



# **S.L HORSFORD & CO. LTD**

## **ANNUAL REPORT 2012**



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## *Our Vision*

"To be the company of choice."

## *Our Mission*

"Exceptional service,

Exceptional value

for

Exceptional people."



In memory of our late Chairman  
Mr. William A. Kelsick OBE, CSM  
62 Years of Service

## CORPORATE INFORMATION

### Directors:

W. Anthony Kelsick B.A., B. Comm., C.A.  
Donald L. Kelsick B.A., H.B.A.  
Judith P Ng'alla F.C.C.A.  
Malcolm C. Kirwan B.S., M.B.A.

Mark A. Wilkin B.A., M.B.A.  
Victor O Williams B. Sc, SCL  
Anthony E. Gonsalves LLB, LLM

Chairman and Managing Director  
Executive Director  
Executive Director  
Retired Vice President for Administration and Finance,  
University of the Virgin Islands  
Managing Director, Carib Brewery (St. Kitts & Nevis) Ltd.  
Architect & Planner  
Barrister-at-Law & Solicitor

### Secretary:

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

### Registered Office:

Marshall House  
Independence Square West  
Basseterre, St. Kitts

### Auditors:

PKF  
Chartered Accountants  
Independence Square North,  
Basseterre, St. Kitts

### Bankers:

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

### Solicitors:

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

Law Office of Robin Herbert Thompson  
The Sands Complex,  
Basseterre, St. Kitts

# NOTICE OF MEETING

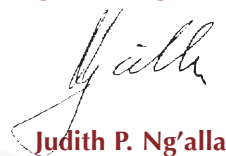
ANNUAL REPORT **2012**

NOTICE IS HEREBY GIVEN that the twenty-second Annual General Meeting of the Company, as a Public Company, will be held at Ocean Terrace Inn, Fortlands, on Thursday, 18 April 2013 at 5 o'clock in the afternoon for the following purposes:

1. To receive and consider the Financial Statements for the year ended 30 September 2012.
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 at least 48 hours prior to date of Annual General Meeting.

**BY ORDER OF THE BOARD**



**Judith P. Ng'alla**

Company Secretary

Dated 14 February 2013

Marshall House  
1 Independence Square West  
Basseterre, St. Kitts

Additional copies of the Annual Report may be printed from the Company's website [www.horsfords.com/horsford/investor.asp](http://www.horsfords.com/horsford/investor.asp)

## 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 retail, 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, Hyundai, Geest Line, Norwegian Cruise Line, King Ocean Services, Avis Rent a Car, NEMWIL, ORGILL Brothers Inc., and Trinidad Cement Limited.

Actively trading subsidiary companies are Ocean Cold Storage (St. Kitts) Limited, S L Horsford Finance 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 REPORT

ANNUAL REPORT 2012

**The results for 2012 have been very disappointing as the economies of St. Kitts and Nevis continued their decline, which has resulted in the Group recording a significant further decline in profitability.**

Compared to 2011, Profit before Tax showed a decline of \$5,037,457 or 52.59 % to \$4,540,755 and Profit after Tax showed a decrease of \$3,391,464 or 57.48 % to \$2,508,320. Similarly, basic earnings per share declined from \$0.20 to \$0.08.

Comparatively, Group sales increased by \$4,211,108 or 3.84 %. However this increase was due to the opening of our new Valu Mart IGA supermarket in Nevis in mid November 2011 and a full year of operations at the new Sol gas station at Wellington Road. Excluding the sales of these new operations our sales of other operations declined in excess of 8 %.

Gross Profit declined by \$2,312,757 or 7.94 % to \$26,799,773 and Other Income declined by \$274,636 or 3.03 % to \$8,798,252. As a result, Total Income declined by \$2,587,393 or 6.78 % to \$35,598,025.

Expenses increased by \$2,250,012 or 7.33 % to \$32,950,707, however after excluding expenses attributed to those already mentioned new operations, expenses in the other departments actually declined by 3 %.

Profit before Results of Associated Companies was \$2,647,318, a decline of \$4,837,405 or 64.63 %. Share of Profit of Associated Companies was \$1,893,437, a reduction of \$200,052 or 9.56 %.

Tax expense was \$2,032,435 in 2012 which is an effective rate of 44.76 % versus 38.40 % in 2011.

The economy, already in decline for the past 5 years, continued its decline even further in 2012. The result of this, along with the effects of VAT and increased electricity costs, caused further contraction on the ability of the residents of St Kitts and Nevis to spend. Consumers in these islands have significantly reduced their spending on capital goods such as building materials for home construction, cars and furniture, key areas of our operations. While spending on food has been less impacted, this area has also shown further declines, particularly in margins in our pursuit to retain our customers in a highly competitive market.

