



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

Published Accounts

for the year ended 30th September 2005

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corporate INFORMATION



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Directors:

William A. Kelsick O.B.E., C.S.M.

W. Anthony Kelsick B.A., B.Com., C.A.

Donald L. Kelsick H.B.A.

Christopher L. Martin B.A., M.B.A.

Calvin L. Wilkin M.B.E.

D. Sydney Blake D.I.C.T.A (Agriculture)

Malcolm C. Kirwan B.S., M.B.A.,

Rosemarie A. Matheson

K. Vernon Mallalieu

Mark A. Wilkin B.A., M.B.A.

Adrian L. Lam B.Com

Executive Chairman

Managing Director

Executive Director

Executive Director

Retired Business Executive

Retired Business Executive

Vice-President for Administration
and Finance U.S.V.I

Hotel Department Manager

Retired Business Executive

Managing Director, Carib Brewery
(St. Kitts & Nevis) Ltd.

Manager, Walls Deluxe Record & Bookstore

Secretary:

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

Registered Office:

Marshall House

Independence Square West

Basseterre

St. Kitts, West Indies.

Auditors:

Pannell Kerr Forster

Chartered Accountants

Independence Square North,

Basseterre, St. Kitts

Bankers:

Royal Bank of Canada, St. Kitts

First Caribbean International Bank,
St. Kitts and Nevis

Bank of Nova Scotia, St. Kitts and Nevis

SKNA National Bank, St. Kitts and Nevis

Solicitors:

Kelsick, Wilkin and Ferdinand

Independence Square South, Basseterre,

St. Kitts, West Indies

notice of MEETING



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S L HORSFORD & CO. LTD
(Incorporated in the Federation of St. Christopher-Nevis, West Indies)

NOTICE IS HEREBY GIVEN that the sixteenth Annual General Meeting of the Company, as a Public Company, will be held at the Ocean Terrace Inn, Fortlands, Basseterre, on Tuesday 11 April 2006 at 5 o'clock in the afternoon for the following purposes:

1. To receive and consider the Consolidated Profit & Loss Account and Consolidated Statement of Changes in Equity for the twelve months ended 30 September 2005 and the Consolidated Balance Sheet at that date.
2. To receive and consider the Report of Directors thereon.
3. To receive and consider the Report of Auditors thereon.
4. To declare a Dividend.
5. To appoint Directors in place of those retiring.
6. To appoint Auditors and fix their remuneration.

NOTE: A member is entitled to appoint a proxy to attend and on a poll to vote instead of him/her. A form of proxy is enclosed. Proxies must reach Secretary at least 48 hours prior to date of Annual General Meeting

Dated 16 February 2006

BY ORDER OF THE BOARD

JUDITH P. NG'ALLA
Company Secretary
Marshall House
1 Independence Square West
Basseterre, St. Kitts,
West Indies.

company PROFILE



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S.L. HORSFORD & CO. LTD., founded in 1875, was incorporated in 1912. Shares to the general public were first issued in 1990, signifying its conversion to a Public Company. Today, the company is a highly diversified business establishment involved in multiple trading, service and manufacturing activities through its various departments and subsidiary companies. It has traded profitably since its incorporation.

S.L. Horsford & Company Ltd., comprised of several operational departments and subsidiaries, trades in both St. Kitts and Nevis. Products and services traded include building materials, hardware, furniture, appliances, petroleum products, food, cars, trucks, insurance, shipping, car rentals, hire purchase and consumer credit.

The key brands and principals represented include IGA, Nissan, Kia, Daihatsu, Geest Line, Bernuth, Holland America Line, Norwegian Cruise Line, Avis Rent a Car, NEMWIL, ORGILL Brothers Inc., General Electric Corp. and Trinidad Cement Limited. Actively trading subsidiary companies are Ocean Cold Storage (St. Kitts) Ltd., and S.L. Horsford Finance Co. Ltd. Associate companies include St. Kitts Masonry Products Limited 50% owned, Carib Brewery (St. Kitts and Nevis) Ltd., 20% owned, and St. Kitts Developments Limited, which is 30% owned and involved in the development of housing sites on 200 acres of land at Half Moon Bay, St. Kitts.

chairman's REVIEW



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I am pleased to report that our Group Turnover or sales increased for the financial year ended 30 September 2005 by \$10,786,142 over the previous financial year ended 30 September 2004, resulting in an increase in our Gross Profit of \$2,124,379 and Profit before Taxation increased by \$1,645,959.

