |

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

|                                                                      |                    |                    |
|----------------------------------------------------------------------|--------------------|--------------------|
| Taxes at statutory rate of 35%                                       | 1,457,180          | 695,463            |
| Tax effect of expenses not deductible in determining taxable profits | 354,729            | 321,076            |
| Tax effect of income not assessable for taxation                     | (14,213)           | (13,049)           |
| Under(over) provision for taxation and Other                         | 326                | 698                |
| Tax effect of Capital Allowances disallowed on Motor Vehicles        | 40,545             | -                  |
| Tax effect of Loss on land and building not assessable for tax       | 5,699              | -                  |
| Tax effect of losses written off                                     | <u>-</u>           | <u>12,248</u>      |
| TOTAL                                                                | <u>\$1,844,266</u> | <u>\$1,016,436</u> |

S L HORSFORD AND COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2005

(Expressed in Eastern Caribbean Dollars)  
(Continued)

6 PROVISION FOR TAXATION (cont'd)

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 was fully paid during the year under review.

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.

| 7 INVESTMENT IN ASSOCIATED COMPANIES                                                 | <u>2005</u>        | <u>2004</u>        |
|--------------------------------------------------------------------------------------|--------------------|--------------------|
| Original cost of investments                                                         | 3,048,436          | 3,048,436          |
| Increase in equity over cost from acquisition to the end of previous year – restated | <u>4,561,291</u>   | <u>5,444,940</u>   |
|                                                                                      | 7,609,727          | 8,493,376          |
| Capital reserve reduction                                                            | (53,762)           | (1,289,098)        |
| Share of Results                                                                     | 913,090            | 1,443,467          |
| Dividends received from Associated Companies                                         | <u>(897,027)</u>   | <u>(1,038,018)</u> |
| Balance at End of Year                                                               | <u>\$7,572,028</u> | <u>\$7,609,727</u> |

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

| 8 AVAILABLE-FOR-SALE INVESTMENTS | <u>2005</u>      | <u>2004</u>      |
|----------------------------------|------------------|------------------|
| Unquoted Securities              | <u>\$218,209</u> | <u>\$218,209</u> |

S L HORSFORD AND COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2005

(Expressed in Eastern Caribbean Dollars)

(Continued)

9 PROPERTY, PLANT AND EQUIPMENT

|                                                  | Land &<br>Buildings<br>- at cost/<br><u>Valuation</u> | Plant<br>at<br>cost | Other<br>Assets<br>- at cost | Capital<br>Work-<br>in-Progress<br>- at cost | <u>Total</u>        |
|--------------------------------------------------|-------------------------------------------------------|---------------------|------------------------------|----------------------------------------------|---------------------|
| Cost/Valuation at 30 September<br>2004           | 49,567,738                                            | 351,031             | 19,800,131                   | 265,583                                      | 69,984,483          |
| Additions/Transfers                              | 29,000                                                | 24,044              | 2,175,075                    | -                                            | 2,228,119           |
| (Disposals)                                      | <u>(305,966)</u>                                      | -                   | <u>(2,401,368)</u>           | -                                            | <u>(2,707,334)</u>  |
| Cost/Valuation at 30 September<br>2005           | <u>49,290,772</u>                                     | <u>375,075</u>      | <u>19,573,838</u>            | <u>265,583</u>                               | <u>69,505,268</u>   |
| Accumulated Depreciation<br>At 30 September 2004 | 404,732                                               | 279,654             | 12,326,947                   | -                                            | 13,011,333          |
| Current Year's Depreciation<br>(Disposals)       | 28,259                                                | 24,008              | 2,009,933                    | -                                            | 2,062,200           |
|                                                  | -                                                     | -                   | <u>(1,492,595)</u>           | -                                            | <u>(1,492,595)</u>  |
| Accumulated Depreciation<br>At 30 September 2005 | <u>432,991</u>                                        | <u>303,662</u>      | <u>12,844,285</u>            | -                                            | <u>13,580,938</u>   |
| Written Down Value<br>- 30 September 2005        | <u>\$48,857,781</u>                                   | <u>\$71,413</u>     | <u>\$6,729,553</u>           | <u>\$265,583</u>                             | <u>\$55,924,330</u> |
| Written Down Value<br>- 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> |