Although the new Valu Mart IGA supermarket in Nevis, opened in November 2011, has had an encouraging start it has not yet reached its necessary break even sales levels to achieve profitability. We are confident that we will achieve this within our targeted dates as efforts to increase our market share in Nevis continue to bear fruit.

As noted earlier while expenses from comparative operations declined slightly, the single notable exception was our electricity costs, a major expense in the Group and which has been increasing steadily in recent years. In an effort to contain this cost the Company will be undertaking a program of solar power installations at its various locations during 2013, along with reviewing and improving our electricity usage generally.

The group's solvency remains strong with a debt to equity ratio of 0.284: 1 and a debt to total assets of 0.201: 1.

The outlook for 2013 is for some improvement due mainly to the already completed sales of lands by our associated company, St Kitts Developments Ltd. The outlook for the performance of our normal trading operations remain as challenging as they were in 2012. Our environment remains adverse to immediate positive economic or business growth and performance.

Your Directors recommend a final dividend of \$0.04 per share which, along with the interim dividend of \$0.04, will result in a total annual dividend of \$0.08 per share for a total of \$2,411,874.

Our former Chairman, Mr. William Archibald Kelsick O.B.E. CSM passed away in January of this year. I wish to note the many years of service which he gave to this company and to the country in general.

I wish to thank all of our customers on both St Kitts and Nevis for their continued loyalty and support.

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. Anthony Kelsick**

B.A., B. Comm., C.A.

# REPORT OF THE DIRECTORS

The Directors submit their Report and Audited Accounts for the year ended 30 September 2012:

	2012	2011
Profit for the year (after providing for Taxation)	\$2,508,320	\$5,899,784
The Board recommends a dividend of 8% (2011 = 10%)	\$2,411,874	\$3,014,843

In accordance with Articles 102 and 103 of the Articles of Association, Mr. Anthony Gonsalves and Mr. Victor Williams retire from the Board on rotation and being eligible offer themselves for re-appointment.

The Auditors, PKF, Chartered Accountants and Business Advisors, also retire, and being eligible, offer themselves for re-appointment.