Our Income Tax expense amounts to \$1,844,266 which is \$827,830 higher than the previous year. Your Directors are recommending a dividend of five cents per one dollar share, which will amount to \$1,507,422 leaving \$1,724,772 to be carried to the Reserves to assist the Company to meet its commitment to pay its long-term debt.

The economy of St Kitts and Nevis continues to improve and, as I mentioned in our previous year's report, chiefly due to the increase in tourism. It appears that this trend will continue during the current year and beyond.

We are currently facing a serious increase in our cost for electricity, as the Government has implemented a fuel surcharge on their charge for electricity which amounts to an increase in the region of sixty percent. We cannot pass on this additional charge to our customers, so it will have an adverse effect on our profitability. We will, however, be making an investment in certain energy-saving devices to help reduce electricity consumption where possible.

During 2006, the Group will be undertaking a re-organisation to more closely match geographical and business activities. To this effect, a new company, S L Horsford Nevis Ltd., was incorporated. The purpose of this is for the activities conducted in Nevis to be performed by this company. S L Horsford Motors Ltd., originally formed for the activities of the now inactive Ford agency, has been renamed S L Horsford Shipping Ltd. This company will take over the shipping agency activities originally performed by the parent company. The insurance agency activities will now be performed by S L Horsford Finance Ltd., the company in which the AVIS franchise is operated as well as all the Group's non-Nissan car sales activities.

I wish to thank all of our customers on both St Kitts and Nevis for their continued loyal support during the financial year under review, i.e. October 2004 to September 2005 inclusive.

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

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

report of the DIRECTORS



The Directors submit their Report and Audited Accounts for the year ended 30 September 2005.

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Parent Company

	2005	2004
Profit for the year (after providing for Taxation)	\$3,232,194	\$2,414,065
The Board recommends a dividend of 5% free of Tax (2004 = 4%)	\$1,507,422	\$1,205,937

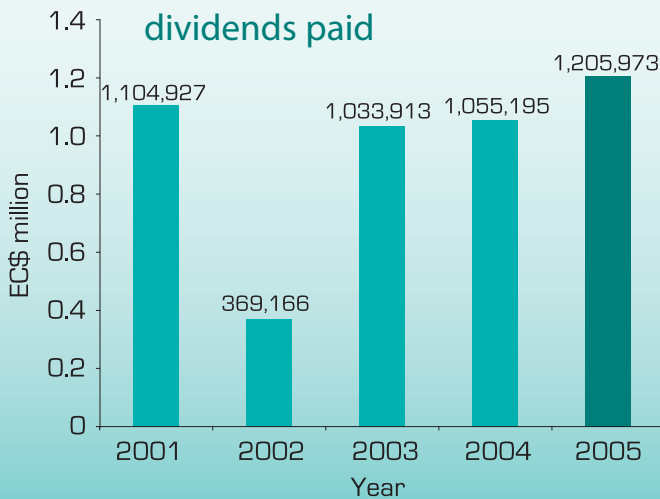
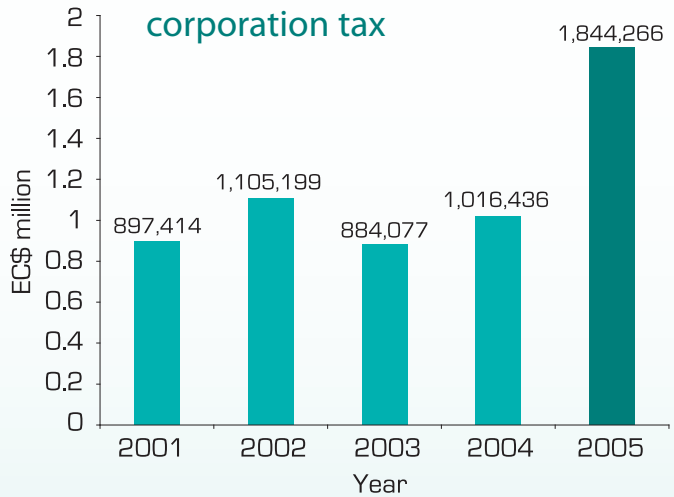
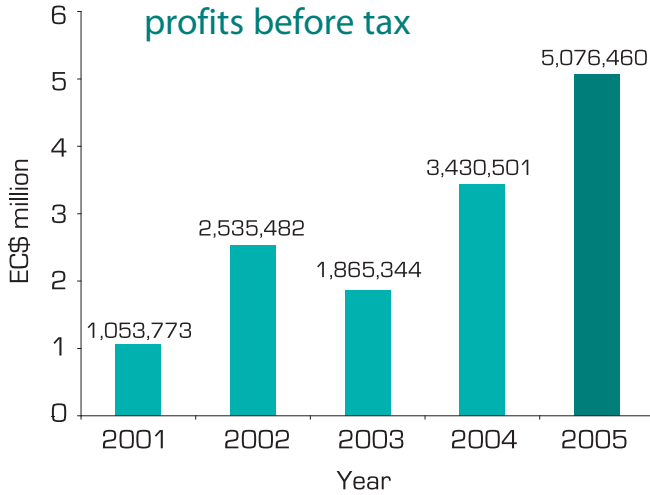
In accordance with Articles 102 and 103 of the Articles of Association, Ms. Rosemarie Matheson and Mr. Malcolm Kirwan retire from the Board on rotation and being eligible offer themselves for re-appointment.

