

S L HORSFORD AND COMPANY LIMITED AND ITS SUBSIDIARY COMPANIESCONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 30 SEPTEMBER 2014

(Expressed in Eastern Caribbean Dollars)

	<u>Notes</u>	<u>2014</u>	<u>2013</u> (Restated)
<b>CURRENT ASSETS</b>			
Cash at Bank and in Hand		566,401	621,274
Accounts Receivable - Current	3	11,599,009	10,890,474
Taxation Recoverable		137,614	-
Inventories	4	35,999,051	32,641,492
		<hr/> 48,302,075	<hr/> 44,153,240
<b>NON-CURRENT ASSETS:</b>			
<b>AVAILABLE-FOR-SALE INVESTMENTS</b>	5	578,028	586,153
<b>INVESTMENT IN ASSOCIATED COMPANIES</b>	6	11,420,018	11,355,904
<b>ACCOUNTS RECEIVABLE - NON-CURRENT</b>	3	11,758,633	8,357,838
<b>INTANGIBLES</b>	7	25,229	37,686
<b>PROPERTY, PLANT AND EQUIPMENT</b>	8	<hr/> 98,709,867	<hr/> 97,884,180
<b>TOTAL NON-CURRENT ASSETS</b>		<hr/> 122,491,775	<hr/> 118,221,761
<b>TOTAL ASSETS</b>		<hr/> <u>\$ 170,793,850</u>	<hr/> <u>\$ 162,375,001</u>

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

S L HORSFORD AND COMPANY LIMITED AND ITS SUBSIDIARY COMPANIESCONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 30 SEPTEMBER 2014

(Expressed in Eastern Caribbean Dollars)

	<u>Notes</u>	<u>2014</u>	<u>2013</u> (Restated)
<b>CURRENT LIABILITIES</b>			
Loans and Bank Overdrafts	9	23,538,605	22,087,769
Accounts Payable and Accruals	10	9,883,705	8,750,731
Provision for Taxation	11	1,658,077	612,379
		<hr/> 35,080,387	<hr/> 31,450,879
<b>NON-CURRENT LIABILITIES</b>			
<b>LOANS - NON-CURRENT</b>	9	9,779,287	9,572,489
<b>DEFERRED TAX LIABILITY</b>	12	6,350,421	5,752,733
		<hr/> 16,129,708	<hr/> 15,325,222
<b>TOTAL LIABILITIES</b>		<hr/> 51,210,095	<hr/> 46,776,101
<b>EQUITY</b>			
<b>SHARE CAPITAL</b>	13	30,148,430	30,148,430
<b>RESERVES</b>	14	89,435,325	85,450,470
<b>SHAREHOLDERS' FUNDS</b>		<hr/> 119,583,755	<hr/> 115,598,900
<b>TOTAL LIABILITIES AND EQUITY</b>		<hr/> <hr/> \$ 170,793,850	<hr/> <hr/> \$ 162,375,001

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

Approved by the Board of Directors on 12 February 2015.

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W Anthony Kelsick  
Chairman

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Donald Kelsick  
Director

S L HORSFORD AND COMPANY LIMITED AND ITS SUBSIDIARY COMPANIESCONSOLIDATED STATEMENT OF INCOME  
FOR THE YEAR ENDED 30 SEPTEMBER 2014

(Expressed in Eastern Caribbean Dollars)

	Notes	<u>2014</u>	<u>2013</u> (Re-stated)
TURNOVER	2 (n)	143,222,069	120,833,483
Cost of Sales		<u>(110,907,018)</u>	<u>(92,722,404)</u>
GROSS PROFIT		32,315,051	28,111,079
OTHER INCOME	21	<u>8,362,436</u>	<u>7,974,669</u>
TOTAL INCOME		<u>40,677,487</u>	<u>36,085,748</u>
LESS: EXPENSES			
Administrative Expenses	22	(21,592,327)	(21,204,030)
Transport and Deliveries		(1,849,237)	(1,858,447)
Advertising		(2,626,748)	(2,298,025)
Other Expenses		(965,491)	(1,123,627)
Depreciation and Amortisation		(3,720,178)	(3,394,567)
Finance Costs		<u>(1,664,695)</u>	<u>(1,654,416)</u>
		<u>(32,418,676)</u>	<u>(31,533,112)</u>
Income before Results of Associated Companies		8,258,811	4,552,636
Share of Results of Associated Companies	2 (d) & 6	<u>3,694,473</u>	<u>3,911,453</u>
INCOME BEFORE TAXATION		11,953,284	8,464,089

Income Tax Expense	11	<u>(4,227,577)</u>	<u>(3,002,598)</u>
INCOME FOR THE YEAR CARRIED TO STATEMENT OF COMPREHENSIVE INCOME		<u>\$ 7,725,707</u>	<u>\$ 5,461,491</u>
BASIC EARNINGS PER SHARE	15	<u>\$ 0.26</u>	<u>\$ 0.18</u>

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

S L HORSFORD AND COMPANY LIMITED AND ITS SUBSIDIARY COMPANIESCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 SEPTEMBER 2014

(Expressed in Eastern Caribbean Dollars)

	Notes	<u>2014</u>	<u>2013</u>
Income for the year		7,725,707	5,461,491
OTHER COMPREHENSIVE INCOME:			
Decrease in Revaluation Reserve - Associated Company	6	(114,915)	(296,582)
Unrealised Holding Loss - decrease in fair value of investments		<u>(8,125)</u>	<u>(58,905)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR CARRIED TO STATEMENT OF CHANGES IN EQUITY		<u>\$ 7,602,667</u>	<u>\$ 5,106,004</u>

S L HORSFORD AND COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 SEPTEMBER 2014

(Expressed in Eastern Caribbean Dollars)

	<u>Share Capital</u>	<u>Revaluation Reserve</u>	<u>Other Capital Reserve</u>	<u>Unrealised Holding Gain - Investment</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance at 30 September 2012	30,148,430	38,269,438	706,431	494,576	43,285,893	112,904,768
Total Comprehensive Income	-	(296,582)	-	(58,905)	5,461,491	5,106,004
Dividend paid ( \$0.08 per share)	-	-	-	-	(2,411,872)	(2,411,872)
Balance at 30 September 2013	<u>\$ 30,148,430</u>	<u>\$ 37,972,856</u>	<u>\$ 706,431</u>	<u>\$ 435,671</u>	<u>\$ 46,335,512</u>	<u>\$ 115,598,900</u>
Balance at 30 September 2013	30,148,430	37,972,856	706,431	435,671	46,335,512	115,598,900
Total Comprehensive Income	-	(114,915)	-	(8,125)	7,725,707	7,602,667
Dividend paid (\$0.12 per share)	-	-	-	-	(3,617,812)	(3,617,812)
Balance at 30 September 2014	<u>\$ 30,148,430</u>	<u>\$ 37,857,941</u>	<u>\$ 706,431</u>	<u>\$ 427,546</u>	<u>\$ 50,443,407</u>	<u>\$ 119,583,755</u>

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

S L HORSFORD AND COMPANY LIMITED AND ITS SUBSIDIARY COMPANIESCONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 SEPTEMBER 2014

(Expressed in Eastern Caribbean Dollars)

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before Taxation	11,953,284	8,464,089
Adjustments for:		
Depreciation and Amortisation	3,720,178	3,394,567
Gain on disposal of Property, Plant and Equipment	(170,344)	(264,072)
Finance costs incurred	1,664,695	1,654,416
Share of income from Associated Companies	(3,694,473)	(3,911,453)
Operating profit before working capital changes	<u>13,473,340</u>	<u>9,337,547</u>
Net change in non-cash working capital balances related to Operations	<u>(2,933,120)</u>	<u>(87,465)</u>
	10,540,220	9,250,082
Finance costs paid	(1,664,695)	(1,654,416)
Taxation paid	<u>(1,971,495)</u>	<u>(2,089,618)</u>
Net cash inflow from operating activities	<u>6,904,030</u>	<u>5,506,048</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property, Plant and Equipment	(4,809,862)	(7,227,625)
Proceeds on disposal of Property, Plant and Equipment	452,291	917,148
Purchase of Intangibles	(5,494)	(20,602)
Dividends received from Associated Companies	<u>2,765,135</u>	<u>3,685,135</u>
Net cash used in investing activities	<u>(1,597,930)</u>	<u>(2,645,944)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Non-current Receivables	(3,400,795)	(199,486)
Long term Loans repaid	4,316,393	(2,549,797)
Dividends paid to Shareholders	<u>(3,617,812)</u>	<u>(2,411,872)</u>
Net cash used in financing activities	<u>(2,702,214)</u>	<u>(5,161,155)</u>
Net increase/(decrease) in cash and cash equivalents	2,603,886	(2,301,051)
Cash and cash equivalents - beginning of year	<u>(4,368,950)</u>	<u>(2,067,899)</u>



Cash and cash equivalents - end of year	<u>\$ (1,765,064)</u>	<u>\$ (4,368,950)</u>
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Cash and cash equivalents comprise:

Cash	566,401	621,274
Bank Overdrafts	<u>(2,331,465)</u>	<u>(4,990,224)</u>
	<u>\$ (1,765,064)</u>	<u>\$ (4,368,950)</u>

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

**S L HORSFORD AND COMPANY LIMITED**  
**AND ITS SUBSIDIARY COMPANIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30 SEPTEMBER 2014**

S L HORSFORD AND COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2014

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## INDEPENDENT AUDITORS' REPORT

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 2014, 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.