## BY ORDER OF THE BOARD

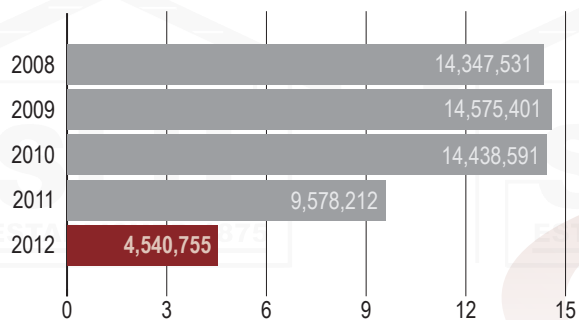


**Judith P. Ng'alla**  
Company Secretary  
14 February 2013

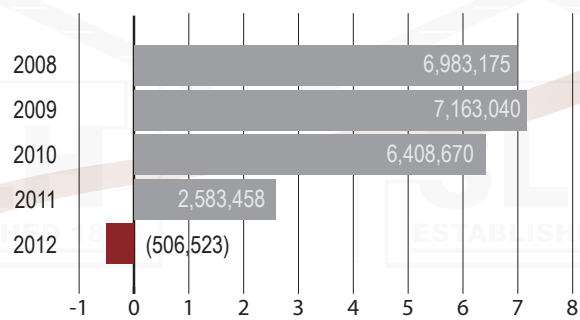
# FINANCIAL HIGHLIGHTS

ANNUAL REPORT **2012**

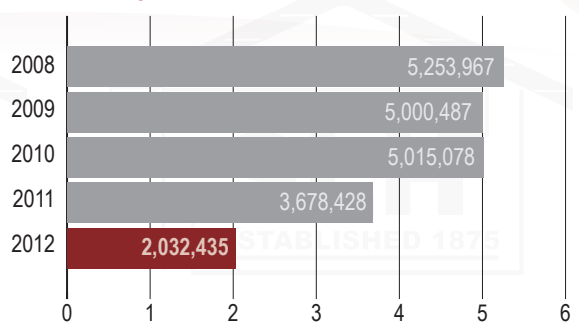
**PROFIT BEFORE TAX**



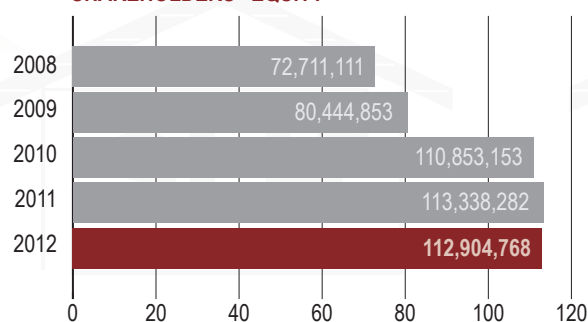
**PROFITS RETAINED**



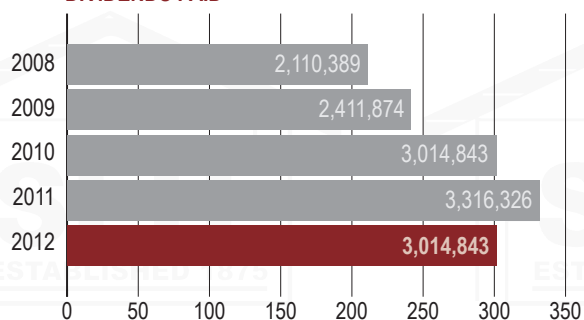
**TAXATION**



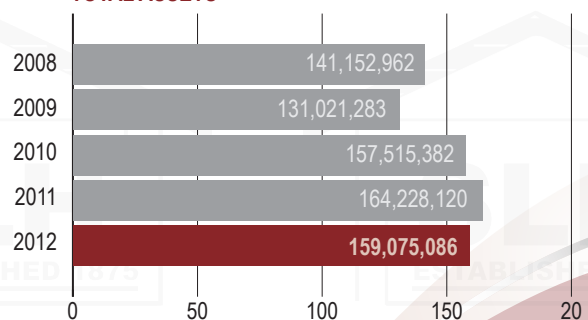
**SHAREHOLDERS' EQUITY**



**DIVIDENDS PAID**



**TOTAL ASSETS**



# INDEPENDENT AUDITORS' REPORT

## PKF

**TO THE SHAREHOLDERS  
S L HORSFORD AND COMPANY LIMITED**

We have audited the accompanying consolidated financial statements of S L Horsford and Company Limited and its subsidiaries ('the Group'), which comprise the consolidated statement of financial position as at 30 September 2012, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

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

# INDEPENDENT AUDITORS' REPORT (continued)

ANNUAL REPORT 2012

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

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

## 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 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants:

PKF

BASSETERRE, ST. KITTS  
14 February 2013

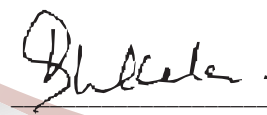
# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars)

	Notes	2012	2011 (Restated)
<b>CURRENT ASSETS</b>			
Cash at Bank and in Hand		723,011	299,755
Accounts Receivable - Current	3	10,467,762	12,927,809
Inventories	4	30,988,473	31,183,360
		<u>42,179,246</u>	<u>44,410,924</u>
<b>CURRENT LIABILITIES</b>			
Loans and Bank Overdrafts	5	17,839,340	22,957,555
Accounts Payable and Accruals	6	7,632,157	8,665,655
Provision for Taxation	7	685,711	580,640
		<u>26,157,208</u>	<u>32,203,850</u>
<b>WORKING CAPITAL</b>		16,022,038	12,207,074
<b>INTANGIBLES</b>	8	29,788	1,508
<b>ACCOUNTS RECEIVABLE - Non current</b>	3	9,028,044	10,715,502
<b>INVESTMENT IN ASSOCIATED COMPANIES</b>	9	12,501,455	13,183,759
<b>AVAILABLE-FOR-SALE INVESTMENTS</b>	10	645,058	684,967
<b>PROPERTY, PLANT AND EQUIPMENT</b>	5 & 11	94,691,495	95,231,460
<b>TOTAL</b>		<u>\$132,917,878</u>	<u>\$132,024,270</u>
<b>FINANCED BY:</b>			
<b>SHARE CAPITAL</b>	12	30,148,430	30,148,430
<b>RESERVES</b>		<u>82,756,338</u>	<u>83,189,852</u>
<b>SHAREHOLDERS' FUNDS</b>		112,904,768	113,338,282
<b>DEFERRED TAX LIABILITY</b>	13	5,841,709	5,884,847
<b>LOANS NON CURRENT</b>	5	14,171,401	12,801,141
<b>FUNDS EMPLOYED</b>		<u>\$132,917,878</u>	<u>\$132,024,270</u>

The attached Notes form an integral part of these Consolidated Financial Statements.  
Approved by the Board of Directors on 14 February 2013

  
W Anthony Kelsick  
Chairman

  
Donald Kelsick  
Director

# CONSOLIDATED STATEMENT OF INCOME

ANNUAL REPORT 2012

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars)