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

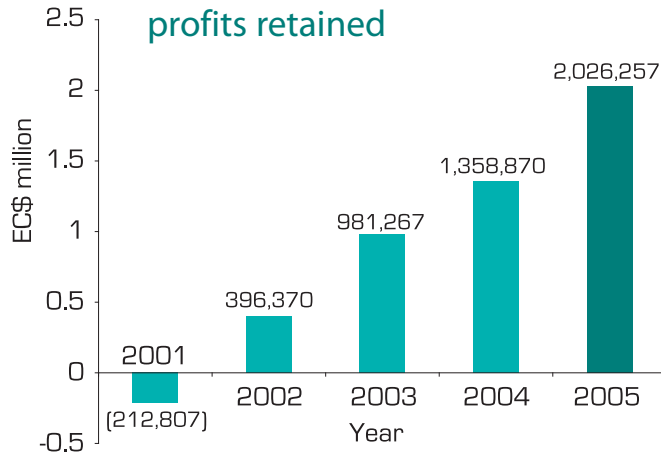
BY ORDER OF THE BOARD


JUDITH NG'ALLA
Company Secretary

financial HIGHLIGHTS



financial HIGHLIGHTS

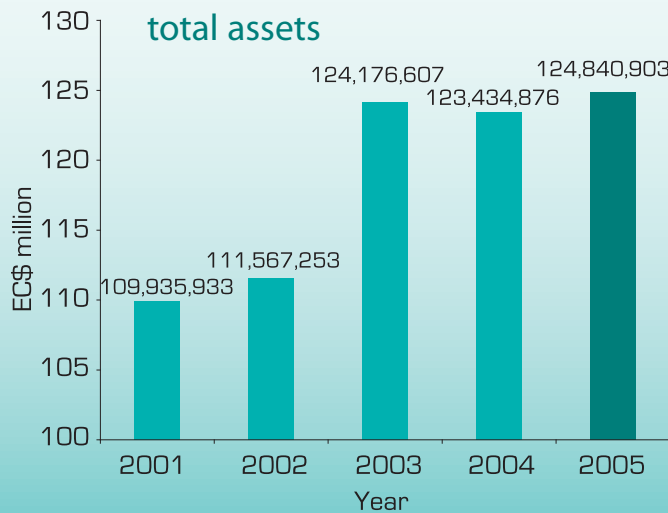
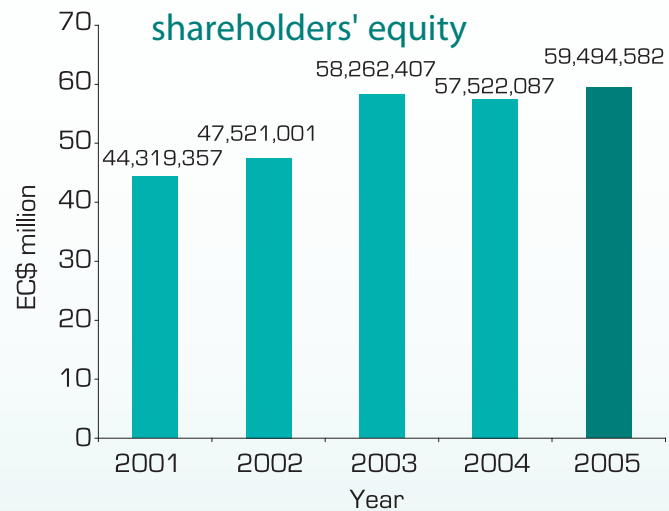