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.

INDEPENDENT AUDITORS' REPORT (cont'd)

TO THE SHAREHOLDERS

S L HORSFORD AND COMPANY LIMITED

**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 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants:

BASSETERRE - ST KITTS  
12 February 2015

S L HORSFORD AND COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2014  
(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 18.

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 and certain available-for-sale investments which are included at fair value. 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.

These accounting policies adopted are consistent with those of the previous year and include the adoption of the new and amended IAS, IFRS and IFRIC:

**New and amended pronouncements in effect and applicable**

IFRS 7 Financial Instruments: Disclosures

The amended standard requires disclosures to include information that will enable users of the financial statements to evaluate the effects or potential effects of netting arrangements, including rights of set-off associated with the entity's recognized financial assets and liabilities. The amendment is effective for periods commencing on or after 1 January 2013. This amendment has no effect on the group's financial position or performance.

IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34 – 2009-2011 cycle

The process is to enhance the quality of standards, by amending existing IFRSs to clarify guidance and wording, or to correct for relatively minor unintended oversights, conflicts and consequences. Issues included in the cycles are as follows:

IFRS 1-permits the repeated application of IFRS 1, borrowing costs on certain qualifying assets;

IAS 1 - clarification of requirements for comparative information;

IAS 16 – classification of servicing equipment;

S L HORSFORD AND COMPANY LIMITED  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2014

(Expressed in Eastern Caribbean Dollars)

(Continued)

2 ACCOUNTING POLICIES (cont'd)

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

IAS 32 – clarify that tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12 *Income Taxes*;

IAS 34 – clarify interim reporting of segment information for total assets in order to enhance consistency with the requirements in IFRS 8 *Operating Segments*.

The amendment for the cycle is effective for annual periods beginning on or after 1 January 2013 and has no effect on the group's financial position or performance.

IFRS 10 Consolidated Financial Statements

This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard defines the definition of control where this is difficult to assess. Control exists when all of the following conditions are present:

- Power over investee company;
- Exposure, or rights, to variable returns from investee company;
- Ability to use power over investee to affect the entity's returns from investee.

The basic principle that a consolidated entity includes a parent and its subsidiaries as if they were a single entity and consolidation procedures remain unchanged. This amendment has no effect on the group's financial position or performance.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the disclosure requirements relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. This standard requires a reporting entity to disclose information that helps users to assess the nature and financial effects of the reporting entity's relationship with other entities.

As this new standard only affects disclosure, there is no effect on the Group's financial position or performance.

S L HORSFORD AND COMPANY LIMITED  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2014

(Expressed in Eastern Caribbean Dollars)

(Continued)

2 ACCOUNTING POLICIES (cont'd)

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

IAS 27 Separate Financial Statements; IAS 28 Investments in Associates and Joint Ventures

These two existing standards have been amended in order to align them with the newly released standards. The revised IAS 27 now deals with the requirements for the preparation of separate financial statements only. The previous standard which also dealt with consolidated financial statements, now requires that investments in subsidiaries, associates and jointly controlled entities be carried either at cost or in accordance with IFRS 9. The effective date of IFRS 10, 11 and 12 and amended IAS 27 and 28 is 1 January 2013.

IFRS 13 Fair Value

The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. It applies to both financial instrument items and non-financial instrument items where other standards require or permit fair value measurements and disclosures about fair value measurements.

With some exceptions, the standard requires entities to classify these measurements into a 'fair value hierarchy' based on the nature of the inputs.

Entities are required to make various disclosures depending upon the nature of the fair value measurement (eg whether it is recognized in the financial statements or merely disclosed) and the level in which it is classified.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013. This standard did not significantly affect any fair value measurements of the group's assets or liabilities as changes were limited to presentation and disclosure.

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

The company intends to adopt the following standards and amendments, if applicable, when they become effective:

|         |                                           |                          |
|---------|-------------------------------------------|--------------------------|
| IFRS 15 | Revenue from Contracts with Customers     | effective 1 January 2017 |
| IAS 32  | Financial Instruments: Presentation       | effective 1 January 2014 |
| IAS 16  | Property, Plant and Equipment (Amendment) | effective 1 January 2017 |

Assessment is being made of the potential impact of these new standards and amendments.



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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(Expressed in Eastern Caribbean Dollars)

(Continued)

2 ACCOUNTING POLICIES (cont'd)

(b) Use of Estimates:

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

The estimates and assumptions that could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Provision for Inventory obsolescence:

Provision for obsolescence of inventory is based on the assessment of the physical condition of inventory and average loss rate of inventory over a period of time.

Depreciation of property, plant and equipment:

The group estimates the useful lives and residual values of property, plant and equipment based on the intended use of these assets, the periodic review of actual asset lives and the resulting depreciation determined thereon.

Fair value measurement:

A number of assets included in the group's financial statements require measurement at, and /or disclosure of fair value.

The group measures some of its assets at fair value at each reporting date. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants and the measurement date.

The fair value measurement is based on the assumption that the transaction to sell the asset takes place either:

- In the principal market for the asset, or
- In the absence of a principal market, in the most advantageous market for the asset.

The fair value of an asset is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The measurement of a non-financial asset at fair value takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimising the use of unobservable inputs.

S L HORSFORD AND COMPANY LIMITED  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2014

(Expressed in Eastern Caribbean Dollars)  
(Continued)

2 ACCOUNTING POLICIES (cont'd)

(b) Use of Estimates: (cont'd)

Fair value measurement of the group's financial and non-financial assets utilizes market observable inputs and data as far as possible. Inputs used in determining fair value measurement are categorized into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1 – quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 – inputs other than quoted market price included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability

The group measures the following at fair value:

- Revalued land and buildings – property, plant and equipment (see note 8)
- Available-for-sale investments - quoted (see note 5)

(c) Basis of Consolidation:

The consolidated financial statements include the audited financial statements of the company and entities controlled by it and its subsidiaries ("the group").

Control is achieved when the investor

- Has power over the investee;
- Is exposed or has rights to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

(d) Investment in subsidiaries

Consolidation of a subsidiary begins from the date the investor gains control of an investee and ceases when the investor loses control of an investee. The cost of the acquisition is measured as the fair value of assets transferred, equity instruments issued and liabilities incurred at the date of exchange. Intra-group transactions, balances and unrealized gains and losses on transactions between group companies are eliminated.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2014

(Expressed in Eastern Caribbean Dollars)

(Continued)

2 ACCOUNTING POLICIES (cont'd)

(e) 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 recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize 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 Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized 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 recognized at the date of acquisition is recognized 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 recognized immediately in profit or loss.

After application of the equity method, the Group determines whether it is necessary to recognize 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 recognizes the amount in the income statement.

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

(f) Foreign Currencies:

All amounts are expressed in Eastern Caribbean Dollars (the functional currency). Current assets and liabilities in foreign currencies are translated into Eastern Caribbean Dollars at the exchange rates prevailing at the reporting 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2014

(Expressed in Eastern Caribbean Dollars)  
(Continued)

2 ACCOUNTING POLICIES (cont'd)

(g) Revenue Recognition:

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

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 purchase sales is apportioned over the period in which the instalments are due, in the proportion which instalments due bear to total selling price. Other interest income is recognised as the interest accrues, unless collectability is in doubt.