	Notes	2012	2011
TURNOVER	2 (m)	113,833,626	109,622,518
Cost of Sales		(87,033,853)	(80,509,988)
GROSS PROFIT		26,799,773	29,112,530
OTHER INCOME		8,798,252	9,072,888
TOTAL INCOME		35,598,025	38,185,418
LESS: EXPENSES			
Administrative Expenses		(22,180,158)	(20,753,864)
Distribution Costs - Transport		(1,755,823)	(1,939,846)
- Advertising		(2,131,146)	(2,008,564)
Other Expenses		(1,674,465)	(1,489,745)
Depreciation and Amortisation		(3,214,719)	(2,835,640)
Finance Costs		(1,994,396)	(1,673,036)
		(32,950,707)	(30,700,695)
Profit before Results of Associated Companies		2,647,318	7,484,723
Share of Results of Associated Companies	2 (d) & 9	1,893,437	2,093,489
INCOME BEFORE TAXATION		4,540,755	9,578,212
Tax Expense	7	(2,032,435)	(3,678,428)
INCOME FOR THE YEAR CARRIED TO STATEMENT OF COMPREHENSIVE INCOME		\$2,508,320	\$5,899,784
BASIC EARNINGS PER SHARE	14	\$0.08	\$0.20

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars)

	Notes	2012	2011
Income for the year		2,508,320	5,899,784
OTHER COMPREHENSIVE INCOME:			
Decrease in Revaluation Reserve - Associated Company		(38,206)	(65,286)
Capitalisation of deposits on land sales - Marshall Plantations Ltd		151,124	-
Unrealised Holding Loss - decrease in fair value	10	(39,909)	(33,043)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR CARRIED TO STATEMENT OF CHANGES IN EQUITY		<u>\$2,581,329</u>	<u>\$5,801,455</u>

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

ANNUAL REPORT 2012

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars)

	Share Capital	Revaluation Reserve	Other Capital Reserve	Unrealised Holding Gain - Investment	Retained Earnings	Total
Balance at 30 September 2010	30,148,430	38,372,930	555,307	567,528	41,208,958	110,853,153
Total Comprehensive Income	-	(65,286)	-	(33,043)	5,899,784	5,801,455
Dividend paid (\$0.11 per share)	-	-	-	-	(3,316,326)	(3,316,326)
Balance at 30 September 2011	<u>\$30,148,430</u>	<u>\$38,307,644</u>	<u>\$555,307</u>	<u>\$534,485</u>	<u>\$43,792,416</u>	<u>\$113,338,282</u>
Balance at 30 September 2011	30,148,430	38,307,644	555,307	534,485	43,792,416	113,338,282
Total Comprehensive Income	-	(38,206)	151,124	(39,909)	2,508,320	2,581,329
Dividend paid (\$0.10 per share)	-	-	-	-	(3,014,843)	(3,014,843)
Balance at 30 September 2012	<u>\$30,148,430</u>	<u>\$38,269,438</u>	<u>\$706,431</u>	<u>\$494,576</u>	<u>\$43,285,893</u>	<u>\$112,904,768</u>

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars)

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before Taxation	4,540,755	9,578,212
Adjustments for:		
Depreciation and Amortisation	3,214,726	2,835,640
Gain on disposal of Property, Plant and Equipment	(155,226)	(86,826)
Impairment of Investment	-	49,999
Finance costs incurred	1,994,396	1,673,036
Share of income from Associated Companies	(1,893,437)	(2,093,489)
Operating profit before working capital changes	7,701,214	11,956,572
Net change in non-cash working capital balances related to Operations	1,621,437	(146,741)
	9,322,651	11,809,831
Finance costs paid	(1,994,396)	(1,673,036)
Taxation paid	(1,483,118)	(3,604,944)
<b>Net cash inflow from operating activities</b>	<b>5,845,137</b>	<b>6,531,851</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property, Plant and Equipment	(5,386,249)	(13,310,696)
Proceeds on disposal of Property, Plant and Equipment	2,871,058	490,693
Purchase of Intangibles	(32,624)	-
Capitalisation of Deposits on Land Sales - Marshall Plantations Ltd	151,124	-
Dividends received from Associated Companies	2,050,150	1,290,090
<b>Net cash used in investing activities</b>	<b>(346,541)</b>	<b>(11,529,913)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Non-current Receivables	1,687,458	2,512,024
Long term Loans repaid	(1,563,383)	(248,665)
Dividends paid to Shareholders	(3,014,843)	(3,316,326)
<b>Net cash used in financing activities</b>	<b>(2,890,768)</b>	<b>(1,052,967)</b>
Net increase/(decrease) in cash and cash equivalents	2,607,828	(6,051,029)
Cash and cash equivalents - beginning of year	(4,675,727)	1,375,302
Cash and cash equivalents - end of year	<u><u>\$(2,067,899)</u></u>	<u><u>\$(4,675,727)</u></u>
Cash and cash equivalents comprise:		
Cash	723,011	299,755
Bank Overdrafts	(2,790,910)	(4,975,482)
	<u><u>\$(2,067,899)</u></u>	<u><u>\$(4,675,727)</u></u>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ANNUAL REPORT 2012

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars)

## 1 CORPORATE INFORMATION

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

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

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

The Company is listed on the Eastern Caribbean Stock Exchange.