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

S L HORSFORD AND COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2005  
(Expressed in Eastern Caribbean Dollars)  
(Continued)

9 PROPERTY, PLANT AND EQUIPMENT (cont'd)

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 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                                   | <u>2005</u>         | <u>2004</u>         |
|    | Authorised                                      |                     |                     |
|    | 50,000,000 Ordinary Shares of \$1 each          |                     |                     |
|    | Issued and Fully Paid                           |                     |                     |
|    | 30,148,430 Ordinary Shares of \$1 each (Page 2) | <u>\$30,148,430</u> | <u>\$30,148,430</u> |

Dividend of \$0.05 (2004 = \$0.04) per ordinary share (amounting to \$1,507,422/2004 - \$1,205,937) in respect of 2005 has been proposed by the Directors. The Financial Statements for the year ended 30 September 2005 do not reflect this proposed dividend which, if ratified, will be accounted for in equity as on appropriation of retained earnings in the year ending 30 September 2006.



S L HORSFORD AND COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2005

(Expressed in Eastern Caribbean Dollars)  
(Continued)

|    |                                                        |                     |                     |
|----|--------------------------------------------------------|---------------------|---------------------|
| 11 | RESERVES                                               | <u>2005</u>         | <u>2004</u>         |
|    | <b>Capital:</b>                                        |                     |                     |
|    | - Group                                                |                     |                     |
|    | Balance carried forward                                | <u>11,935,055</u>   | <u>11,935,055</u>   |
|    | - Associated Companies                                 |                     |                     |
|    | Balance brought forward                                | 3,680,904           | 4,970,002           |
|    | Reduction in Revaluation Reserve                       | <u>(53,762)</u>     | <u>(1,289,098)</u>  |
|    | Balance carried forward                                | <u>3,627,142</u>    | <u>3,680,904</u>    |
|    |                                                        | <u>15,562,197</u>   | <u>15,615,959</u>   |
|    | <b>Revenue:</b>                                        |                     |                     |
|    | Retained Earnings from Statement of Equity             | <u>13,783,955</u>   | <u>11,757,698</u>   |
|    | TOTAL RESERVES                                         | <u>\$29,346,152</u> | <u>\$27,373,657</u> |
| 12 | DEFERRED TAX LIABILITY                                 | <u>2005</u>         | <u>2004</u>         |
|    | Deferred Tax Liability (Net) – at beginning of year    | 1,053,710           | 947,514             |
|    | Deferred Tax Release (Note 6)                          | <u>248,007</u>      | <u>106,196</u>      |
|    | Deferred Tax Liability (Net) – at end of year          | <u>\$1,301,717</u>  | <u>\$1,053,710</u>  |
|    | Deferred Tax Liability (Net) consist of the following: |                     |                     |
|    | Deferred Tax Asset                                     | (691,358)           | (908,842)           |
|    | Deferred Tax Liability                                 | <u>1,993,075</u>    | <u>1,962,552</u>    |
|    |                                                        | <u>\$1,301,717</u>  | <u>\$1,053,710</u>  |
|    | Deferred Tax Asset comprises:                          |                     |                     |
|    | - Unutilised Capital Allowances                        | (463,372)           | (654,029)           |
|    | - Unutilised Tax Losses                                | (195,675)           | (242,311)           |
|    | - Accelerated Depreciation                             | <u>( 32,311)</u>    | <u>( 12,502)</u>    |
|    |                                                        | <u>\$(691,358)</u>  | <u>\$(908,842)</u>  |
|    | Deferred Tax Liability comprises:                      |                     |                     |
|    | - Accelerated Capital Allowances                       | <u>\$1,993,075</u>  | <u>\$1,962,552</u>  |