Dividend:

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

Rental:

Rental income arising from operating leases on buildings is accounted for on the straight-line basis over the lease terms and is included in revenue in the statement of income due to its operating nature.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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(Expressed in Eastern Caribbean Dollars)

(Continued)

2 ACCOUNTING POLICIES (cont'd)

h) Financial Assets

Loans and Receivables:

The group's loans and receivables comprise trade and other receivables and cash at bank and in hand in the statement of financial position.

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (eg trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue.

Due to their short-term nature, the carrying value of cash at bank and in hand and trade and other receivables, net any provision for impairment, approximates their fair values.

At each reporting date, the company assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment provisions are recognized when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the recoverable amount. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognized within administrative expenses in the statement of income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Available-for-sale Investments:

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 income statement.

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

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2 ACCOUNTING POLICIES (cont'd)

h) Financial Assets (cont'd)

A financial asset is primarily derecognized when:

- The rights to receive cash flows from the asset have expired;
- The group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flow in full without material delay to a third party.

i) Financial liabilities

The group's financial liabilities comprise primarily trade and other payables and bank loans and overdrafts. The company has not designated any financial liabilities upon recognition as at fair value through profit or loss.

All financial liabilities are recognized initially at fair value. Due to their short-term nature, the carrying value of trade and other payables and overdrafts approximates their fair value. After the initial recognition, interest-bearing loans are subsequently measured at amortised cost using the effective interest rate method. The effective interest rate amortization is included as finance costs in the statement of income, where applicable.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

j) 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.

k) 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.

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2 ACCOUNTING POLICIES (cont'd)

l) 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                    | 6.67%, 20% - 33.33% |
| Boat                                   | 20%                 |

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income when the asset is derecognized.

Upon disposal of revalued assets, the group has elected to transfer in full, the revaluation reserve relating to the particular asset being sold to retained earnings.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted, if appropriate.

m) 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.

n) Turnover:

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

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2 ACCOUNTING POLICIES (cont'd)

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.

Warranty provisions

Provisions for warranty-related costs are recognized when the product is sold or service is provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

Customer loyalty programme provision

The group operates a loyalty points programme which allows customers to accumulate points when they purchase products in the group's retail stores. These points can be redeemed for free products subject to a minimum number of points being obtained and other specified conditions.

These provisions are recognized in the statement of income and are reviewed annually.

p) Intangibles:

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

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

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.



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2 ACCOUNTING POLICIES (cont'd)

r) Share Capital:

Financial instruments issued by the company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The group's ordinary shares are classified as equity instruments.

s) Dividends:

Dividends are recognized when they become legally payable. In the case of interim dividends to equity shareholders, this is when approved by the directors. In the case of final dividend, this is when approved by the shareholders at the Annual General Meeting.

| 3 ACCOUNTS RECEIVABLE                           | <u>2014</u>         | <u>2013</u>         |
|-------------------------------------------------|---------------------|---------------------|
| Trade Receivables                               | 30,426,033          | 26,943,163          |
| Less: Provision for impairment                  | <u>(7,701,991)</u>  | <u>(8,413,178)</u>  |
|                                                 | 22,724,042          | 18,529,985          |
| Sundry Receivables and Prepayments              | <u>633,600</u>      | <u>718,327</u>      |
|                                                 | 23,357,642          | 19,248,312          |
| <u>Less: Non-current portion of Receivables</u> | <u>(11,758,633)</u> | <u>(8,357,838)</u>  |
| <b>TOTAL - Current</b>                          | <u>\$11,599,009</u> | <u>\$10,890,474</u> |

All non-current receivables are due within five (5) years from the year end.

Movement on provision for impairment:

|                                      | <u>2014</u>        | <u>2013</u>        |
|--------------------------------------|--------------------|--------------------|
| Balance at beginning of year         | 8,413,178          | 8,566,854          |
| Increase in provision for impairment | 593,709            | 1,012,450          |
| Impaired losses recovered            | <u>(1,304,896)</u> | <u>(1,166,126)</u> |
| Balance at end of year               | <u>\$7,701,991</u> | <u>\$8,413,178</u> |

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3 ACCOUNTS RECEIVABLE (cont'd)

Ageing analysis of trade receivables:

|                   | <u>Total</u>         | <u>Future<br/>Due</u> | <u>Neither past<br/>due nor impaired</u> | <u>Past due but not impaired<br/>30 to 90 days</u> | <u>Over 90 days</u> |
|-------------------|----------------------|-----------------------|------------------------------------------|----------------------------------------------------|---------------------|
| 30 September 2014 | \$ <u>22,724,042</u> | \$ <u>11,758,633</u>  | \$ <u>9,007,355</u>                      | \$ <u>1,154,781</u>                                | \$ <u>803,273</u>   |
| 30 September 2013 | \$ <u>18,529,985</u> | \$ <u>8,357,838</u>   | \$ <u>8,093,455</u>                      | \$ <u>1,032,587</u>                                | \$ <u>1,046,105</u> |

The carrying value of trade and other receivables approximates fair value.

Credit quality of the customer is assessed based on regular monitoring of accounts receivable and actual incurred historical data. Customer credit risk is also managed by establishing defined limits based on the customer's ability to pay.

Hire purchase receivables –cars are secured by bills of sale over the respective vehicles. Other accounts receivable are unsecured.

|   |                                |                     |                     |
|---|--------------------------------|---------------------|---------------------|
| 4 | INVENTORIES                    | <u>2014</u>         | <u>2013</u>         |
|   | Merchandise                    | 28,939,989          | 27,182,813          |
|   | Stock on Hire                  | 3,720,715           | 2,932,439           |
|   | Goods In Transit               | <u>3,338,347</u>    | <u>2,526,240</u>    |
|   | TOTAL                          | <u>\$35,999,051</u> | <u>\$32,641,492</u> |
| 5 | AVAILABLE-FOR-SALE INVESTMENTS | <u>2014</u>         | <u>2013</u>         |
|   | Quoted Securities              | 528,027             | 536,152             |
|   | Unquoted Securities            | <u>50,001</u>       | <u>50,001</u>       |
|   | TOTAL                          | <u>\$578,028</u>    | <u>\$586,153</u>    |

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|   |                                                                                   |                         |                         |
|---|-----------------------------------------------------------------------------------|-------------------------|-------------------------|
| 6 | INVESTMENT IN ASSOCIATED COMPANIES                                                | <u>2014</u>             | <u>2013</u>             |
|   | Original cost of investments                                                      | 3,048,436               | 3,048,436               |
|   | Increase in equity over cost from acquisition to the end of previous year         | <u>8,307,468</u>        | <u>9,453,019</u>        |
|   | Capital reserve reduction                                                         | 11,355,904<br>(114,915) | 12,501,455<br>(296,582) |
|   | Share of net income less dividends received from Associated Companies (see below) | <u>179,029</u>          | <u>(848,969)</u>        |
|   | Balance at End of Year                                                            | <u>\$11,420,018</u>     | <u>\$11,355,904</u>     |

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

|                                 |                                 |                                 |
|---------------------------------|---------------------------------|---------------------------------|
|                                 | <u>2014</u>                     | <u>2013</u>                     |
| Share of income before taxation | 3,694,473                       | 3,911,453                       |
| Taxation (Note 11)              | <u>(750,309)</u>                | <u>(1,075,287)</u>              |
| Dividends received              | 2,944,164<br><u>(2,765,135)</u> | 2,836,166<br><u>(3,685,135)</u> |
| TOTAL (As Above)                | <u>\$179,029</u>                | <u>\$(848,969)</u>              |

The following entities have been included in the consolidated financial statements using the equity method:

| Name                                     | Country of<br>Incorporation/principal<br><u>place of business</u> | Proportion of ownership interest<br><u>held at 30 September</u> |             |
|------------------------------------------|-------------------------------------------------------------------|-----------------------------------------------------------------|-------------|
|                                          |                                                                   | <u>2014</u>                                                     | <u>2013</u> |
| St Kitts Masonry Products Limited        | St Kitts                                                          | 50%                                                             | 50%         |
| St Kitts Development Limited             | St Kitts                                                          | 30%                                                             | 30%         |
| Carib Brewery (St Kitts & Nevis) Limited | St Kitts                                                          | 20.1%                                                           | 20.1%       |

The principal activities of the associated companies are disclosed in Note 18.