## 2 ACCOUNTING POLICIES

### (a) Basis of Accounting:

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

The accounting policies which are followed are set out below.

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

These financial statements are prepared in accordance with International Financial Reporting Standards.

### Standards and interpretations in effect and applicable

IAS 24	Related Party Disclosures (2009) - effective 1 January 2011
IFRS 1	Improvement to IFRSs (2010) - effective 1 January 2011
IAS 1	Improvement to IFRSs (2010) - effective 1 January 2011
IFRS 7	Improvement to IFRSs (2010) - effective 1 January 2011
IFRIC 13	Improvements to IFRSs (2010) - effective 1 January 2011

Adoption of these standards and interpretations did not have any effect on the performance of the Company.

### Standards and interpretations in issue and effective but not applicable

IAS 34	Improvements to IFRSs(2010) - effective 1 January 2011
IFRIC 14	IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interactions - effective 1 January 2011

### Standards and interpretations in issue but not yet effective and not early adopted

IAS 1	Presentation of items of Other Comprehensive Income (Amendments to IAS 1) - effective 1 July 2012
IAS 12	Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12) - effective 1 January 2012
IAS 19	Employee Benefits (2011) - effective 1 January 2013

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars) - continued

## 2 ACCOUNTING POLICIES (continued)

### (a) Basis of Accounting (continued):

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

IAS 27	Separate Financial Statements - effective 1 January 2013
IAS 28	Investments in Associates and Joint Ventures (2011) - effective 1 January 2013
IAS 32	Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) - effective 1 January 2014
IFRS 1	Government Loans (Amendments to IFRS 1) - effective 1 January 2013
IFRS 7	Amendments to IFRS 7 Financial Instruments: Disclosures - effective 1 January 2013
IFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) - effective 1 January 2013
IFRS 9	Financial Instruments (2009) - effective 1 January 2015
IFRS 9	Financial Instruments (2010) - effective 1 January 2015
IFRS 10	Consolidated Financial Statements - effective 1 January 2013
IFRS 11	Joint Arrangements - effective 1 January 2013
IFRS 12	Disclosures of Interest in Other Entities - effective 1 January 2013
IFRS 13	Fair Value Measurement - effective 1 January 2013
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine - effective 1 January 2013

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

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

### (d) Investment in Associated Companies:

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income in the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ANNUAL REPORT 2012

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars) - continued

Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the income statement.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment as its fair value. Any differences between the carrying amount of the associates upon loss of significant influence and the value of the retaining investment and proceeds from disposal is recognised in profit or loss.

(e) 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 or Loss.

(f) 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 collectability is in doubt.

Dividend:

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars) - continued

## 2 ACCOUNTING POLICIES (continued)

### (g) 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.

### (h) 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.

### (i) Hire Purchase Sales:

#### Furniture:

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

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

### (j) 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%
Vehicles	12.5% - 30%
Cargo Handling Gear	20%
Furniture, Fittings and Equipment	10% - 20%
Coldrooms and Electrical Installations	10%
Plant and Equipment	20% - 33.33%
Boat	20%

### (k) 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, impairment is assessed and provisions for permanent impairment in the value of investments is made through the profit or loss.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ANNUAL REPORT 2012

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars) - continued

(l) 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.

(m) Turnover:

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

(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) Intangibles:

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

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

q) Borrowing Costs:

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars) - continued

## 3 ACCOUNTS RECEIVABLE

	2012	2011 (Restated)
Trade Receivables	27,213,249	29,866,859
Less: Provision for impairment	<u>(8,566,854)</u>	<u>(8,259,744)</u>
	18,646,395	21,607,115
Sundry Receivables and Prepayments	<u>849,411</u>	<u>2,036,196</u>
	19,495,806	23,643,311
Less: <b>Non-current portion of Receivables</b>	<u>(9,028,044)</u>	<u>(10,715,502)</u>
<b>TOTAL - Current</b>	<u><b>\$10,467,762</b></u>	<u><b>\$12,927,809</b></u>

All non-current receivables are due within five (5) years from the balance sheet date.