S L HORSFORD AND COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2005

(Expressed in Eastern Caribbean Dollars)  
(Continued)

|    |                                  |             |               |
|----|----------------------------------|-------------|---------------|
| 13 | PRIOR YEAR ADJUSTMENTS           | <u>2005</u> | <u>2004</u>   |
|    | Prior year adjustments comprise: |             |               |
|    | <b>Group:</b>                    |             |               |
|    | Deferred Tax                     | -           | (494,830)     |
|    | Underprovision Re: Taxation      | (452,683)   | (906,183)     |
|    |                                  | (452,683)   | (1,401,013)   |
|    | <b>Associated Company:</b>       |             |               |
|    | Deferred Tax                     | (357,409)   | (677,285)     |
|    | Miscellaneous (Net of Tax)       | -           | (37,922)      |
|    |                                  | (357,409)   | (715,207)     |
|    | TOTAL                            | \$(810,092) | \$(2,116,220) |

Deferred Tax:

During the year ended 30 September 2004, the group adopted IAS 12 which deals with deferred and other income tax matters.

Corporation Tax:

During the year ended 30 September 2004, agreement was reached in respect of negotiations with the Inland Revenue Authorities regarding re-assessment of Corporation Tax for the years of assessment 2001/00 to 2003/02. Adjustments were made in the Financial Statements to reflect the agreed additional taxes.

S L HORSFORD AND COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2005

(Expressed in Eastern Caribbean Dollars)

(Continued)

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.

|                                           | <u>2005</u>          | <u>2004</u>          |
|-------------------------------------------|----------------------|----------------------|
| Net Income for the Year                   | \$ <u>3,232,194</u>  | \$ <u>2,414,065</u>  |
| Number of shares in issue at the year end | \$ <u>30,148,430</u> | \$ <u>30,148,430</u> |
| Basic earnings per share                  | \$ <u>0.11</u>       | \$ <u>0.08</u>       |

15 CONTINGENT LIABILITIES

Parent Company:

a) Unfunded Pension:

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

b) Guarantees:

The Company has given guarantees to First Caribbean International Bank, St Kitts, Bank of Nova Scotia and Royal Bank of Canada as collateral for overdraft facilities of up to \$3,015,000 (2004 = \$3,015,000) 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 (2004 = \$271,690).

S L HORSFORD AND COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2004

(Expressed in Eastern Caribbean Dollars)

(Continued)

15 CONTINGENT LIABILITIES (cont'd)

d) Legal Claims:

Parent Company:

Counsel has advised that at 30 September 2005 there were no claims pending against the company (2004 = \$14,520).

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 DETAILS OF SUBSIDIARY AND ASSOCIATED COMPANIES

| <u>Subsidiary Companies</u>              | <u>Principal Activities</u>                       | <u>Interest held<br/>in the Equity<br/>%</u> |
|------------------------------------------|---------------------------------------------------|----------------------------------------------|
| Marshall Plantations Limited             | 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                                          |
| <u>Associated Companies</u>              |                                                   |                                              |
| St Kitts Developments Limited            | Land Development                                  | 30.0                                         |
| St Kitts Masonry Products Limited        | Concrete and Related Products                     | 50.0                                         |
| Carib Brewery (St Kitts & Nevis) Limited | Manufacturers of Beer and non-alcoholic Beverages | 20.1                                         |

S L HORSFORD AND COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2004

(Expressed in Eastern Caribbean Dollars)

(Continued)

17 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, 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 because the Eastern Caribbean Dollar is pegged to the United States Dollar.

18 APPROVAL OF FINANCIAL STATEMENTS

The Financial Statements were approved by the Board of Directors and authorised for issue on 16 February 2006.

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. Demand loans previously included in Accounts Payable and Accruals were reclassified to Loans and Bank Overdrafts.