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6 INVESTMENT IN ASSOCIATED COMPANIES (cont'd)

Summarised financial information – Carib Brewery (St Kitts and Nevis) Limited:

|                            | <u>2014</u>       | <u>2013</u>       |
|----------------------------|-------------------|-------------------|
|                            | \$                | \$                |
| Current Assets             | <u>20,528,560</u> | <u>20,719,168</u> |
| Non-current assets         | <u>19,380,578</u> | <u>19,770,456</u> |
| Current liabilities        | <u>8,345,841</u>  | <u>9,431,227</u>  |
| Non-current liabilities    | <u>2,434,971</u>  | <u>3,112,103</u>  |
| Revenue                    | <u>37,964,353</u> | <u>30,938,217</u> |
| Profit after tax           | <u>8,217,583</u>  | <u>6,210,114</u>  |
| Other Comprehensive Income | <u>344,437</u>    | <u>-</u>          |
| Total Comprehensive Income | <u>8,562,020</u>  | <u>6,210,114</u>  |
| Dividend from Associate    | <u>1,485,135</u>  | <u>1,485,135</u>  |

Summarised financial information – St Kitts Developments Limited and St Kitts Masonry Products Limited:

|                            | <u>2014</u>       | <u>2013</u>       |
|----------------------------|-------------------|-------------------|
|                            | \$                | \$                |
| Current Assets             | <u>5,791,110</u>  | <u>6,832,686</u>  |
| Non-current assets         | <u>10,813,646</u> | <u>11,728,193</u> |
| Current liabilities        | <u>3,300,324</u>  | <u>5,264,422</u>  |
| Non-current liabilities    | <u>976,427</u>    | <u>797,101</u>    |
| Revenue                    | <u>22,142,902</u> | <u>26,246,186</u> |
| Profit after tax           | <u>3,011,698</u>  | <u>5,144,067</u>  |
| Other Comprehensive Income | <u>(383,049)</u>  | <u>(988,608)</u>  |
| Total Comprehensive Income | <u>2,628,649</u>  | <u>4,155,459</u>  |
| Dividend from Associates   | <u>1,280,000</u>  | <u>2,200,000</u>  |

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|   |                                                 |                 |                 |
|---|-------------------------------------------------|-----------------|-----------------|
| 7 | INTANGIBLES                                     | <u>2014</u>     | <u>2013</u>     |
|   | Software – cost brought forward (See Note 2(p)) | 101,697         | 81,095          |
|   | Additions                                       | <u>5,494</u>    | <u>20,602</u>   |
|   | Software – cost carried forward                 | <u>107,191</u>  | <u>101,697</u>  |
|   | Accumulated Amortisation – brought forward      | 64,011          | 51,307          |
|   | Amortisation                                    | <u>17,951</u>   | <u>12,704</u>   |
|   | Accumulated Amortisation – carried forward      | <u>81,962</u>   | <u>64,011</u>   |
|   | NET CARRYING AMOUNT                             | <u>\$25,229</u> | <u>\$37,686</u> |

|   |                               |                                                       |                                                           |                                              |
|---|-------------------------------|-------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------|
| 8 | PROPERTY, PLANT AND EQUIPMENT |                                                       |                                                           |                                              |
|   |                               | Land &<br>Buildings<br>- at cost/<br><u>Valuation</u> | Plant,<br>Vehicles<br>and<br>Other<br>Assets<br>- at cost | Capital<br>Work-<br>in-Progress<br>- at cost |
|   |                               |                                                       |                                                           | <u>Total</u>                                 |

**Year Ended 30 September 2014**

|                                     |                     |                     |                  |                     |
|-------------------------------------|---------------------|---------------------|------------------|---------------------|
| Gross Carrying Amount -             |                     |                     |                  |                     |
| Beginning of Year                   | 88,133,722          | 25,419,057          | 464,665          | 114,017,444         |
| Additions                           | -                   | 4,357,688           | 452,174          | 4,809,862           |
| (Disposals)                         | -                   | (910,597)           | -                | (910,597)           |
| Transfers                           | <u>-</u>            | <u>464,665</u>      | <u>(464,665)</u> | <u>-</u>            |
| Gross Carrying Amount - End of Year | <u>88,133,722</u>   | <u>29,330,813</u>   | <u>452,174</u>   | <u>117,916,709</u>  |
| Accumulated Depreciation -          |                     |                     |                  |                     |
| Brought Forward                     | 3,276,215           | 12,857,049          | -                | 16,133,264          |
| Charge                              | 988,734             | 2,713,493           | -                | 3,702,227           |
| (Disposals)                         | <u>-</u>            | <u>(628,649)</u>    | <u>-</u>         | <u>(628,649)</u>    |
| Accumulated Depreciation            |                     |                     |                  |                     |
| Carried Forward                     | <u>4,264,949</u>    | <u>14,941,893</u>   | <u>-</u>         | <u>19,206,842</u>   |
| Net Carrying Amount - 2014          | <u>\$83,868,773</u> | <u>\$14,388,920</u> | <u>\$452,174</u> | <u>\$98,709,867</u> |

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8 PROPERTY, PLANT AND EQUIPMENT (cont'd)

|                                     | Land &<br>Buildings<br>- at cost/<br><u>Valuation</u> | Plant,<br>Vehicles<br>and<br>Other<br>Assets<br>- at cost | Capital<br>Work-<br>in-Progress<br>- at cost | <u>Total</u>        |
|-------------------------------------|-------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------|---------------------|
| <b>Year Ended 30 September 2013</b> |                                                       |                                                           |                                              |                     |
| Gross Carrying Amount -             |                                                       |                                                           |                                              |                     |
| Beginning of Year                   | 88,059,629                                            | 20,397,945                                                | 117,715                                      | 108,575,289         |
| Additions                           | 74,093                                                | 6,688,867                                                 | 464,665                                      | 7,227,625           |
| (Disposals)                         | -                                                     | (1,785,470)                                               | -                                            | (1,785,470)         |
| Transfers                           | <u>-</u>                                              | <u>117,715</u>                                            | <u>(117,715)</u>                             | <u>-</u>            |
| Gross Carrying Amount - End of Year | <u>88,133,722</u>                                     | <u>25,419,057</u>                                         | <u>464,665</u>                               | <u>114,017,444</u>  |
| Accumulated Depreciation -          |                                                       |                                                           |                                              |                     |
| Brought Forward                     | 2,287,975                                             | 11,595,819                                                | -                                            | 13,883,794          |
| Charge                              | 988,240                                               | 2,393,623                                                 | -                                            | 3,381,863           |
| (Disposals)                         | <u>-</u>                                              | <u>(1,132,393)</u>                                        | <u>-</u>                                     | <u>(1,132,393)</u>  |
| Accumulated Depreciation            |                                                       |                                                           |                                              |                     |
| Carried Forward                     | <u>3,276,215</u>                                      | <u>12,857,049</u>                                         | <u>-</u>                                     | <u>16,133,264</u>   |
| Net Carrying Amount - 2013          | <u>\$84,857,507</u>                                   | <u>\$12,562,008</u>                                       | <u>\$464,665</u>                             | <u>\$97,884,180</u> |

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8 PROPERTY, PLANT AND EQUIPMENT (cont'd)

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 | (4,003,883)                |
|                                                | 44,841,721                 |
| Revaluation                                    | <u>72,685,738</u>          |
| <b>SURPLUS ON REVALUATION</b>                  | <b>27,844,017</b>          |
| Less: Reserve on property Disposed of          | (609,422)                  |
|                                                | 27,234,595                 |
| Less: Related Costs                            | (55,607)                   |
| <b>NET REVALUATION RESERVE</b>                 | <b><u>\$27,178,988</u></b> |

Additions subsequent to revaluation are stated at cost.

In the opinion of the Management, there has been no significant change to the market values of freehold land and buildings which were last revalued in July 2009.