Movement on provision for impairment – current and non-current receivables:

	2012	2011
Balance at beginning of year	8,259,744	7,881,801
Increase in provision for impairment	1,057,662	993,236
Impaired losses recovered	<u>(750,552)</u>	<u>(615,293)</u>
Balance at end of year	<u><b>\$8,566,854</b></u>	<u><b>\$8,259,744</b></u>

Ageing analysis of trade receivables:

	Total	Future Due	Neither past due nor impaired	Past due but not impaired 30 to 90 days	Past due but not impaired Over 90 days
30 September 2012	<u>\$18,646,395</u>	<u>\$9,028,044</u>	<u>\$7,128,197</u>	<u>\$1,178,162</u>	<u>\$1,311,992</u>
30 September 2011	<u>\$21,607,115</u>	<u>\$10,715,502</u>	<u>\$8,233,231</u>	<u>\$985,748</u>	<u>\$1,672,634</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ANNUAL REPORT 2012

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars) - continued

## 4 INVENTORIES

	2012	2011 (Restated)
Merchandise	25,746,892	26,084,296
Stock on Hire	3,040,305	3,786,696
Goods In Transit	2,201,276	1,312,368
TOTAL	<u>\$30,988,473</u>	<u>\$31,183,360</u>

## 5 LOANS AND BANK OVERDRAFTS

	2012	2011
Current:		
Overdrafts	2,790,910	4,975,482
Loans – Current Portion	<u>15,048,430</u>	<u>17,982,073</u>
TOTAL CURRENT LOANS AND BANK OVERDRAFTS	<u>\$17,839,340</u>	<u>\$22,957,555</u>
LOANS – NON-CURRENT	<u>\$14,171,401</u>	<u>\$12,801,141</u>
Summary of Loans and Overdrafts:		
Amount Payable:		
Within 1 year	17,839,340	22,957,555
2 – 5 Years	6,794,278	8,317,381
Over 5 Years	<u>7,377,123</u>	<u>4,483,760</u>
TOTAL LOANS	<u>\$32,010,741</u>	<u>\$35,758,696</u>
Analysed as follows:		
Secured	19,049,894	19,609,104
Unsecured	<u>12,960,847</u>	<u>16,149,592</u>
TOTAL	<u>\$32,010,741</u>	<u>\$35,758,696</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars) - continued

## 5 LOANS AND BANK OVERDRAFTS (continued)

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 \$56,428,000 (2011 = \$56,428,000).

The principal instalments due within the twelve months ending 30 September 2013 have been shown under Current Liabilities.

## 6 ACCOUNTS PAYABLE AND ACCRUALS

	2012	2011
Trade Payables	3,837,388	4,981,167
Sundry Payables, Provisions and Accruals	<u>3,794,769</u>	<u>3,684,488</u>
TOTAL	<u>\$7,632,157</u>	<u>\$8,665,655</u>

## 7 TAXATION

### Statement of Financial Position

Taxation in the Statement of Financial Position comprises the following:

Provision for Taxation - Current Year	<u>\$685,711</u>	<u>\$580,640</u>
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### Statement of Income

The Taxation charge in the Statement of Income comprises the following:

Provision for charge on Current Profits	1,588,188	2,535,669
Deferred Tax (Note 13)	<u>(43,138)</u>	<u>633,985</u>

	1,545,050	3,169,654
Associated Companies (Note 9)	<u>487,385</u>	<u>508,774</u>

TOTAL	<u>\$2,032,435</u>	<u>\$3,678,428</u>
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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ANNUAL REPORT 2012

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars) - continued

## 7 TAXATION (continued)

The group's effective tax rate of 44.7% (2011 = 38.4%) differs from the Statutory rate of 35% as follows:

	2012	2011
Profit before taxation	<u>\$4,540,755</u>	<u>\$9,578,212</u>
Taxes at statutory rate of 35%	1,589,264	3,352,374
Tax effect of expenses not deductible in determining taxable profits	479,914	415,572
Tax effect of income not assessable for taxation	(175,854)	(236,885)
Tax effect of Depreciation on non qualifying assets	131,652	133,675
Other	<u>7,459</u>	<u>13,692</u>
TOTAL	<u>\$2,032,435</u>	<u>\$3,678,428</u>

All income tax assessments up to and including the year of assessment 2012/11 have been submitted to the Comptroller of Inland Revenue and the taxes duly paid.

## 8 INTANGIBLES

	2012	2011
Software - brought forward (See Note 2(p))	48,471	48,471
Additions	<u>32,624</u>	<u>-</u>
Software - carried forward	<u>81,095</u>	<u>48,471</u>
Accumulated Amortisation – brought forward	46,963	40,316
Amortisation	<u>4,344</u>	<u>6,647</u>
Accumulated Amortisation – carried forward	<u>51,307</u>	<u>46,963</u>
NET CARRYING AMOUNT	<u>\$29,788</u>	<u>\$1,508</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars) - continued

## 9 INVESTMENT IN ASSOCIATED COMPANIES

	2012	2011
Original cost of investments	3,048,436	3,048,436
Increase in equity over cost from acquisition to the end of previous year	<u>10,135,323</u>	<u>9,905,984</u>
	13,183,759	12,954,420
Capital reserve reduction	(38,206)	(65,286)
Share of net income less dividends received from Associated Companies (see below)	<u>(644,098)</u>	<u>294,625</u>
Balance at End of Year	<u>\$12,501,455</u>	<u>\$13,183,759</u>

