

S L HORSFORD AND COMPANY LIMITED
AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 SEPTEMBER 2011

S L HORSFORD AND COMPANY LIMITED
AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2011

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## 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 2011, 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.

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 2011, 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

16 February 2012

S L HORSFORD AND COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 30 SEPTEMBER 2011

(Expressed in Eastern Caribbean Dollars)

| CURRENT ASSETS                     | <u>Notes</u> | <u>2011</u>          | <u>2010</u>          |
|------------------------------------|--------------|----------------------|----------------------|
| Cash at Bank and in Hand           |              | 299,755              | 1,650,929            |
| Accounts Receivable – Current      | 3            | 12,424,403           | 11,539,928           |
| Inventories                        | 4            | <u>30,714,777</u>    | <u>31,240,801</u>    |
|                                    |              | <u>43,438,935</u>    | <u>44,431,658</u>    |
| <br>                               |              |                      |                      |
| CURRENT LIABILITIES                |              |                      |                      |
| Loans and Bank Overdrafts          | 5            | 22,957,555           | 15,626,157           |
| Accounts Payable and Accruals      | 6            | 8,665,655            | 8,453,945            |
| Provision for Taxation             | 7            | <u>580,640</u>       | <u>1,649,916</u>     |
|                                    |              | <u>32,203,850</u>    | <u>25,730,018</u>    |
| <br>                               |              |                      |                      |
| WORKING CAPITAL                    |              | 11,235,085           | 18,701,640           |
| INTANGIBLES                        | 8            | 1,508                | 8,155                |
| ACCOUNTS RECEIVABLE – Non-Current  | 3            | 11,687,491           | 14,199,515           |
| INVESTMENT IN ASSOCIATED COMPANIES | 9            | 13,183,759           | 12,954,420           |
| AVAILABLE-FOR-SALE INVESTMENTS     | 10           | 684,967              | 768,009              |
| PROPERTY, PLANT AND EQUIPMENT      | 5 & 11       | <u>95,231,460</u>    | <u>85,153,625</u>    |
| TOTAL                              |              | <u>\$132,024,270</u> | <u>\$131,785,364</u> |
| <br>                               |              |                      |                      |
| FINANCED BY                        |              |                      |                      |
| SHARE CAPITAL                      | 12           | 30,148,430           | 30,148,430           |
| RESERVES                           |              | <u>83,189,852</u>    | <u>80,704,723</u>    |
| SHAREHOLDERS' FUNDS                |              | 113,338,282          | 110,853,153          |
| <br>                               |              |                      |                      |
| DEFERRED TAX LIABILITY             | 13           | 5,884,847            | 5,250,862            |
| LOANS - NON-CURRENT                | 5            | <u>12,801,141</u>    | <u>15,681,349</u>    |
| FUNDS EMPLOYED                     |              | <u>\$132,024,270</u> | <u>\$131,785,364</u> |

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

Approved by the Board of Directors on 16 February 2012.

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W Anthony Kelsick  
Chairman

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Donald Kelsick  
Director

S L HORSFORD AND COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF INCOME  
FOR THE YEAR ENDED 30 SEPTEMBER 2011

(Expressed in Eastern Caribbean Dollars)

|                                                                     | <u>2011</u>         | <u>2010</u>         |
|---------------------------------------------------------------------|---------------------|---------------------|
| TURNOVER (Note 2 (m))                                               | 109,622,518         | 127,095,175         |
| Cost of Sales                                                       | <u>(80,509,988)</u> | <u>(94,325,243)</u> |
| Gross Profit                                                        | 29,112,530          | 32,769,932          |
| Other Income                                                        | <u>9,072,888</u>    | <u>10,211,646</u>   |
| TOTAL INCOME                                                        | <u>38,185,418</u>   | <u>42,981,578</u>   |
| <u>LESS: EXPENSES</u>                                               |                     |                     |
| Administrative Expenses                                             | (20,753,864)        | (20,231,835)        |
| Distribution Costs - Transport                                      | ( 1,939,846)        | (2,067,867)         |
| - Advertising                                                       | (2,008,564)         | (2,043,030)         |
| Other Expenses                                                      | (1,489,745)         | (1,851,548)         |
| Depreciation and Amortisation                                       | (2,835,640)         | (2,941,138)         |
| Finance Costs                                                       | <u>(1,673,036)</u>  | <u>(2,137,690)</u>  |
|                                                                     | <u>(30,700,695)</u> | <u>(31,273,108)</u> |
| Profit Before Results of Associated Companies                       | 7,484,723           | 11,708,470          |
| Share of Profit of Associated Companies (Notes 2(d) & 9)            | <u>2,093,489</u>    | <u>2,730,121</u>    |
| INCOME BEFORE TAXATION                                              | 9,578,212           | 14,438,591          |
| Income Tax Expense (Note 7)                                         | <u>(3,678,428)</u>  | <u>(5,015,078)</u>  |
| INCOME FOR THE YEAR CARRIED TO<br>STATEMENT OF COMPREHENSIVE INCOME | <u>\$5,899,784</u>  | <u>\$9,423,513</u>  |
| BASIC EARNINGS PER SHARE (See Note 14)                              | <u>\$0.20</u>       | <u>\$0.31</u>       |