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|   |                                             |                         |                         |
|---|---------------------------------------------|-------------------------|-------------------------|
| 9 | LOANS AND BANK OVERDRAFTS                   | <u>2014</u>             | <u>2013</u>             |
|   | Current:                                    |                         |                         |
|   | Overdrafts                                  | 2,331,465               | 4,990,224               |
|   | Loans – Current Portion                     | <u>21,207,140</u>       | <u>17,097,545</u>       |
|   | <br>TOTAL CURRENT LOANS AND BANK OVERDRAFTS | <br><u>\$23,538,605</u> | <br><u>\$22,087,769</u> |
|   | LOANS – NON-CURRENT                         | <u>\$9,779,287</u>      | <u>\$9,572,489</u>      |
|   | Summary of Loans and Overdrafts:            |                         |                         |
|   | Amounts Payable:                            |                         |                         |
|   | Within 1 year                               | 23,538,605              | 22,087,769              |
|   | Over 1 year – 5 Years                       | 7,612,098               | 3,643,921               |
|   | Over 5 Years                                | <u>2,167,189</u>        | <u>5,928,568</u>        |
|   | <br>TOTAL LOANS                             | <br><u>\$33,317,892</u> | <br><u>\$31,660,258</u> |
|   | Analysed as follows:                        |                         |                         |
|   | Secured                                     | 13,391,962              | 15,905,091              |
|   | Unsecured                                   | <u>19,925,930</u>       | <u>15,755,167</u>       |
|   | <br>TOTAL                                   | <br><u>\$33,317,892</u> | <br><u>\$31,660,258</u> |

Repayment Terms:

Loans are repayable over periods varying from one (1) to twelve (12) years at rates of interest of between approximately 5<sup>1</sup>/<sub>2</sub>% and 9% for EC\$ denominated loans and three (3) month LIBOR plus 4% for US\$ denominated loans (approximately 4.26%).

Collateral for Advances:

The Bank Loans and Overdrafts are secured by debentures executed by the Parent Company and two subsidiaries totalling \$56,428,000 (2013 = \$56,428,000).

The principal instalments due within the twelve months ending 30 September 2015 have been shown under Current Liabilities.



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|    |                                          |                    |                    |
|----|------------------------------------------|--------------------|--------------------|
| 10 | ACCOUNTS PAYABLE AND ACCRUALS            | <u>2014</u>        | <u>2013</u>        |
|    | Trade Payables                           | 6,296,770          | 4,945,208          |
|    | Sundry Payables, Provisions and Accruals | <u>3,586,935</u>   | <u>3,805,523</u>   |
|    | TOTAL                                    | <u>\$9,883,705</u> | <u>\$8,750,731</u> |

The carrying value of trade and other payables approximates their fair value.

|    |          |             |             |
|----|----------|-------------|-------------|
| 11 | TAXATION | <u>2014</u> | <u>2013</u> |
|----|----------|-------------|-------------|

Statement of Financial Position

Taxation in the Statement of Financial Position comprises the following:

|                                       |                    |                  |
|---------------------------------------|--------------------|------------------|
| Provision for Taxation - Current Year | <u>\$1,658,077</u> | <u>\$612,379</u> |
|---------------------------------------|--------------------|------------------|

Statement of Income

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

|                                         |                |                  |
|-----------------------------------------|----------------|------------------|
| Provision for charge on Current Profits | 2,876,082      | 1,826,412        |
| Underprovision – previous year          | 3,498          | 189,875          |
| Deferred Tax (Note 12)                  | <u>597,688</u> | <u>(88,976)</u>  |
|                                         | 3,477,268      | 1,927,311        |
| Associated Companies (Note 6)           | <u>750,309</u> | <u>1,075,287</u> |

|       |                    |                    |
|-------|--------------------|--------------------|
| TOTAL | <u>\$4,227,577</u> | <u>\$3,002,598</u> |
|-------|--------------------|--------------------|

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11 TAXATION (cont'd) 2014 2013

The group's effective tax rate of 35.4% (2013 = 35.5%) differs from the Statutory rate of 33% (2013 = 35%/33%) as follows:

|                                                                      |                           |                           |
|----------------------------------------------------------------------|---------------------------|---------------------------|
| Profit before taxation                                               | \$ <u>11,953,284</u>      | \$ <u>8,464,089</u>       |
| Taxes at statutory rates 33% (2013 = 35%/33%)                        | 3,944,584                 | 2,825,366                 |
| Tax effect of expenses not deductible in determining taxable profits | 639,602                   | 589,543                   |
| Tax effect of income not assessable for taxation                     | (476,887)                 | (224,751)                 |
| Tax effect of Depreciation on non qualifying assets                  | 126,341                   | 122,884                   |
| Underprovision - previous year                                       | 3,498                     | 189,875                   |
| Deferred Tax Asset written off                                       |                           |                           |
| - Inland Revenue Assessment                                          | -                         | 65,141                    |
| Deferred Tax Liability Adjustment                                    |                           |                           |
| - Inland Revenue Assessment                                          | -                         | (234,909)                 |
| Deferred Tax Liability Adjustment due to change in tax rate          | -                         | (328,486)                 |
| Other                                                                | <u>(9,561)</u>            | <u>(2,065)</u>            |
| <b>TOTAL</b>                                                         | <b>\$<u>4,227,577</u></b> | <b>\$<u>3,002,598</u></b> |

All income tax assessments up to and including the year of assessment 2014/13 have been submitted to the Comptroller of Inland Revenue and the taxes duly paid.

|                                                     |                    |                    |
|-----------------------------------------------------|--------------------|--------------------|
| 12 DEFERRED TAX LIABILITY                           | <u>2014</u>        | <u>2013</u>        |
| Deferred Tax Liability (Net) – at beginning of year | 5,752,733          | 5,841,709          |
| Deferred Tax (Note 11)                              | <u>597,688</u>     | <u>(88,976)</u>    |
| Deferred Tax Liability (Net) – at end of year       | <u>\$6,350,421</u> | <u>\$5,752,733</u> |

Deferred Tax Liability (Net) comprises the following:

|                        |                    |                    |
|------------------------|--------------------|--------------------|
| Deferred Tax Asset     | (10,464)           | (371,401)          |
| Deferred Tax Liability | <u>6,360,885</u>   | <u>6,124,134</u>   |
|                        | <u>\$6,350,421</u> | <u>\$5,752,733</u> |

Deferred Tax Asset comprises:

|                                 |                 |                  |
|---------------------------------|-----------------|------------------|
| - Unutilised Capital Allowances | <u>\$10,464</u> | <u>\$371,401</u> |
|---------------------------------|-----------------|------------------|

Deferred Tax Liability comprises:

|                                  |                    |                    |
|----------------------------------|--------------------|--------------------|
| - Accelerated Capital Allowances | <u>\$6,360,885</u> | <u>\$6,124,134</u> |
|----------------------------------|--------------------|--------------------|

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|    |                                                                 |                     |                     |
|----|-----------------------------------------------------------------|---------------------|---------------------|
| 13 | SHARE CAPITAL                                                   | <u>2014</u>         | <u>2013</u>         |
|    | Authorised<br>50,000,000 Ordinary Shares of \$1 each            |                     |                     |
|    | Issued and Fully Paid<br>30,148,430 Ordinary Shares of \$1 each | <u>\$30,148,430</u> | <u>\$30,148,430</u> |

Dividend of 15% (2013 = 12%) per ordinary share (amounting to \$4,522,265/2013 = \$3,617,812) in respect of 2014 has been proposed by the Directors. The Financial Statements for the year ended 30 September 2014 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 2015.

14 RESERVES

The following describes the nature and purpose of each reserve within equity:

|                                |                                                                                                      |
|--------------------------------|------------------------------------------------------------------------------------------------------|
| <b>Revaluation reserve</b>     | gains/losses arising on the revaluation of the group's property.                                     |
| <b>Other capital reserve</b>   | sugar rehabilitation/return on investments                                                           |
| <b>Unrealised holding gain</b> | gains/losses on revaluation of financial assets classified as available-for-sale                     |
| <b>Retained earnings</b>       | all other net gains and losses and transactions with owners (eg dividends) not recognized elsewhere. |

15 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.

|                                           |                    |                    |
|-------------------------------------------|--------------------|--------------------|
|                                           | <u>2014</u>        | <u>2013</u>        |
| Net Income for the Year                   | <u>\$7,725,707</u> | <u>\$5,461,491</u> |
| Number of shares in issue during the year | <u>30,148,430</u>  | <u>30,148,430</u>  |
| Basic earnings per share                  | <u>\$0.26</u>      | <u>\$0.18</u>      |

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16 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 Parent Company has given guarantees to First Caribbean International Bank and Royal Bank of Canada as collateral for overdraft facilities of up to \$4,200,000 (2013 = \$3,015,000) for its Subsidiary Companies, S L Horsford Nevis Limited, Ocean Cold Storage (St Kitts) Limited, S L Horsford Finance Company Limited and S L Horsford Shipping Limited.

Associated Company:

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

c) Letters of Credit:

At the year end, the company had outstanding letters of credit totalling \$448,820 (2013 = \$448,820).

d) Legal Claims:

Parent Company:

Counsel has advised that at 30 September 2014 there were no claims pending against the company (2013 = Nil).

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17 RELATED PARTY TRANSACTIONS

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

|                                     | <u>2014</u>        | <u>2013</u>        |
|-------------------------------------|--------------------|--------------------|
| i) Sales of goods and services      | <u>\$3,498,960</u> | <u>\$2,604,616</u> |
| ii) Purchases of goods and services | <u>\$4,554,100</u> | <u>\$4,926,424</u> |
| iii) Management fees                | <u>\$32,160</u>    | <u>\$28,800</u>    |
| iv) Dividends received              | <u>\$2,765,135</u> | <u>\$3,685,135</u> |

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

|                             |                    |                    |
|-----------------------------|--------------------|--------------------|
| Salaries and other benefits | <u>\$1,158,632</u> | <u>\$1,129,695</u> |
|-----------------------------|--------------------|--------------------|

3. Balances due to/from Related Parties

|                               |                    |                    |
|-------------------------------|--------------------|--------------------|
| Due from Associated Companies | <u>\$446,383</u>   | <u>\$31,786</u>    |
| Due from Directors            | <u>\$38,398</u>    | <u>\$29,400</u>    |
| Due to Associated Companies   | <u>\$5,589,473</u> | <u>\$4,836,233</u> |
| Due to Directors              | <u>\$4,422,577</u> | <u>\$2,728,224</u> |

The balances due to associated companies and directors comprised substantially unsecured demand loans with interest chargeable at the rate of 5<sup>1</sup>/<sub>2</sub>% per annum.

The group has not made any allowance for bad or doubtful debts in respect of related party debtors. A guarantee has been given on behalf of an associated company (see Note 16 (b)).

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18 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                                              | Investments                                          | 100                                          |
| Ocean Cold Storage (St Kitts)<br>Limited                                  | Food Distribution<br>(Wholesale)                     | 100                                          |
| S L Horsford Finance Company<br>Limited                                   | Car Rentals, Car Sales and<br>Insurance Agency       | 100                                          |
| S L Horsford Shipping Limited<br>(previously S L Horsford Motors Limited) | Shipping Agency                                      | 100                                          |
| S L Horsford Nevis Limited                                                | Retail activities and<br>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)<br>Limited                               | Manufacturers of Beer<br>and non-alcoholic Beverages | 20.1                                         |

19 FINANCIAL INSTRUMENTS

a) Interest Rate Risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The group's exposure to the risk of changes in market interest rates relates primarily to the group's long-term borrowings and overdrafts with financial institutions and short-term demand deposits.

The group manages centrally its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

Interest rates and terms of borrowing are disclosed in Note 9.

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.

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19 FINANCIAL INSTRUMENTS (cont'd)

c) Fair Values:

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

It is the directors' opinion that because of the short-term maturities of cash and bank balances, accounts receivable, accounts payable and loans their carrying value approximates their fair value.

In the directors' opinion, the carrying amount of unquoted investments approximates its fair value since their fair value cannot be measured reliably. The carrying amount is measured at cost less provision for impairment.

Financial and non-financial assets measured at fair value are as follows:

Financial assets:

Available-for-sale investments (quoted)

These assets are categorised as Level 1 in the fair value hierarchy as these instruments are traded in an active market and is based on the quoted market prices at the reporting date.

Non-financial assets:

Freehold lands and buildings:

These assets are categorised as Level 3 in the fair value hierarchy.

Fair value is based on the revaluations of freehold properties in July 2009 by professional valuers. In the opinion of the directors, there is no significant change to the market values of these freehold properties.

Fair value measurements hierarchy for financial and non-financial assets at 30 September 2014:

|                                             |                                    | Fair value measurements using |                                                                                |                                                                              |                                                                                |
|---------------------------------------------|------------------------------------|-------------------------------|--------------------------------------------------------------------------------|------------------------------------------------------------------------------|--------------------------------------------------------------------------------|
|                                             | <u>Date of</u><br><u>Valuation</u> | <u>Total</u>                  | <u>Quoted prices</u><br><u>in active</u><br><u>markets</u><br><u>(Level 1)</u> | <u>Significant</u><br><u>Observable</u><br><u>inputs</u><br><u>(Level 2)</u> | <u>Significant</u><br><u>Unobservable</u><br><u>inputs</u><br><u>(Level 3)</u> |
| <b>Assets valued at fair value:</b>         |                                    |                               |                                                                                |                                                                              |                                                                                |
| <b>Available-for-sale financial assets:</b> |                                    |                               |                                                                                |                                                                              |                                                                                |
| Quoted equity shares                        | 30 September 2014                  | <u>\$528,027</u>              | <u>\$528,027</u>                                                               | =====                                                                        | =====                                                                          |
| <b>Non-financial assets:</b>                |                                    |                               |                                                                                |                                                                              |                                                                                |
| Lands and buildings                         | 30 September 2014                  | <u>\$83,868,773</u>           | =====                                                                          | =====                                                                        | <u>\$83,868,773</u>                                                            |

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19 FINANCIAL INSTRUMENTS (cont'd)

c) Fair Values: (cont'd)

Fair value measurement hierarchy for assets at 30 September 2013:

|                                             |                   | Fair value measurements using |                      |                    |                     |
|---------------------------------------------|-------------------|-------------------------------|----------------------|--------------------|---------------------|
| <u>Date of</u>                              |                   |                               | <b>Quoted prices</b> | <b>Significant</b> | <b>Significant</b>  |
| <u>Valuation</u>                            | <u>Total</u>      |                               | <b>in active</b>     | <b>Observable</b>  | <b>Unobservable</b> |
|                                             |                   |                               | <b>markets</b>       | <b>inputs</b>      | <b>inputs</b>       |
|                                             |                   |                               | <b>(Level 1)</b>     | <b>(Level 2)</b>   | <b>(Level 3)</b>    |
| <b>Assets valued at fair value:</b>         |                   |                               |                      |                    |                     |
| <b>Available-for-sale financial assets:</b> |                   |                               |                      |                    |                     |
| Quoted equity shares                        | 30 September 2013 | <u>\$536,152</u>              | <u>\$536,152</u>     | -                  | -                   |
| <b>Non-financial asset:</b>                 |                   |                               |                      |                    |                     |
| Lands and buildings                         | 30 September 2013 | <u>\$84,857,507</u>           | -                    | -                  | <u>\$84,857,507</u> |

For fair value measurement and valuation processes, see Note 2 (b).

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.

At the year end, the group's net exposure to foreign exchange risk was as follows:



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19 FINANCIAL INSTRUMENTS (cont'd)

d) Currency Risk: (cont'd)

The aggregate value of financial assets and liabilities by reporting currency are as follows:

Year ended 30 September 2014

| ASSETS                      | <u>EC\$</u>         | <u>US\$</u>        | <u>£</u><br><u>Sterling</u> | <u>Other</u>  | <u>Total</u>        |
|-----------------------------|---------------------|--------------------|-----------------------------|---------------|---------------------|
| Cash at bank and in hand    | 392,466             | 173,935            | -                           | -             | 566,401             |
| Trade and other receivables | 23,302,509          | 55,133             | -                           | -             | 23,357,642          |
| Investments                 | <u>11,839,019</u>   | <u>159,027</u>     | <u>-</u>                    | <u>-</u>      | <u>11,998,046</u>   |
|                             | <u>\$35,533,994</u> | <u>\$388,095</u>   | <u>-</u>                    | <u>-</u>      | <u>\$35,922,089</u> |
| <br><b>LIABILITIES</b>      |                     |                    |                             |               |                     |
| Loans and bank overdrafts   | 29,824,208          | 3,493,684          | -                           | -             | 33,317,892          |
| Trade and other payables    | <u>7,455,602</u>    | <u>2,405,877</u>   | <u>8,500</u>                | <u>13,726</u> | <u>9,883,705</u>    |
|                             | <u>\$37,279,810</u> | <u>\$5,899,561</u> | <u>8,500</u>                | <u>13,726</u> | <u>\$43,201,597</u> |

Year ended 30 September 2013

| ASSETS                      | <u>EC\$</u>         | <u>US\$</u>        | <u>£</u><br><u>Sterling</u> | <u>Other</u>    | <u>Total</u>        |
|-----------------------------|---------------------|--------------------|-----------------------------|-----------------|---------------------|
| Cash at bank and in hand    | 542,061             | 79,213             | -                           | -               | 621,274             |
| Trade and other receivables | 19,209,581          | 38,731             | -                           | -               | 19,248,312          |
| Investments                 | <u>11,788,405</u>   | <u>153,652</u>     | <u>-</u>                    | <u>-</u>        | <u>11,942,057</u>   |
|                             | <u>\$31,540,047</u> | <u>\$271,596</u>   | <u>-</u>                    | <u>-</u>        | <u>\$31,811,643</u> |
| <br><b>LIABILITIES</b>      |                     |                    |                             |                 |                     |
| Loan and bank overdrafts    | 31,660,258          | -                  | -                           | -               | 31,660,258          |
| Trade and other payables    | <u>7,699,175</u>    | <u>1,039,540</u>   | <u>-</u>                    | <u>12,016</u>   | <u>8,750,731</u>    |
|                             | <u>\$39,359,433</u> | <u>\$1,039,540</u> | <u>-</u>                    | <u>\$12,016</u> | <u>\$40,410,989</u> |

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19 FINANCIAL INSTRUMENTS (cont'd)

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 2014:

Financial Liabilities:

|                                     | Due within<br><u>1 Year</u> | >1 year<br><u>to 5 years</u> | Over<br><u>5 years</u> | <u>Total</u>        |
|-------------------------------------|-----------------------------|------------------------------|------------------------|---------------------|
| <b>Year ended 30 September 2014</b> |                             |                              |                        |                     |
| Loans and bank overdrafts           | 23,538,605                  | 7,612,098                    | 2,167,189              | 33,317,892          |
| Accounts payable and accruals       | <u>9,883,705</u>            | -                            | -                      | <u>9,883,705</u>    |
|                                     | <u>\$33,422,310</u>         | <u>\$7,612,098</u>           | <u>\$2,167,189</u>     | <u>\$43,201,597</u> |
| <b>Year ended 30 September 2013</b> |                             |                              |                        |                     |
| Loans and bank overdrafts           | 22,087,769                  | 3,643,921                    | 5,928,568              | 31,660,258          |
| Accounts payable and accruals       | <u>8,750,731</u>            | -                            | -                      | <u>8,750,731</u>    |
|                                     | <u>\$30,838,500</u>         | <u>\$3,643,921</u>           | <u>\$5,928,568</u>     | <u>\$40,410,989</u> |

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19 FINANCIAL INSTRUMENTS (cont'd)

e) Liquidity Risk: (cont'd)

Financial Assets:

|                                      | Due within<br><u>1 Year</u> | >1 year<br><u>to 5 years</u> | Over<br><u>5 years</u> | <u>Total</u>        |
|--------------------------------------|-----------------------------|------------------------------|------------------------|---------------------|
| <b>Year ended 30 September 2014:</b> |                             |                              |                        |                     |
| Cash with bankers and in hand        | 566,401                     | -                            | -                      | 566,401             |
| Accounts Receivable                  | 11,599,009                  | 11,758,633                   | -                      | 23,357,642          |
| Investments                          | <u>-</u>                    | <u>-</u>                     | <u>11,998,046</u>      | <u>11,998,046</u>   |
|                                      | <u>\$12,165,410</u>         | <u>\$11,758,633</u>          | <u>\$11,998,046</u>    | <u>\$35,922,089</u> |
| <b>Year ended 30 September 2013:</b> |                             |                              |                        |                     |
| Cash with bankers and in hand        | 621,274                     | -                            | -                      | 621,274             |
| Accounts Receivable                  | 10,890,474                  | 8,357,838                    | -                      | 19,248,312          |
| Investments                          | <u>-</u>                    | <u>-</u>                     | <u>11,942,057</u>      | <u>11,942,057</u>   |
|                                      | <u>\$11,511,748</u>         | <u>\$8,357,838</u>           | <u>\$11,942,057</u>    | <u>\$31,811,643</u> |

20 SEGMENT REPORTING

The executive directors monitor the operating results of its business for the purpose of making decisions about resource allocation and performance assessment. For management purposes, the group is organised into business units based on its products and had four reportable segments as follows:

- Durable goods: sale of building materials, hardware, furniture and appliances;
- Automotive: sale of cars, car spares, car servicing and car rental income;
- Consumable goods: sale of food and gas
- Other: sale of items not included in the above

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20 SEGMENT REPORTING (cont'd)

Inter-segment revenues and balances are eliminated upon consolidation as shown below.

| <b>Year ended 30 September 2014</b>             | <u>Durable</u><br><u>Goods</u> | <u>Automotive</u>   | <u>Consumable</u><br><u>Goods</u> | <u>Other</u>       | <u>Unallocated/</u><br><u>Head Office</u> | <u>Eliminations</u>  | <u>Total</u>         |
|-------------------------------------------------|--------------------------------|---------------------|-----------------------------------|--------------------|-------------------------------------------|----------------------|----------------------|
| External Sales                                  | 45,931,177                     | 21,881,142          | 77,931,786                        | -                  | -                                         | (2,522,036)          | 143,222,069          |
| Other Income                                    | 255,145                        | 4,613,139           | 31,863                            | 3,996,298          | -                                         | (534,009)            | 8,362,436            |
| <b>Total Revenue</b>                            | <u>\$46,186,322</u>            | <u>\$26,494,281</u> | <u>\$77,963,649</u>               | <u>\$3,996,298</u> | <u>-</u>                                  | <u>\$(3,056,045)</u> | <u>\$151,584,505</u> |
| <b>Operating Income before finance costs</b>    | 3,357,535                      | 3,208,345           | 1,703,615                         | 2,098,020          | -                                         | (444,009)            | 9,923,506            |
| Finance Costs                                   | (628,242)                      | (922,231)           | (111,762)                         | (92,460)           | -                                         | 90,000               | (1,664,695)          |
|                                                 | 2,729,293                      | 2,286,114           | 1,591,853                         | 2,005,560          | -                                         | (354,009)            | 8,258,811            |
| <b>Share of results of Associated Companies</b> | 1,214,921                      | -                   | 1,842,189                         | 637,363            | -                                         | -                    | 3,694,473            |
| <b>Operating Income before Taxation</b>         | <u>\$ 3,944,214</u>            | <u>\$ 2,286,114</u> | <u>\$ 3,434,042</u>               | <u>\$2,642,923</u> | <u>-</u>                                  | <u>\$(354,009)</u>   | <u>11,953,284</u>    |
| <b>Taxation</b>                                 |                                |                     |                                   |                    |                                           |                      | <u>(4,227,577)</u>   |
| <b>Net Income after Taxation</b>                |                                |                     |                                   |                    |                                           |                      | <u>\$ 7,725,707</u>  |

The segment assets and liabilities at 30 September 2013 were as follows:

|                                            |                     |                     |                     |                     |                      |                       |                      |
|--------------------------------------------|---------------------|---------------------|---------------------|---------------------|----------------------|-----------------------|----------------------|
| <b>Operating assets</b>                    | 48,357,172          | 38,642,961          | 34,179,100          | 12,609,715          | 36,818,529           | (11,233,646)          | 159,373,831          |
| <b>Investments in Associated Companies</b> | 4,359,264           | -                   | 6,457,911           | 602,844             | -                    | -                     | 11,420,019           |
| <b>Total Consolidated Assets</b>           | <u>\$52,716,436</u> | <u>\$38,642,961</u> | <u>\$40,637,011</u> | <u>\$13,212,559</u> | <u>\$ 36,818,529</u> | <u>\$(11,233,646)</u> | <u>\$170,793,850</u> |
| <b>Total Consolidated Liabilities</b>      | <u>\$14,821,898</u> | <u>\$24,138,215</u> | <u>\$ 9,724,523</u> | <u>\$ 1,271,701</u> | <u>\$ 12,499,069</u> | <u>\$(11,245,311)</u> | <u>\$ 51,210,095</u> |
| <b>Capital Expenditure</b>                 | <u>\$ 808,134</u>   | <u>\$ 1,323,641</u> | <u>\$ 1,785,739</u> | <u>\$ 922,098</u>   | <u>-</u>             | <u>\$(29,750)</u>     | <u>\$ 4,809,862</u>  |
| <b>Depreciation and amortisation</b>       | <u>\$ 969,991</u>   | <u>\$ 631,682</u>   | <u>\$ 1,321,185</u> | <u>\$ 797,320</u>   | <u>-</u>             | <u>-</u>              | <u>\$ 3,720,178</u>  |

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20 SEGMENT REPORTING (cont'd)

Inter-segment revenues and balances are eliminated upon consolidation as shown below.

| Year ended 30 September 2013                    | <u>Durable</u><br><u>Goods</u> | <u>Automotive</u>   | <u>Consumable</u><br><u>Goods</u> | <u>Other</u>        | <u>Unallocated/</u><br><u>Head Office</u> | <u>Eliminations</u>   | <u>Total</u>         |
|-------------------------------------------------|--------------------------------|---------------------|-----------------------------------|---------------------|-------------------------------------------|-----------------------|----------------------|
| External Sales                                  | 41,566,835                     | 14,947,278          | 66,515,147                        | -                   | -                                         | (2,195,777)           | 120,833,483          |
| Other Income                                    | 258,479                        | 4,643,835           | 44,583                            | 3,562,343           | -                                         | (534,571)             | 7,974,669            |
| <b>Total Revenue</b>                            | <b>\$41,825,314</b>            | <b>\$19,591,113</b> | <b>\$66,559,730</b>               | <b>\$ 3,562,343</b> | <b>-</b>                                  | <b>\$ (2,730,348)</b> | <b>\$128,808,152</b> |
| <b>Operating Income before finance costs</b>    | <b>2,452,877</b>               | <b>2,037,552</b>    | <b>508,124</b>                    | <b>1,653,070</b>    | <b>-</b>                                  | <b>(444,571)</b>      | <b>6,207,052</b>     |
| Finance Costs                                   | (633,396)                      | (897,349)           | (121,465)                         | (92,206)            | -                                         | 90,000                | (1,654,416)          |
| <b>Share of results of Associated Companies</b> | <b>1,819,481</b>               | <b>1,140,203</b>    | <b>386,659</b>                    | <b>1,560,864</b>    | <b>-</b>                                  | <b>(354,571)</b>      | <b>4,552,636</b>     |
| <b>Operating Income before Taxation</b>         | <b>\$ 733,761</b>              | <b>-</b>            | <b>1,248,812</b>                  | <b>1,928,880</b>    | <b>-</b>                                  | <b>-</b>              | <b>3,911,453</b>     |
| <b>Taxation</b>                                 | <b>\$ 2,553,242</b>            | <b>\$ 1,140,203</b> | <b>\$ 1,635,471</b>               | <b>\$ 3,489,744</b> | <b>-</b>                                  | <b>\$ (354,571)</b>   | <b>8,464,089</b>     |
| <b>Net Income after Taxation</b>                |                                |                     |                                   |                     |                                           |                       | <b>(3,002,598)</b>   |
|                                                 |                                |                     |                                   |                     |                                           |                       | <b>\$ 5,461,491</b>  |

The segment assets and liabilities at 30 September 2013 were as follows:

|                                            |                     |                     |                     |                     |                     |                        |                      |
|--------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|------------------------|----------------------|
| <b>Operating assets</b>                    | 45,877,211          | 32,719,468          | 34,387,662          | 12,103,064          | 40,217,279          | (14,285,587)           | 151,019,097          |
| <b>Investments in Associated Companies</b> | 4,065,136           | -                   | 6,220,042           | 1,070,726           | -                   | -                      | 11,355,904           |
| <b>Total Consolidated Assets</b>           | <b>\$49,942,347</b> | <b>\$32,719,468</b> | <b>\$40,607,704</b> | <b>\$13,173,790</b> | <b>\$40,217,279</b> | <b>\$ (14,285,587)</b> | <b>\$162,375,001</b> |
| <b>Total Consolidated Liabilities</b>      | <b>\$15,342,241</b> | <b>\$23,879,308</b> | <b>\$9,391,691</b>  | <b>\$1,434,302</b>  | <b>\$10,958,699</b> | <b>\$ (14,230,140)</b> | <b>\$46,776,101</b>  |
| <b>Capital Expenditure</b>                 | <b>\$ 706,006</b>   | <b>\$1,748,689</b>  | <b>\$3,623,721</b>  | <b>\$1,149,209</b>  | <b>-</b>            | <b>-</b>               | <b>\$7,227,625</b>   |
| <b>Depreciation and amortisation</b>       | <b>\$1,037,438</b>  | <b>\$ 617,772</b>   | <b>\$1,316,757</b>  | <b>\$ 422,600</b>   | <b>-</b>            | <b>-</b>               | <b>\$ 3,394,567</b>  |

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|     |                                               |                      |                      |
|-----|-----------------------------------------------|----------------------|----------------------|
| 21  | OTHER INCOME                                  | <u>2014</u>          | <u>2013</u>          |
|     | Interest                                      | 3,007,644            | 3,273,560            |
|     | Dividend Income                               | 24,306               | 18,651               |
|     | Lease and Rental Income                       | 756,701              | 632,401              |
|     | Car Servicing and related Income              | 703,436              | 655,478              |
|     | Car Rental Income                             | 1,549,901            | 1,378,417            |
|     | Shipping Income                               | 1,367,328            | 980,655              |
|     | Insurance Commission Income                   | 474,682              | 406,101              |
|     | Truckage Delivery Income                      | 255,145              | 258,479              |
|     | Gain on Sale of Property, Plant and Equipment | 152,576              | 258,219              |
|     | Miscellaneous                                 | <u>70,717</u>        | <u>112,708</u>       |
|     | TOTAL                                         | <u>\$ 8,362,436</u>  | <u>\$7,974,669</u>   |
|     |                                               |                      |                      |
| 22. | ADMINISTRATIVE EXPENSES                       | <u>2014</u>          | <u>2013</u>          |
|     | Occupancy Cost                                | 1,117,633            | 1,022,743            |
|     | Utilities                                     | 2,273,067            | 2,965,636            |
|     | Insurance                                     | 908,798              | 938,666              |
|     | Stationery and Supplies                       | 447,973              | 412,748              |
|     | Repairs to Plant and Equipment                | 902,515              | 920,869              |
|     | Communications                                | 362,760              | 347,485              |
|     | Employment                                    | <u>15,579,581</u>    | <u>14,595,883</u>    |
|     | TOTAL                                         | <u>\$ 21,592,327</u> | <u>\$ 21,204,030</u> |

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23 CAPITAL COMMITMENT

At year end, the Company was committed to the completion of the installation of a Solar Energy Plant and the paving of the Valumart parking lot in the total approximate amount of \$600,000 (2013 = \$1.1 million).

24 RECLASSIFICATIONS

Certain items in the Consolidated Statement of Income have been reclassified during the current financial year to improve the financial statement presentation. The effect on the Consolidated Statement of Income is as follows:

| <b>Description</b>      | <b>As Previously Reported</b> | <b>Reclassification</b> | <b>As reclassified</b> |
|-------------------------|-------------------------------|-------------------------|------------------------|
| Other Income            | 8,158,079                     | (183,410)               | 7,974,669              |
| Administrative Expenses | 21,305,584                    | (101,554)               | 21,204,030             |
| Finance Costs           | 1,744,416                     | (90,000)                | 1,654,416              |
| Other Expenses          | 1,115,483                     | 8,144                   | 1,123,627              |

Similarly items in the Statement of Financial Position have been reclassified during the current financial year to improve the financial statements presentation. The effect in the consolidated statement of financial position is as follows:

| <b>Description</b> | <b>Reported</b> | <b>Reclassification</b> | <b>As reclassified</b> |
|--------------------|-----------------|-------------------------|------------------------|
| Inventories        | 32,591,992      | 49,500                  | 32,641,492             |
| Accounts Payable   | 8,701,231       | 49,500                  | 8,750,731              |

These reclassifications had no effects on the results as reported for the current and previous year.