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

	2012	2011
Share of income before taxation	1,893,437	2,093,489
Taxation (Note 7)	<u>(487,385)</u>	<u>(508,774)</u>
	1,406,052	1,584,715
Dividends received	<u>(2,050,150)</u>	<u>(1,290,090)</u>
TOTAL (As Above)	<u>\$(644,098)</u>	<u>\$294,625</u>

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

	2012 \$	2011 \$
Assets	17,426,830	17,003,373
Liabilities	4,925,375	3,819,614
Revenue	13,477,159	14,571,037
Profit before Tax	1,893,437	2,093,489

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ANNUAL REPORT 2012

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars) - continued

## 10 AVAILABLE-FOR-SALE INVESTMENTS

	2012	2011
Quoted Securities	595,057	634,966
Unquoted Securities	<u>50,001</u>	<u>50,001</u>
TOTAL	<u>\$645,058</u>	<u>\$684,967</u>

## 11 PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings - at cost/ Valuation	Plant, Vehicles and Other Assets - at cost	Capital Work- in-Progress - at cost	Total
<b>Year Ended 30 September 2012</b>				
Gross Carrying Amount -				
Beginning of Year	74,378,988	19,970,417	15,224,250	109,573,655
Additions	-	4,711,337	674,912	5,386,249
Transfers	13,929,478	-	(13,929,478)	-
(Disposals)	<u>(248,837)</u>	<u>(4,283,809)</u>	<u>(1,851,969)</u>	<u>(6,384,615)</u>
Gross Carrying Amount - End of Year	<u>88,059,629</u>	<u>20,397,945</u>	<u>117,715</u>	<u>108,575,289</u>
Accumulated Depreciation -				
Brought Forward	1,441,805	12,900,390	-	14,342,195
Charge	856,640	2,353,742	-	3,210,382
(Disposals)	<u>(10,470)</u>	<u>(3,658,313)</u>	<u>-</u>	<u>(3,668,783)</u>
Accumulated Depreciation Carried Forward	<u>2,287,975</u>	<u>11,595,819</u>	<u>-</u>	<u>13,883,794</u>
Net Carrying Amount - 2012	<u>\$85,771,654</u>	<u>\$8,802,126</u>	<u>\$117,715</u>	<u>\$94,691,495</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars) - continued

## 11 PROPERTY, PLANT AND EQUIPMENT (continued)

	Land & Buildings - at cost/ Valuation	Plant, Vehicles and Other Assets - at cost	Capital Work- in-Progress - at cost	Total
<b>Year Ended 30 September 2011</b>				
Gross Carrying Amount -				
Beginning of Year	72,331,243	19,978,213	6,725,091	99,034,547
Additions	2,047,745	2,763,792	8,499,159	13,310,696
(Disposals)	-	(2,771,588)	-	(2,771,588)
Gross Carrying Amount - End of Year	<u>74,378,988</u>	<u>19,970,417</u>	<u>15,224,250</u>	<u>109,573,655</u>
Accumulated Depreciation -				
Brought Forward	735,043	13,145,879	-	13,880,922
Charge	706,762	2,122,231	-	2,828,993
(Disposals)	-	(2,367,720)	-	(2,367,720)
Accumulated Depreciation				
Carried Forward	<u>1,441,805</u>	<u>12,900,390</u>	<u>-</u>	<u>14,342,195</u>
Net Carrying Amount - 2011	<u>\$72,937,183</u>	<u>\$7,070,027</u>	<u>\$15,224,250</u>	<u>\$95,231,460</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ANNUAL REPORT 2012

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars) - continued

## 11 PROPERTY, PLANT AND EQUIPMENT (continued)

Revaluation:

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

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

Additions subsequent to revaluation are stated at cost.

## 12 SHARE CAPITAL

	2012	2011
Authorised		
50,000,000 Ordinary Shares of \$1 each		
Issued and Fully Paid		
30,148,430 Ordinary Shares of \$1 each	<u>\$30,148,430</u>	<u>\$30,148,430</u>

Dividend of 8% (2011 = 10%) per ordinary share (amounting to \$2,411,874/2011 = \$3,014,843) in respect of 2012 has been proposed by the Directors. The Financial Statements for the year ended 30 September 2012 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 2013.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars) - continued

## 13 DEFERRED TAX LIABILITY

	2012	2011
Deferred Tax Liability (Net) – at beginning of year	5,884,847	5,250,862
Deferred Tax (Note 7)	(43,138)	633,985
Deferred Tax Liability (Net) – at end of year	<u>\$5,841,709</u>	<u>\$5,884,847</u>
Deferred Tax Liability (Net) comprises the following:		
Deferred Tax Asset	(423,133)	(239,743)
Deferred Tax Liability	<u>6,264,842</u>	<u>6,124,590</u>
	<u>\$5,841,709</u>	<u>\$5,884,847</u>
Deferred Tax Asset comprises:		
- Accelerated Depreciation	90	-
- Unutilised Capital Allowances	<u>423,043</u>	<u>239,743</u>
	<u>\$423,133</u>	<u>\$239,743</u>
Deferred Tax Liability comprises:		
- Accelerated Capital Allowances	<u>\$6,264,842</u>	<u>\$6,124,590</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ANNUAL REPORT 2012

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (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 during the year.