Profits Retained:

2001-2002: After proposed dividends

2003: Without provision for dividends

2004-2005: After payment of dividends in respect of previous year's profit



report of the AUDITORS



We have audited the Consolidated Balance Sheet of S L Horsford and Company Limited as at 30 September 2005, and the related Consolidated Profit and Loss Account and Consolidated Statements of Changes in Equity and Cash Flows for the year then ended. These Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Financial Statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. These standards require that we plan and perform an audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, these Consolidated Financial Statements present fairly, in all material respects, the financial position of the Company as at 30 September 2005 and the results of its operations and changes in its equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards except as disclosed in Note 2(i) to the Financial Statements.

A handwritten signature in black ink that reads 'Pannell Kerr Forster'.

PANNELL KERR FORSTER
Chartered Accountants

BASSETERRE ST KITTS
21 December 2005

consolidated BALANCE SHEET

at 30 September 2005
(Expressed in Eastern Caribbean Dollars)



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

The attached Notes form part of these Financial Statements.

consolidated PROFIT AND LOSS ACCOUNT



for the year ended 30 September 2005
(Expressed in Eastern Caribbean Dollars)

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

The attached Notes form part of these Financial Statements.

consolidated statement of CHANGES IN EQUITY

for the year ended 30 September 2005
(Expressed in Eastern Caribbean Dollars)



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	Share Capital	Capital Reserves	Retained Earnings	Total
Balance at 1 October 2003				
- As previously reported	30,148,430	16,905,057	12,515,048	59,568,535
- Prior Year Adjustment (Note 13)	-	-	(2,116,220)	(2,116,220)
- As restated	30,148,430	16,905,057	10,398,828	57,452,315
Decrease in Capital Reserve (Note 11)	-	(1,289,098)	-	(1,289,098)
Profit for the Year	-	-	2,414,065	2,414,065
Dividend Paid	-	-	(1,055,195)	(1,055,195)
Balance at 30 September 2004 (Restated)	\$30,148,430	\$15,615,959	\$11,757,698	\$57,522,087
Balance at 30 September 2004				
- As previously reported	30,148,430	15,615,959	12,567,790	58,332,179
- Prior Year Adjustment (Note 13)	-	-	(810,092)	(810,092)
- As restated	30,148,430	15,615,959	11,757,698	57,522,087
Decrease in Capital Reserve (Note 11)	-	(53,762)	-	(53,762)
Profit for the Year	-	-	3,232,194	3,232,194
Dividend Paid	-	-	(1,205,937)	(1,205,937)
Balance at 30 September 2005	\$30,148,430	\$15,562,197	\$13,783,955	\$59,494,582

The attached Notes form part of these Financial Statements.

consolidated statement OF CASH FLOWS

for the year ended 30 September 2005
(Expressed in Eastern Caribbean Dollars)



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S.L. Horsford & Company Limited and its Subsidiary Companies Annual Report 2005

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

The attached Notes form part of these Financial Statements.

notes to the consolidated FINANCIAL STATEMENTS

for the year ended 30 September 2005
(Expressed in Eastern Caribbean Dollars)



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1 Corporate Information

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

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

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

2 Accounting Policies

(a) Basis of Accounting:

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

(b) Use of Estimates:

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

(c) Basis of Consolidation:

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

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

(d) Foreign Currencies:

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

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

notes to the consolidated FINANCIAL STATEMENTS

for the year ended 30 September 2005
(Expressed in Eastern Caribbean Dollars)

(continued)



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2 Accounting Policies (cont'd)

(e) Revenue Recognition:

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

Sales to third parties:

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

Rendering of services:

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

Interest income:

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

Dividend:

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

(f) Accounts Receivable:

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

(g) Inventories and Goods in Transit:

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

(h) Hire Purchase Sales:

Cars:

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

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.

notes to the consolidated FINANCIAL STATEMENTS

for the year ended 30 September 2005
(Expressed in Eastern Caribbean Dollars)

(continued)



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2 Accounting Policies (cont'd)

(i) Property, Plant and Equipment:

Property, Plant and Equipment are stated at cost or at valuation and reduced by depreciation which is provided on the straight line and reducing balance bases to write off assets over their expected useful lives. No depreciation is provided for on freehold and leasehold properties of the Parent Company.

It is the Company's policy to maintain its freehold and leasehold properties in good condition and repair which substantially prolongs their useful lives and any depreciation involved would not be material. Consequently, no depreciation is provided for on these assets in the Parent Company. This policy however, is not in accordance with International Accounting Standard No. 16.

Depreciation rates are as follows:

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

(j) Investments:

Available-for-sale:

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

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

(k) Taxation:

The group 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.

notes to the consolidated FINANCIAL STATEMENTS

for the year ended 30 September 2005
(Expressed in Eastern Caribbean Dollars)

(continued)



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2 Accounting Policies (cont'd)

(l) **Turnover:**

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

(m) **Borrowing costs:**

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

(n) **Accounts Payable and Accruals:**

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

(o) **Provision:**

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

(p) **Cash and cash equivalents:**

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

3 Accounts Receivable

	2005	2004
Trade Receivables	17,186,452	17,906,300
Less: Provision for Doubtful Accounts	(4,640,408)	(4,034,317)
	<hr/>	<hr/>
Instalment Receivables	12,546,044	13,871,983
Sundry Receivables and Prepayments	9,935,283	8,889,861
	<hr/>	<hr/>
	1,443,832	1,752,396
	<hr/>	<hr/>
TOTAL	\$23,925,159	\$24,514,240
	<hr/>	<hr/>

notes to the consolidated FINANCIAL STATEMENTS

for the year ended 30 September 2005
(Expressed in Eastern Caribbean Dollars)

(continued)



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4 Loans and Bank Overdrafts

	2005	2004
Current:		
Overdrafts	3,439,793	2,592,248
Loans – Current Portion	20,203,575	18,897,865
TOTAL CURRENT LOANS AND BANK OVERDRAFTS	\$23,643,368	\$21,490,113
LOANS – NON-CURRENT	\$30,879,984	\$35,405,019
Summary of Loans:		
Amount Payable:		
Within 1 year	20,203,575	18,897,865
2 – 5 Years	14,059,275	15,270,486
Over 5 Years	16,820,709	20,134,533
TOTAL LOANS	\$51,083,559	\$54,302,884
Analysed as follows:		
Secured	35,428,109	39,764,285
Unsecured	15,655,450	14,538,599
TOTAL	\$51,083,559	\$54,302,884

Repayment Terms:

Loans are repayable over periods varying from one (1) to twelve (12) years at rates of interest of between approximately 5% and 9%.

Collateral for Advances:

The Bank Loans and Overdrafts are secured by debentures executed by the Parent Company and two subsidiaries totalling \$56,345,000 (2004 = \$56,345,000).

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

notes to the consolidated FINANCIAL STATEMENTS

for the year ended 30 September 2005
(Expressed in Eastern Caribbean Dollars)

(continued)



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5 Accounts Payable and Accruals

	2005	2004
Trade Payables	5,429,035	4,350,005
Sundry Payables and Accruals	2,998,464	2,430,147
TOTAL	\$8,427,499	\$6,780,152

6 Provision for Taxation

Balance Sheet

The taxation provision in the Balance Sheet comprises the following:

Current Year	979,296	274,824
Previous Years	114,457	908,971
TOTAL	\$1,093,753	\$1,183,795

Profit and Loss Account

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

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

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

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

notes to the consolidated FINANCIAL STATEMENTS

for the year ended 30 September 2005
(Expressed in Eastern Caribbean Dollars)

(continued)



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6 Provision for Taxation (cont'd.)

All income tax assessments up to and including the year of assessment 2003/02 have been examined and agreed by the Comptroller of Inland Revenue and the taxes duly paid.

Income Tax Re-assessments

The Inland Revenue Department conducted an examination of the Group's accounting records for the income years 2000 to 2002. This examination resulted in additional tax payable of \$346,578 by the Group (Parent Company = \$479,500).

The additional tax payable was fully paid during the year under review.

Similarly, an additional amount of \$106,922 has been provided for the group (Parent Company = \$106,922) for the year ended 30 September 2003 on the same basis as the re-assessments.

7 Investment in Associated Companies

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

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

8 Available-for-sale Investments

Unquoted Securities	<u>\$218,209</u>	<u>\$218,209</u>
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notes to the consolidated FINANCIAL STATEMENTS

for the year ended 30 September 2005
(Expressed in Eastern Caribbean Dollars)

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9 Property, Plant and Equipment

	Land & Buildings - at cost/ Valuation	Plant - at cost	Other Assets - at cost	Capital Work-in -Progress - at cost	Total
Cost/Valuation at 30 September 2004	49,567,738	351,031	19,800,131	265,583	69,984,483
Additions/Transfers (Disposals)	29,000 (305,966)	24,044 -	2,175,075 (2,401,368)	- -	2,228,119 (2,707,334)
Cost/Valuation at 30 September 2005	<u>49,290,772</u>	<u>375,075</u>	<u>19,573,838</u>	<u>265,583</u>	<u>69,505,268</u>
Accumulated Depreciation At 30 September 2004	404,732	279,654	12,326,947	-	13,011,333
Current Year's Depreciation (Disposals)	28,259 -	24,008 -	2,009,933 (1,492,595)	- -	2,062,200 (1,492,595)
Accumulated Depreciation at 30 September 2005	<u>432,991</u>	<u>303,662</u>	<u>12,844,285</u>	<u>-</u>	<u>13,580,938</u>
Written Down Value - 30 September 2005	<u>\$48,857,781</u>	<u>\$71,413</u>	<u>\$6,729,553</u>	<u>\$265,583</u>	<u>\$55,924,330</u>
Written Down Value - 30 September 2004	<u>\$49,163,006</u>	<u>\$71,377</u>	<u>\$7,473,184</u>	<u>\$265,583</u>	<u>\$56,973,150</u>

Leasehold Lands at Pond's Industrial Site

The lands upon which warehouses of the Parent Company and the Coldrooms and Dry Goods Warehouse of a Subsidiary are built have been leased to these Companies by Government. There are four lease agreements for a period of thirty five years each effective from the following dates:

- Parent Company:

- 1 First Lease - 35 years from 15 January 1981
- 2 Second Lease - 35 years from 1 June 1986

- Subsidiary Company:

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

notes to the consolidated FINANCIAL STATEMENTS

for the year ended 30 September 2005
(Expressed in Eastern Caribbean Dollars)

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9 Property, Plant and Equipment (cont'd.)

Revaluation:

The Parent Company's Freehold Lands and Buildings were revalued in March 1988 by Vincent Morton and Associates Limited, Professional Valuers, to an amount which approximated their replacement costs at 30 September 1987.

The Directors decided to incorporate the revalued figures in the Financial Statements for the year ended 30 September 1987. The surplus on revaluation was placed in Capital Reserve.

The Parent Company's lands and buildings were again revalued on November 30, 2004, by Williams Architectural, Professional Valuers to an amount which approximated current market values. The directors decided to include only the revalued amounts pertaining to land. The lower market value assigned to these lands by the valuers was \$23,189,129 however the directors have conservatively opted to use a lower value of \$18,867,398 which was incorporated in the Financial Statements for the year ended 30 September 2003.

10 Share Capital

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

notes to the consolidated FINANCIAL STATEMENTS

for the year ended 30 September 2005
(Expressed in Eastern Caribbean Dollars)

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11 Reserves

	2005	2004
Capital:		
- Group		
Balance carried forward	<u>11,935,055</u>	<u>11,935,055</u>
- Associated Companies		
Balance brought forward	3,680,904	4,970,002
Reduction in Revaluation Reserve	(53,762)	(1,289,098)
Balance carried forward	<u>3,627,142</u>	<u>3,680,904</u>
	<u>15,562,197</u>	<u>15,615,959</u>
Revenue:		
Retained Earnings from Statement of Changes in Equity	<u>13,783,955</u>	<u>11,757,698</u>
TOTAL RESERVES	<u>\$29,346,152</u>	<u>\$27,373,657</u>

12 Deferred Tax Liability

Deferred Tax Liability (Net) – at beginning of year	1,053,710	947,514
Deferred Tax Release (Note 6)	<u>248,007</u>	<u>106,196</u>
Deferred Tax Liability (Net) – at end of year	<u>\$1,301,717</u>	<u>\$1,053,710</u>
Deferred Tax Liability (Net) consists of the following:		
Deferred Tax Asset	(691,358)	(908,842)
Deferred Tax Liability	<u>1,993,075</u>	<u>1,962,552</u>
	<u>\$1,301,717</u>	<u>\$1,053,710</u>
Deferred Tax Asset comprises:		
- Unutilised Capital Allowances	(463,372)	(654,029)
- Unutilised Tax Losses	(195,675)	(242,311)
- Accelerated Depreciation	(32,311)	(12,502)
	<u>\$(691,358)</u>	<u>\$(908,842)</u>
Deferred Tax Liability comprises:		
- Accelerated Capital Allowances	<u>\$1,993,075</u>	<u>\$1,962,552</u>

notes to the consolidated FINANCIAL STATEMENTS

for the year ended 30 September 2005
(Expressed in Eastern Caribbean Dollars)

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13 Prior Year Adjustments

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

Deferred Tax:

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

Corporation Tax:

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

notes to the consolidated FINANCIAL STATEMENTS

for the year ended 30 September 2005
(Expressed in Eastern Caribbean Dollars)

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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.

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

15 Contingent Liabilities

Parent Company:

a) Unfunded Pension:

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

b) Guarantees:

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

c) Letters of Credit:

At the year end, outstanding letters of credit amounted to \$271,690 (2004 = \$271,690).

d) Legal Claims:

Parent Company:

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

Subsidiary Company:

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

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

notes to the consolidated FINANCIAL STATEMENTS

for the year ended 30 September 2005
(Expressed in Eastern Caribbean Dollars)

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16 Details of Subsidiary and Associated Companies

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Subsidiary Companies	Principal Activities	Interest held in the Equity
Marshall Plantations Limited	Sugar Plantations and Investments	100%
Ocean Cold Storage (St Kitts) Limited	Food Distribution (Wholesale and Retail)	100%
S L Horsford Finance Company Limited	Car Rentals and Hire Purchase	100%
S L Horsford Motors Limited	Operating the franchise of Ford Motors Company	100%
Associated Companies		
St Kitts Developments Limited	Land Development	30%
St Kitts Masonry Products Limited	Concrete and Related Products	50%
Carib Brewery (St Kitts & Nevis) Limited	Manufacturers of Beer and non-alcoholic Beverages	20.1%

notes to the consolidated FINANCIAL STATEMENTS

for the year ended 30 September 2005
(Expressed in Eastern Caribbean Dollars)

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17 Financial Instruments

- a) **Interest Rate Risk:**
Interest rates and terms of borrowing are disclosed in Note 4.
- b) **Credit Risk:**
The group sells products and provides services to customers primarily in St Kitts-Nevis. The Group performs on-going credit evaluation of its customers and counterparties and provisions are made for potential credit losses.
- c) **Fair Values:**
The carrying amounts of the following financial assets and liabilities approximate their fair value: cash and bank balances, accounts receivable, investments, accounts payable, loans and long-term liabilities.
- d) **Currency Risk:**
Substantially all of the Group's transactions and assets and liabilities are denominated in Eastern Caribbean Dollars or United States Dollars. Therefore, the Group has no significant exposure to currency risk because the Eastern Caribbean Dollar is pegged to the United States Dollar.

18 Approval of Financial Statements

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

19 Reclassifications

Certain items in the Balance Sheet have been reclassified during the current financial year to improve the financial statement presentation. The previous year's figures have been reclassified to be consistent with this year's presentation. This reclassification has no effect on the results as reported for the current and previous years. Demand loans previously included in Accounts Payable and Accruals were reclassified to Loans and Bank Overdrafts.