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

S L HORSFORD AND COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 SEPTEMBER 2011

(Expressed in Eastern Caribbean Dollars)

|                                                                                 | <u>2011</u>        | <u>2010</u>         |
|---------------------------------------------------------------------------------|--------------------|---------------------|
| Net Income for the year                                                         | 5,899,784          | 9,423,513           |
| <b>Other Comprehensive Income:</b>                                              |                    |                     |
| Revaluation Reserve (Net of Disposals, Related Costs<br>and Deferred Tax)       | -                  | 24,117,270          |
| Decrease in Revaluation Reserve – Associated Company                            | (65,286)           | (60,189)            |
| Unrealised Holding Loss – Decrease in Fair Value (Note 10)                      | <u>(33,043)</u>    | <u>(57,451)</u>     |
| <b>TOTAL COMPREHENSIVE INCOME CARRIED TO STATEMENT OF<br/>CHANGES IN EQUITY</b> | <u>\$5,801,455</u> | <u>\$33,423,143</u> |

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

S L HORSFORD AND COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 SEPTEMBER 2011

(Expressed in Eastern Caribbean Dollars)

|                                  | <u>Share<br/>Capital</u> | <u>Revaluation<br/>Reserve</u> | <u>Other<br/>Capital<br/>Reserves</u> | <u>Unrealised<br/>Holding<br/>Gain-<br/>Investment</u> | <u>Retained<br/>Earnings</u> | <u>Total</u>         |
|----------------------------------|--------------------------|--------------------------------|---------------------------------------|--------------------------------------------------------|------------------------------|----------------------|
| Balance at 30 September 2009     |                          |                                |                                       |                                                        |                              |                      |
| -As previously reported          | 30,148,430               | 14,315,849                     | 555,307                               | 624,979                                                | 33,752,246                   | 79,396,811           |
| -Prior Year Adjustment           |                          |                                |                                       |                                                        |                              |                      |
| -Associated Company              | <u>-</u>                 | <u>-</u>                       | <u>-</u>                              | <u>-</u>                                               | <u>1,048,042</u>             | <u>1,048,042</u>     |
| -As restated                     | 30,148,430               | 14,315,849                     | 555,307                               | 624,979                                                | 34,800,288                   | 80,444,853           |
| Comprehensive Income             | -                        | 24,057,081                     | -                                     | (57,451)                                               | 9,423,513                    | 33,423,143           |
| Dividend Paid - \$0.10 per share | <u>-</u>                 | <u>-</u>                       | <u>-</u>                              | <u>-</u>                                               | <u>(3,014,843)</u>           | <u>(3,014,843)</u>   |
| Balance at 30 September 2010     | <u>\$30,148,430</u>      | <u>\$38,372,930</u>            | <u>\$555,307</u>                      | <u>\$567,528</u>                                       | <u>\$41,208,958</u>          | <u>\$110,853,153</u> |
| Balance at 30 September 2010     | 30,148,430               | 38,372,930                     | 555,307                               | 567,528                                                | 41,208,958                   | 110,853,153          |
| Comprehensive Income             | -                        | (65,286)                       | -                                     | (33,043)                                               | 5,899,784                    | 5,801,455            |
| Dividend Paid - \$0.11 per share | <u>-</u>                 | <u>-</u>                       | <u>-</u>                              | <u>-</u>                                               | <u>(3,316,326)</u>           | <u>(3,316,326)</u>   |
| Balance at 30 September 2011     | <u>\$30,148,430</u>      | <u>\$38,307,644</u>            | <u>\$555,307</u>                      | <u>\$534,485</u>                                       | <u>\$43,792,416</u>          | <u>\$113,338,282</u> |

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



S L HORSFORD AND COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 SEPTEMBER 2011

(Expressed in Eastern Caribbean Dollars)

| CASH FLOWS FROM OPERATING ACTIVITIES                                 | <u>2011</u>          | <u>2010</u>        |
|----------------------------------------------------------------------|----------------------|--------------------|
| Income before Taxation                                               | 9,578,212            | 14,438,591         |
| Adjustments for:                                                     |                      |                    |
| Depreciation and Amortisation                                        | 2,835,640            | 2,941,138          |
| Gain on Disposal of Property, Plant and Equipment                    | (86,826)             | (246,375)          |
| Impairment of Investment                                             | 49,999               | -                  |
| Finance costs incurred                                               | 1,673,036            | 2,137,690          |
| Share of Income from Associated Companies                            | <u>(2,093,489)</u>   | <u>(2,730,121)</u> |
| Operating profit before working capital changes                      | 11,956,572           | 16,540,923         |
| Net change in non-cash working capital balances related to Operation | <u>(146,741)</u>     | <u>3,138,992</u>   |
| Cash generated from operating activities                             | 11,809,831           | 19,679,915         |
| Finance costs Paid                                                   | (1,673,036)          | (2,137,690)        |
| Taxation Paid                                                        | <u>(3,604,944)</u>   | <u>(5,460,743)</u> |
| <b>Net Cash from Operating Activities</b>                            | <u>6,531,851</u>     | <u>12,081,482</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                          |                      |                    |
| Purchase of Property, Plant and Equipment                            | (13,310,696)         | (7,814,758)        |
| Proceeds from Disposal of Property, Plant and Equipment              | 490,693              | 1,422,840          |
| Purchase of Investments                                              | -                    | (10,044)           |
| Purchase of Intangibles                                              | -                    | (55,607)           |
| Dividends received from Associated Companies                         | <u>1,290,090</u>     | <u>978,543</u>     |
| <b>Net Cash used in Investing Activities</b>                         | <u>(11,529,913)</u>  | <u>(5,479,026)</u> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                          |                      |                    |
| Non-Current Receivables                                              | 2,512,024            | 1,754,885          |
| Long term Loans Repaid                                               | (248,665)            | (2,757,874)        |
| Dividends Paid to Shareholders                                       | <u>(3,316,326)</u>   | <u>(3,014,843)</u> |
| <b>Net Cash used in Financing Activities</b>                         | <u>(1,052,967)</u>   | <u>(4,017,832)</u> |
| Net Decrease in Cash and Cash Equivalents                            | (6,051,029)          | 2,584,624          |
| Cash and Cash equivalents - beginning of year                        | <u>1,375,302</u>     | <u>(1,209,322)</u> |
| Cash and Cash equivalents – end of year                              | <u>\$(4,675,727)</u> | <u>\$1,375,302</u> |
| Cash and cash equivalents comprise:                                  |                      |                    |
| Cash                                                                 | 299,755              | 1,650,929          |
| Bank Overdrafts                                                      | <u>(4,975,482)</u>   | <u>(275,627)</u>   |
|                                                                      | <u>\$(4,675,727)</u> | <u>\$1,375,302</u> |

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

S L HORSFORD AND COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2011  
(Expressed in Eastern Caribbean Dollars)

1 CORPORATE INFORMATION

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

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

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

The Company is listed on the Eastern Caribbean Stock Exchange.

2 ACCOUNTING POLICIES

(a) Basis of Accounting:

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

The accounting policies which are followed are set out below.

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

**In effect and applicable**

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Limited Exemptions from Comparative IFRS 7 Disclosures for First-time Adopters - effective 1 July 2010
- IAS 1 Presentation of Financial Statements - Amendments resulting from April 2009 Improvements to IFRSs - effective 1 January 2010
- IFRS 3 Business Combinations - Amendments resulting from May 2010 Annual Improvements to IFRSs - effective 1 July 2010

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

- IFRS 1 First-time Adoption of International Financial Reporting Standards -Amendment relating to oil and gas assets and determining whether an arrangement contains a lease- effective 1 January 2010.
- IFRS 2 Share-based Payment - Amendments relating to group cash-settled share-based payment transaction - effective 1 January 2010
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Amendments resulting from April 2009 Annual Improvements to IFRSs - effective 1 January 2010

S L HORSFORD AND COMPANY LIMITED  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2011

(Expressed in Eastern Caribbean Dollars)  
(Continued)

2 ACCOUNTING POLICIES

(a) Basis of Accounting:

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

- IFRS 8 Operating Segments – Amendments resulting from April 2009 Annual Improvements to IFRSs – effective 1 January 2010
- IAS 32 Financial Instruments: Presentation – Amendments relating to classification of rights issues- effective 1 February 2010
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments – effective 1 July 2010.

**Standards and interpretations in issue but not effective**

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Amendments resulting from May 2010 Annual Improvements to IFRSs – effective 1 January 2011
- IFRS 1 First-time Adoption of IFRSs – Replacement of ‘fixed dates’ for certain exceptions with ‘the date of transition to IFRSs’- effective 1 July 2011
- IFRS 1 First-time Adoption of IFRSs – Additional exemption for entities ceasing to suffer from severe hyperinflation – effective 1 July 2011
- IFRS 7 Financial Instruments: Disclosures – Amendments resulting from May 2010 Annual Improvements to IFRSs – effective January 2011
- IFRS 7 Financial Instruments: Disclosures – Amendments enhancing disclosures about transfers of financial assets – effective 1 July 2011
- IFRS 9 Financial Instruments – Classification and Measurement - effective 1 January 2013
- IFRS 10 Consolidated Financial Statements – effective 1 January 2013
- IFRS 11 Joint Arrangements – effective 1 January 2013
- IFRS 12 Disclosure of Interests in Other Entities – effective 1 January 2013
- IFRS 13 Fair Value Measurement - effective 1 January 2013
- IAS 1 Presentation of Financial Statements- Amendments resulting from May 2010 Annual Improvements to IFRSs – effective 1 January 2011
- IAS 1 Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented – effective 1 July 2012
- IAS 12 Income Taxes – Limited scope amendment (recovery of underlying assets) – 1 January 2012
- IAS 19 Employee benefits – Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects – effective 1 January 2013
- IAS 24 Related Party Disclosures – Revised definition of related parties – effective 1 January 2011
- IAS 27 Consolidated and Separate Financial Statements – Reissued as IAS 27 Separate Financial Statements (as amended in 2011) - effective 1 January 2013
- IAS 28 Investments in Associates – Reissued as IAS 28 Investments in Associates and Joint Ventures (as amended in 2011) – effective 1 January 2013
- IAS 34 Interim Financial Reporting – Amendments resulting from May 2010 Annual Improvements to IFRSs – effective 1 January 2011
- IFRIC 13 Customer Loyalty Programmes – Amendments resulting from May 2010 Annual Improvements to IFRSs – effective 1 January 2011
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – November 2009 Amendments with respect to Voluntary prepaid contributions - effective 1 January 2011
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine – effective 1 January 2013

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2011

(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.

(c) Basis of Consolidation:

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

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

(d) Investment in associated companies:

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is 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 to 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 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 retaining investment as its fair value. Any differences between the carrying amount of the associates upon loss of significant influence and the value of the retaining investment and proceeds from disposal is recognized in profit or loss.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2011

(Expressed in Eastern Caribbean Dollars)

(Continued)

2 ACCOUNTING POLICIES (cont'd)

(e) Foreign Currencies:

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

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

(f) Revenue Recognition:

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

Sales to third parties:

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

Rendering of services:

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

Interest income:

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

Dividend:

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

(g) Accounts Receivable:

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

(h) Inventories and Goods in Transit:

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2011

(Expressed in Eastern Caribbean Dollars)  
(Continued)

2 ACCOUNTING POLICIES (cont'd)

(i) Hire Purchase Sales:

Furniture:

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

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

(j) Property, Plant and Equipment:

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

Depreciation rates are as follows:

|                                        |              |
|----------------------------------------|--------------|
| Freehold Buildings                     | 2%           |
| Leasehold Buildings                    | 4%           |
| Vehicles                               | 12.5% - 30%  |
| Cargo Handling Gear                    | 20%          |
| Furniture, Fittings and Equipment      | 10% - 20%    |
| Coldrooms and Electrical Installations | 10%          |
| Plant and Equipment                    | 20% - 33.33% |
| Boat                                   | 20%          |

(k) Investments:

Available-for-sale:

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

Investments are initially recognised at cost, being the fair value of the consideration given, including acquisition charges associated with the investment. For securities where there is no quoted market price, fair value has been estimated by management at cost less amounts written off. While it is not practical to determine the current market value of these investments, impairment is assessed and provisions for permanent impairment in the value of investments is made through the profit or loss.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2011

(Expressed in Eastern Caribbean Dollars)

(Continued)

2 ACCOUNTING POLICIES (cont'd)

(l) Taxation:

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

(m) Turnover:

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

(n) Accounts Payable and Accruals:

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

(o) Provisions:

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

(p) Intangibles:

Intangible assets are identifiable non-monetary assets without physical substance. Computer software meets this description and has been removed from property, plant and equipment in order to comply with International Accounting Standard No. 38. Acquired computer software licences, upgrades to software and related costs that are expected to contribute to the future economic benefit of the group are 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.

The group capitalizes borrowing costs for all eligible assets where construction was commenced on or after January 1, 2009.

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|   |                                                                                        |                            |                            |
|---|----------------------------------------------------------------------------------------|----------------------------|----------------------------|
| 3 | ACCOUNTS RECEIVABLE                                                                    | <u>2011</u>                | <u>2010</u>                |
|   | Trade Receivables (Net of provision for doubtful debts)                                | 22,075,698                 | 24,566,968                 |
|   | Sundry Receivables and Prepayments                                                     | <u>2,036,195</u>           | <u>1,172,475</u>           |
|   |                                                                                        | 24,111,893                 | 25,739,443                 |
|   | <b>Less: Non-current portion of Receivables</b>                                        | <b>(11,687,491)</b>        | <b>(14,199,515)</b>        |
|   | <b>TOTAL - Current</b>                                                                 | <b><u>\$12,424,402</u></b> | <b><u>\$11,539,928</u></b> |
|   | All non-current receivables are due within five (5) years from the balance sheet date. |                            |                            |
| 4 | INVENTORIES                                                                            | <u>2011</u>                | <u>2010</u>                |
|   | Merchandise                                                                            | 26,084,296                 | 25,370,293                 |
|   | Stock on Hire                                                                          | 3,318,113                  | 3,877,116                  |
|   | Goods In Transit                                                                       | <u>1,312,368</u>           | <u>1,993,392</u>           |
|   | <b>TOTAL</b>                                                                           | <b><u>\$30,714,777</u></b> | <b><u>\$31,240,801</u></b> |
| 5 | LOANS AND BANK OVERDRAFTS                                                              | <u>2011</u>                | <u>2010</u>                |
|   | Current:                                                                               |                            |                            |
|   | Overdrafts                                                                             | 4,975,482                  | 275,627                    |
|   | Loans – Current Portion                                                                | <u>17,982,073</u>          | <u>15,350,530</u>          |
|   | <b>TOTAL CURRENT LOANS AND BANK OVERDRAFTS</b>                                         | <b><u>\$22,957,555</u></b> | <b><u>\$15,626,157</u></b> |
|   | <b>LOANS – NON-CURRENT</b>                                                             | <b><u>\$12,801,141</u></b> | <b><u>\$15,681,349</u></b> |
|   | Summary of Loans and Overdrafts:                                                       |                            |                            |
|   | Amount Payable:                                                                        |                            |                            |
|   | Within 1 year                                                                          | 22,957,555                 | 15,626,157                 |
|   | 2 – 5 Years                                                                            | 8,317,381                  | 10,926,592                 |
|   | Over 5 Years                                                                           | <u>4,483,760</u>           | <u>4,754,757</u>           |
|   | <b>TOTAL LOANS</b>                                                                     | <b><u>\$35,758,696</u></b> | <b><u>\$31,307,506</u></b> |
|   | Analysed as follows:                                                                   |                            |                            |
|   | Secured                                                                                | 19,609,104                 | 18,921,297                 |
|   | Unsecured                                                                              | <u>16,149,592</u>          | <u>12,386,209</u>          |
|   | <b>TOTAL</b>                                                                           | <b><u>\$35,758,696</u></b> | <b><u>\$31,307,506</u></b> |



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5 LOANS AND BANK OVERDRAFTS (cont'd)

Repayment Terms:

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

Collateral for Advances:

The Bank Loans and Overdrafts are secured by debentures executed by the Parent Company and two subsidiaries totalling \$62,345,000 (2010 = \$62,345,000).

The principal instalments due within the twelve months ending 30 September 2012 have been shown under Current Liabilities.

| 6 | ACCOUNTS PAYABLE AND ACCRUALS            | <u>2011</u>        | <u>2010</u>        |
|---|------------------------------------------|--------------------|--------------------|
|   | Trade Payables                           | 4,981,167          | 5,201,484          |
|   | Sundry Payables, Provisions and Accruals | <u>3,684,488</u>   | <u>3,252,461</u>   |
|   | TOTAL                                    | <u>\$8,665,655</u> | <u>\$8,453,945</u> |

| 7 | TAXATION | <u>2011</u> | <u>2010</u> |
|---|----------|-------------|-------------|
|---|----------|-------------|-------------|

Statement of Financial Position

Taxation in the Statement of Financial Position comprises the following:

|                                       |                   |                     |
|---------------------------------------|-------------------|---------------------|
| Provision for Taxation - Current Year | \$ <u>580,640</u> | \$ <u>1,649,916</u> |
|---------------------------------------|-------------------|---------------------|

Statement of Income

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

|                                         |                    |                    |
|-----------------------------------------|--------------------|--------------------|
| Provision for charge on Current Profits | 2,535,669          | 4,297,156          |
| Deferred Tax (Note 13)                  | <u>633,985</u>     | <u>75,243</u>      |
| Associated Companies (Note 9)           | 3,169,654          | 4,372,399          |
|                                         | <u>508,774</u>     | <u>642,679</u>     |
| TOTAL                                   | <u>\$3,678,428</u> | <u>\$5,015,078</u> |

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7 TAXATION (cont'd) 2011 2010

The group's effective tax rate of 38.4% (2010 = 34.7%) differs from the Statutory rate of 35% as follows:

|                                                                         |                           |                           |
|-------------------------------------------------------------------------|---------------------------|---------------------------|
| Profit before taxation                                                  | <u>\$9,578,212</u>        | <u>\$14,438,591</u>       |
| Taxes at statutory rate of 35%                                          | 3,352,374                 | 5,053,507                 |
| Tax effect of expenses not deductible in<br>determining taxable profits | 415,572                   | 278,916                   |
| Tax effect of income not assessable for taxation                        | (236,885)                 | (306,424)                 |
| Tax effect of Depreciation on non qualifying assets                     | 133,675                   | 107,154                   |
| Other                                                                   | <u>13,692</u>             | <u>(118,075)</u>          |
| <b>TOTAL</b>                                                            | <b><u>\$3,678,428</u></b> | <b><u>\$5,015,078</u></b> |

All income tax assessments up to and including the year of assessment 2011/10 have been examined and agreed by the Comptroller of Inland Revenue and the taxes duly paid.

|                                            |                |                |
|--------------------------------------------|----------------|----------------|
| 8 INTANGIBLES                              | <u>2011</u>    | <u>2010</u>    |
| Software - brought forward (See Note 2(p)) | 48,471         | 38,427         |
| Additions                                  | <u>-</u>       | <u>10,044</u>  |
| Software - carried forward                 | <u>48,471</u>  | <u>48,471</u>  |
| Accumulated Amortisation – brought forward | 40,316         | 20,147         |
| Amortisation                               | <u>6,647</u>   | <u>20,169</u>  |
| Accumulated Amortisation – carried forward | <u>46,963</u>  | <u>40,316</u>  |
| NET BOOK VALUE                             | <u>\$1,508</u> | <u>\$8,155</u> |

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|   |                                                                                   |                        |                        |
|---|-----------------------------------------------------------------------------------|------------------------|------------------------|
| 9 | INVESTMENT IN ASSOCIATED COMPANIES                                                | <u>2011</u>            | <u>2010</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>9,905,984</u>       | <u>8,857,274</u>       |
|   | Capital reserve reduction                                                         | 12,954,420<br>(65,286) | 11,905,710<br>(60,189) |
|   | Share of net income less dividends received from Associated Companies (see below) | <u>294,625</u>         | <u>1,108,899</u>       |
|   | Balance at End of Year                                                            | <u>\$13,183,759</u>    | <u>\$12,954,420</u>    |

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

|                                 |                                 |                               |
|---------------------------------|---------------------------------|-------------------------------|
|                                 | <u>2011</u>                     | <u>2010</u>                   |
| Share of income before taxation | 2,093,489                       | 2,730,121                     |
| Taxation (Note 7)               | <u>(508,774)</u>                | <u>(642,679)</u>              |
| Dividends received              | 1,584,715<br><u>(1,290,090)</u> | 2,087,442<br><u>(978,543)</u> |
| TOTAL (As Above)                | <u>\$294,625</u>                | <u>\$1,108,899</u>            |

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

|                   |             |                           |
|-------------------|-------------|---------------------------|
|                   | <u>2011</u> | <u>2010</u><br>(Restated) |
| Assets            | 17,003,373  | 16,399,312                |
| Liabilities       | 3,819,614   | 3,444,892                 |
| Revenue           | 14,571,037  | 17,030,564                |
| Profit before Tax | 2,093,489   | 2,730,121                 |

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|      |                                             |                                                       |                                                           |                                              |
|------|---------------------------------------------|-------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------|
| 10   | AVAILABLE-FOR-SALE INVESTMENTS              |                                                       | <u>2011</u>                                               | <u>2010</u>                                  |
|      | Quoted Securities                           |                                                       | 634,966                                                   | 668,009                                      |
|      | Unquoted Securities                         |                                                       | <u>50,001</u>                                             | <u>100,000</u>                               |
|      | TOTAL                                       |                                                       | <u>\$684,967</u>                                          | <u>\$768,009</u>                             |
| <br> |                                             |                                                       |                                                           |                                              |
| 11   | 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>                                 |
|      | <b>Year Ended 30 September 2011</b>         |                                                       |                                                           |                                              |
|      | Cost/Valuation -                            |                                                       |                                                           |                                              |
|      | Beginning of Year                           | 72,331,243                                            | 19,978,213                                                | 6,725,091                                    |
|      | Additions                                   | 2,047,745                                             | 2,763,792                                                 | 8,499,159                                    |
|      | (Disposals)                                 | <u>-</u>                                              | <u>(2,771,588)</u>                                        | <u>-</u>                                     |
|      | Cost/Valuation - End of Year                | <u>74,378,988</u>                                     | <u>19,970,417</u>                                         | <u>15,224,250</u>                            |
|      | Accumulated Depreciation -                  |                                                       |                                                           |                                              |
|      | Brought Forward                             | 735,043                                               | 13,145,879                                                | -                                            |
|      | Charge                                      | 706,762                                               | 2,122,231                                                 | -                                            |
|      | (Disposals)                                 | <u>-</u>                                              | <u>(2,367,720)</u>                                        | <u>-</u>                                     |
|      | Accumulated Depreciation<br>Carried Forward | <u>1,441,805</u>                                      | <u>12,900,390</u>                                         | <u>-</u>                                     |
|      | Carrying Amount - 2011                      | <u>\$72,937,183</u>                                   | <u>\$7,070,027</u>                                        | <u>\$15,224,250</u>                          |
|      |                                             |                                                       | <u>\$95,231,460</u>                                       |                                              |

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11 PROPERTY, PLANT AND EQUIPMENT (cont'd)

|                                             | Land &<br>Buildings<br>- at cost/<br><u>Valuation</u> | Plant,<br>Vehicle<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 2010</b>         |                                                       |                                                          |                                              |                     |
| Cost/Valuation -                            |                                                       |                                                          |                                              |                     |
| Beginning of Year                           | 49,277,633                                            | 20,314,637                                               | 835,546                                      | 70,427,816          |
| Additions                                   | 354,221                                               | 1,570,992                                                | 5,889,545                                    | 7,814,758           |
| Revaluation                                 | 23,840,134                                            | -                                                        | -                                            | 23,840,134          |
| (Disposals)                                 | <u>(1,140,745)</u>                                    | <u>(1,907,416)</u>                                       | <u>-</u>                                     | <u>(3,048,161)</u>  |
| Cost/Valuation - End of Year                | <u>72,331,243</u>                                     | <u>19,978,213</u>                                        | <u>6,725,091</u>                             | <u>99,034,547</u>   |
| Accumulated Depreciation -                  |                                                       |                                                          |                                              |                     |
| Brought Forward                             | 4,039,743                                             | 12,186,369                                               | -                                            | 16,226,112          |
| Charge                                      | 724,151                                               | 2,196,817                                                | -                                            | 2,920,968           |
| Revaluation                                 | (4,003,883)                                           | -                                                        | -                                            | (4,003,883)         |
| (Disposals)                                 | <u>(24,968)</u>                                       | <u>(1,237,307)</u>                                       | <u>-</u>                                     | <u>(1,262,275)</u>  |
| Accumulated Depreciation<br>Carried Forward | <u>735,043</u>                                        | <u>13,145,879</u>                                        | <u>-</u>                                     | <u>13,880,922</u>   |
| Carrying Amount - 2010                      | <u>\$71,596,200</u>                                   | <u>\$6,832,334</u>                                       | <u>\$6,725,091</u>                           | <u>\$85,153,625</u> |

Leasehold Lands at Pond's Industrial Site

The lands which had been leased from the Government, were purchased during the year under review.

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11 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Revaluation:

The majority of 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:

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

Additions subsequent to revaluation are stated at cost.

|                                        |                     |                     |
|----------------------------------------|---------------------|---------------------|
| 12 SHARE CAPITAL                       | <u>2011</u>         | <u>2010</u>         |
| Authorised                             |                     |                     |
| 50,000,000 Ordinary Shares of \$1 each |                     |                     |
| Issued and Fully Paid                  |                     |                     |
| 30,148,430 Ordinary Shares of \$1 each | <u>\$30,148,430</u> | <u>\$30,148,430</u> |

Dividend of 10% (2010 = 11%) per ordinary share (amounting to \$3,014,843/2010 = \$3,316,327) in respect of 2011 has been proposed by the Directors. The Financial Statements for the year ended 30 September 2011 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 2012.

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|    |                                                       |                    |                    |
|----|-------------------------------------------------------|--------------------|--------------------|
| 13 | DEFERRED TAX LIABILITY                                | <u>2011</u>        | <u>2010</u>        |
|    | Deferred Tax Liability (Net) – at beginning of year   | 5,250,862          | 2,113,901          |
|    | Deferred Tax (Note 7)                                 | 633,985            | 75,243             |
|    | Deferred Tax – Revaluation                            | <u>-</u>           | <u>3,061,718</u>   |
|    | Deferred Tax Liability (Net) – at end of year         | <u>\$5,884,847</u> | <u>\$5,250,862</u> |
|    | Deferred Tax Liability (Net) comprises the following: |                    |                    |
|    | Deferred Tax Asset                                    | (239,743)          | -                  |
|    | Deferred Tax Liability                                | <u>6,124,590</u>   | <u>5,250,862</u>   |
|    |                                                       | <u>\$5,884,847</u> | <u>\$5,250,862</u> |
|    | Deferred Tax Asset comprises:                         |                    |                    |
|    | - Unutilised Capital Allowances                       | <u>\$239,743</u>   | <u>\$ -</u>        |
|    | Deferred Tax Liability comprises:                     |                    |                    |
|    | - Accelerated Capital Allowances                      | <u>\$6,124,590</u> | <u>\$5,250,862</u> |

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14 EARNINGS PER SHARE

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

|                                           | <u>2011</u>         | <u>2010</u>         |
|-------------------------------------------|---------------------|---------------------|
| Net Income for the Year                   | \$ <u>5,899,784</u> | \$ <u>9,423,513</u> |
| Number of shares in issue at the year end | <u>30,148,430</u>   | <u>30,148,430</u>   |
| Basic earnings per share                  | <u>\$0.20</u>       | <u>\$0.31</u>       |

15 CONTINGENT LIABILITIES

Parent Company:

a) Unfunded Pension:

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

b) Guarantees:

The Company has given guarantees to First Caribbean International Bank, St Kitts, Bank of Nova Scotia and Royal Bank of Canada as collateral for overdraft facilities of up to \$3,015,000 (2010 = \$3,015,000) for its Subsidiary Companies, Ocean Cold Storage (St Kitts) Limited and S L Horsford Finance Company Limited.

c) Letters of Credit:

At the year end, the company had outstanding letters of credit totalling \$448,820 (2010 = \$268,820).

d) Legal Claims:

Parent Company:

Counsel has advised that at 30 September 2011 there were no claims pending against the company (2010 = Nil).



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16 RELATED PARTY TRANSACTIONS

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

|                                     | <u>2011</u> | <u>2010</u> |
|-------------------------------------|-------------|-------------|
| i) Sales of goods and services      | 4,316,760   | 3,598,146   |
| ii) Purchases of goods and services | 4,785,118   | 6,256,017   |
| iii) Management fees                | 28,800      | 28,800      |
| iv) Dividends received              | 1,290,090   | 978,543     |

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

|                                                           |                  |                    |
|-----------------------------------------------------------|------------------|--------------------|
| Short-term employee benefits and retirement contributions | <u>\$973,086</u> | <u>\$1,041,998</u> |
|-----------------------------------------------------------|------------------|--------------------|

3. Balances due to/from Related Parties

|                               |           |           |
|-------------------------------|-----------|-----------|
| Due from Associated Companies | \$390,613 | \$89,487  |
| Due from Directors            | \$41,042  | \$59,426  |
| Due to Associated Companies   | \$248,320 | \$513,575 |

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17 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 and Retail)          | 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                                         |

18 FINANCIAL INSTRUMENTS

a) Interest Rate Risk:

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

b) Credit Risk:

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

c) Fair Values:

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

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18 FINANCIAL INSTRUMENTS (cont'd)

d) Currency Risk:

Substantially all of the Group's transactions and assets and liabilities are denominated in Eastern Caribbean Dollars or United States Dollars. Therefore, the Group has no significant exposure to currency risk.

e) Liquidity Risk:

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

The following table summarises the maturity profile of the Group's financial liabilities and assets at 30 September 2011:

**Year ended 30 September 2011**

|                               | Due within<br><u>1 Year</u> | >1 year<br><u>to 5 years</u> | Over<br><u>5 years</u> | <u>Total</u>        |
|-------------------------------|-----------------------------|------------------------------|------------------------|---------------------|
| Overdrafts                    | 4,975,482                   | -                            | -                      | 4,975,482           |
| Loans and bank overdrafts     | 17,982,073                  | 8,317,381                    | 4,483,760              | 30,783,214          |
| Accounts payable and accruals | <u>8,665,655</u>            | <u>-</u>                     | <u>-</u>               | <u>8,665,655</u>    |
|                               | <u>\$31,623,210</u>         | <u>\$8,317,381</u>           | <u>\$4,483,760</u>     | <u>\$44,424,351</u> |

**Year ended 30 September 2010**

|                               |                     |                     |                    |                     |
|-------------------------------|---------------------|---------------------|--------------------|---------------------|
| Overdrafts                    | 275,627             | -                   | -                  | 275,627             |
| Loans and bank overdrafts     | 15,350,530          | 10,926,592          | 4,754,757          | 31,031,879          |
| Accounts payable and accruals | <u>8,453,945</u>    | <u>-</u>            | <u>-</u>           | <u>8,453,945</u>    |
|                               | <u>\$24,080,102</u> | <u>\$10,926,592</u> | <u>\$4,754,757</u> | <u>\$39,761,451</u> |

S L HORSFORD AND COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2011

(Expressed in Eastern Caribbean Dollars)

(Continued)

18 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>        |
|-------------------------------|-----------------------------|------------------------------|------------------------|---------------------|
| Year ended 30 September 2011: |                             |                              |                        |                     |
| Cash with bankers and in hand | 299,755                     | -                            | -                      | 299,755             |
| Accounts Receivable           | 12,424,402                  | 11,687,491                   | -                      | 24,111,893          |
| Investments                   | -                           | -                            | 13,868,726             | 13,868,726          |
|                               | <u>\$12,724,157</u>         | <u>\$11,687,491</u>          | <u>\$13,868,726</u>    | <u>\$38,280,374</u> |
| Year ended 30 September 2010: |                             |                              |                        |                     |
| Cash with bankers and in hand | 1,650,929                   | -                            | -                      | 1,650,929           |
| Accounts Receivable           | 11,539,927                  | 14,199,515                   | -                      | 25,739,442          |
| Investments                   | -                           | -                            | 13,722,429             | 13,722,429          |
|                               | <u>\$13,190,856</u>         | <u>\$14,199,515</u>          | <u>\$13,722,429</u>    | <u>\$41,112,800</u> |

19 CAPITAL COMMITMENT

At year end, the Parent Company was committed to the completion of the construction of a supermarket and shopping complex at Baths, Nevis and the purchase of equipment in the total approximate amount of \$2.1 million (2010 = \$7.5 million).