	2012	2011
Net Income for the Year	<u>\$2,508,320</u>	<u>\$5,899,784</u>
Number of shares in issue during the year	<u>30,148,430</u>	<u>30,148,430</u>
Basic earnings per share	<u>\$0.08</u>	<u>\$0.20</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 and Royal Bank of Canada as collateral for overdraft facilities of up to \$3,015,000 (2011 = \$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, the company had outstanding letters of credit totalling \$448,820 (2011 = \$448,820).

d) Legal Claims:

Parent Company:

Counsel has advised that at 30 September 2012 there were no claims pending against the company (2011 = Nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars) - continued

## 16 RELATED PARTY TRANSACTIONS

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

	2012 \$	2011 \$ (Restated)
i) Sales of goods and services	3,327,212	4,316,760
ii) Purchases of goods and services	4,384,786	4,785,118
iii) Management fees	28,800	28,800
iv) Dividends received	2,050,150	1,290,090

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

Short-term employee benefits and retirement contributions	<u>\$857,200</u>	<u>\$973,086</u>
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3. Balances due to/from Related Parties

Due from Associated Companies	<u>\$49,457</u>	<u>\$390,613</u>
Due from Directors	<u>\$82,196</u>	<u>\$41,042</u>
Due to Associated Companies	<u>\$1,834,918</u>	<u>\$6,483,098</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ANNUAL REPORT 2012

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars) - continued

## 17 DETAILS OF SUBSIDIARY AND ASSOCIATED COMPANIES

<u>Subsidiary Companies</u>	<u>Principal Activities</u>	<u>Interest held in the Equity %</u>
Marshall Plantations Limited	Investments	100
Ocean Cold Storage (St Kitts) Limited	Food Distribution (Wholesale)	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
<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

## 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

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars) - continued

## 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.

### e) Liquidity Risk:

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

The following table summarises the maturity profile of the Group's financial liabilities and assets at 30 September 2012:

### Year ended 30 September 2012

Financial Liabilities:

	Due within 1 Year	>1 year to 5 years	Over 5 years	Total
Overdrafts	2,790,910	-	-	2,790,910
Loans	15,048,430	6,794,278	7,377,123	29,219,831
Accounts payable and accruals	7,632,157	-	-	7,632,157
	<u>\$25,471,497</u>	<u>\$6,794,278</u>	<u>\$7,377,123</u>	<u>\$39,642,898</u>

### Year ended 30 September 2011

Overdrafts	4,975,482	-	-	4,975,482
Loans	17,982,073	8,317,381	4,483,760	30,783,214
Accounts payable and accruals	8,665,655	-	-	8,665,655
	<u>\$31,623,210</u>	<u>\$8,317,381</u>	<u>\$4,483,760</u>	<u>\$44,424,351</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ANNUAL REPORT 2012

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars) - continued

## 18 FINANCIAL INSTRUMENTS (continued)

### e) Liquidity Risk: (continued)

#### Financial Assets:

	Due within 1 Year	>1 year to 5 years	Over 5 years	Total
<b>Year ended 30 September 2012:</b>				
Cash with bankers and in hand	723,011	-	-	723,011
Accounts Receivable	10,467,762	9,028,044	-	19,495,806
Investments	-	-	13,146,513	13,146,513
	<u>\$11,190,773</u>	<u>\$9,028,044</u>	<u>\$13,146,513</u>	<u>\$33,365,330</u>
<b>Year ended 30 September 2011:</b>				
Cash with bankers and in hand	299,755	-	-	299,755
Accounts Receivable	12,927,809	10,715,502	-	23,643,311
Investments	-	-	13,868,726	13,868,726
	<u>\$13,227,564</u>	<u>\$10,715,502</u>	<u>\$13,868,726</u>	<u>\$37,811,792</u>

## 19 CAPITAL COMMITMENT

At year end, the Parent Company was committed to the installation of a Solar Energy Plant and Retrofit lighting in the total approximate amount of \$4 million (2011 = \$2.1 million).

## 20 RECLASSIFICATION

During the year under review, an amount included in the Accounts Receivable has been reclassified to Inventories balance in order to rectify an incorrect classification. Additionally reclassifications have been made between current and non-current receivables. 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.



SL HORSFORD AND COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES

## NOTES:



