SLH
ESTABLISHED 1875

S. L. HORSFORD & CO. LTD.

Annual Report 2007

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S L HORSFORD AND COMPANY LIMITED
AND ITS SUBSIDIARY COMPANIES

ANNUAL REPORT 2007

Annual Report 2007

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CORPORATE INFORMATION

Corporate Information

DIRECTORS:

W. Anthony Kelsick B.A., B. Com., C.A.	**Chairman and Managing Director**
Donald L. Kelsick B.A., H.B.A.	**Executive Director**
Christopher L. Martin B.A., M.B.A.	**Executive Director**
Malcolm C. Kirwan B.S., M.B.A.	**Retired Vice-President for Administration and Finance U.S.V.I**
Mark A. Wilkin B.A., M.B.A.	**Managing Director, Carib Brewery (St. Kitts & Nevis) Ltd**
Victor O Williams B. Sc, SCL	**Architect & Planner**
Anthony E. Gonsalves LLB, LLM	**Barrister-at-Law & Solicitor**

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

NOTICE IS HEREBY GIVEN that the eighteenth Annual General Meeting of the Company, as a Public Company, will be held at Frigate Bay Resort, Frigate Bay, on Thursday 17 April 2008 at 5 o'clock in the afternoon for the following purposes:

1. To receive and consider the Profit & Loss Account and Statement of Revenue Reserves for the twelve months ended 30 September 2007 and the 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 attached. Proxies must reach Secretary at least 48 hours prior to date of Annual General Meeting.

Marshall House
1 Independence Square West
Basseterre
St. Kitts

BY ORDER OF THE BOARD

JUDITH P. NG'ALLA
Company Secretary
Dated 7 February 2008

Additional copies of the Published Accounts may be printed from the Company's website www.horsfords.com/horsford/investor.asp

COMPANY PROFILE

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

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

The key brands and principals represented include IGA, Nissan, Kia, Daihatsu, Geest Line, Bernuth, Holland America Line, Norwegian Cruise Line, Festival Cruises, 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) Limited, S.L. Horsford Fianance Co. Limited, S. L. Horsford Nevis Ltd., and S. L. Horsford Shipping Ltd.

Associate companies include St. Kitts Masonry Products Limited, 50% owned, Carib Brewery (St. Kitts and Nevis) Limited, 20% owned, and St. Kitts Developments Limited, which is 30% owned and involved in the development of housing sites on 200 acres of land at Half Moon Bay, St. Kitts.

CHAIRMAN'S REPORT

I am pleased to report that 2007 was another year of record performance by the Group with significant improvement in both sales and profitability.

Group Sales increased by $12,938,803 or 10.90% to $131,633,983 and Group Profit before taxation by $2,697,540 or 35.63% to $10,269,324. On an after tax basis, profit increased by $1,884,436 or 42.7% to $6,297,403.

Earning per share was $0.21 versus $0.15 in 2006.

Once again, this improvement was experienced by most of our operations in St Kitts and Nevis, which was as a result of the continuing strong economy in our country, driven mainly by the construction and tourism sectors.

There were improvements in building materials and hardware, furniture and appliances and both food sectors. The automotive, gasoline retail and insurance sectors performed satisfactorily with performances similar to 2006.

There were, however, decreases in the performance of the shipping and car rental sectors as is reflected in the "Other Income" line of the Profit and Loss Account.

Gross Profit percentages continue to improve with the focused attention of proper inventory management practices.

Increases in operating expenses were kept within acceptable levels and these were largely effected by increases in salary and wages as well as fuel and electricity costs.

Share of Profit of Associated Companies increased by $1,550,982 to $4,349,717.

The income tax expense also reflected a more favourable rate of 38.67% versus the rate of 41.72% in 2006. There is still, however, a need to reduce the effective corporate tax rates to the levels experienced in other areas of the region.

The outlook for 2008 and beyond is encouraging in spite of the uncertainty of the economic climate in the U.S.A. This expectation is as a result of the major tourism projects being undertaken on both islands.

This has been my first year serving as Chairman of the Group. The past several months have seen a major change in the leadership and composition of the Board of Directors. I wish to reassure all shareholders that your Board of Directors is working to ensure that we apply the highest standards of stewardship over the responsibilities entrusted to us.

I wish to thank all of our customers on both St Kitts and Nevis for their continued loyal support over the year under review.

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

W ANTHONY KELSICK B.A., B.Comm., C.A.

Report of the Directors

The Directors submit their Report and Audited Accounts for the year ended 30 September 2007:

	2007	2006
Profit for the year (after providing for Taxation)	$6,297,403	$4,412,967
The Board recommends a dividend of 7% (2006 = 6%)	$2,110,390	$1,808,906

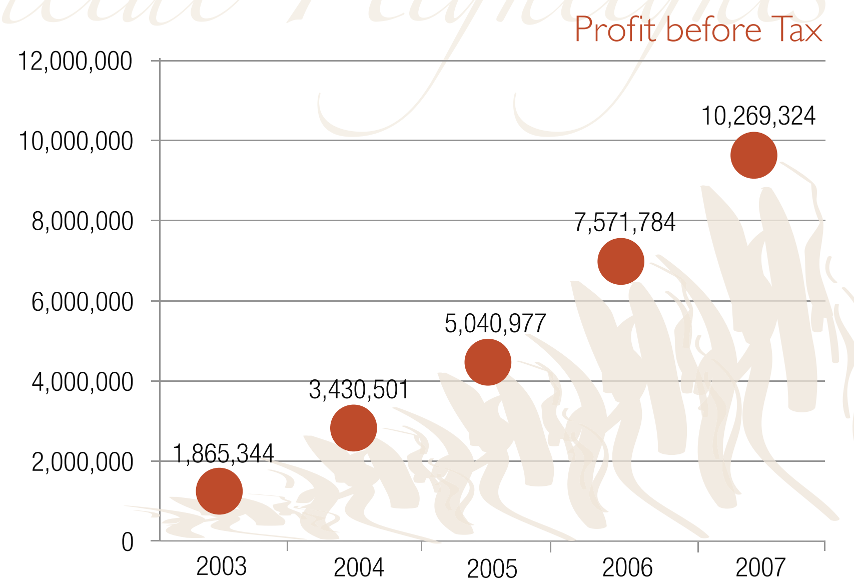
In accordance with Articles 102 and 103 of the Articles of Association, Mr. Malcolm Kirwan and Mr. Mark Wilkin retire from the Board on rotation and being eligible offer themselves for re-appointment.

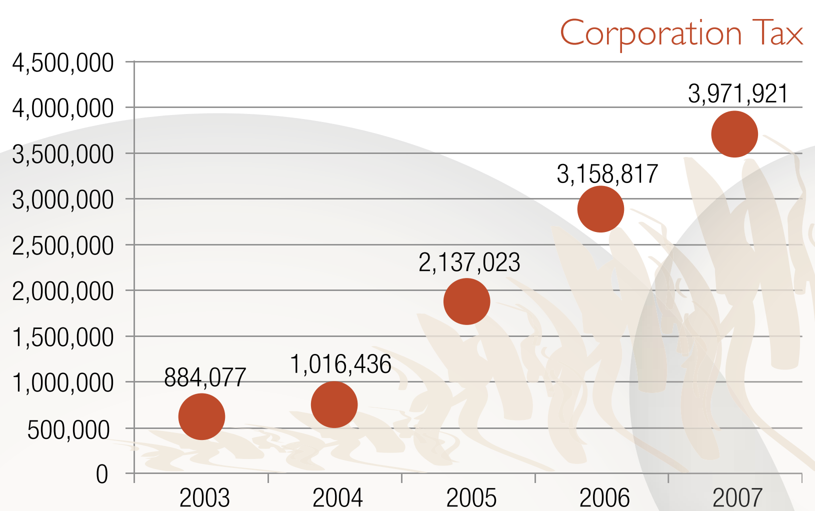
The Auditors, Pannell Kerr Forster, Chartered Accountants, also retire and being eligible, offer themselves for re-appointment.

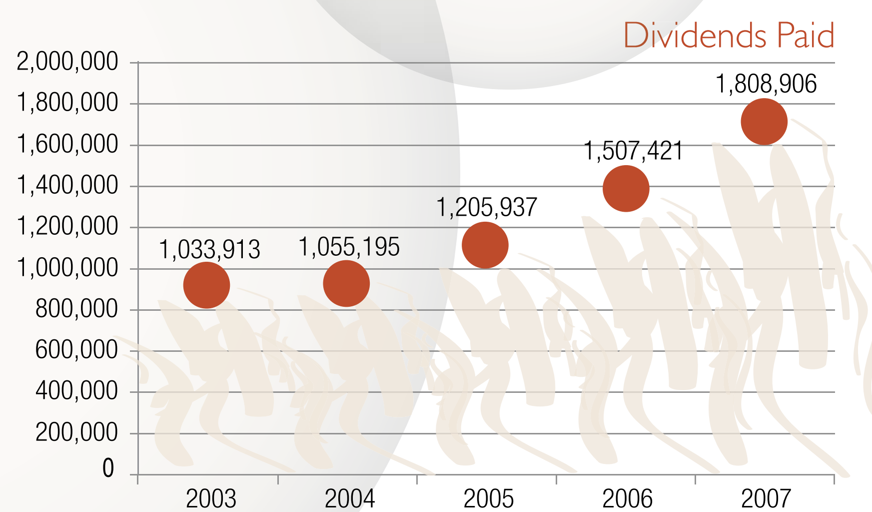
BY ORDER OF THE BOARD

JUDITH P NG'ALLA
Company Secretary

FINANCIAL HIGHLIGHTS

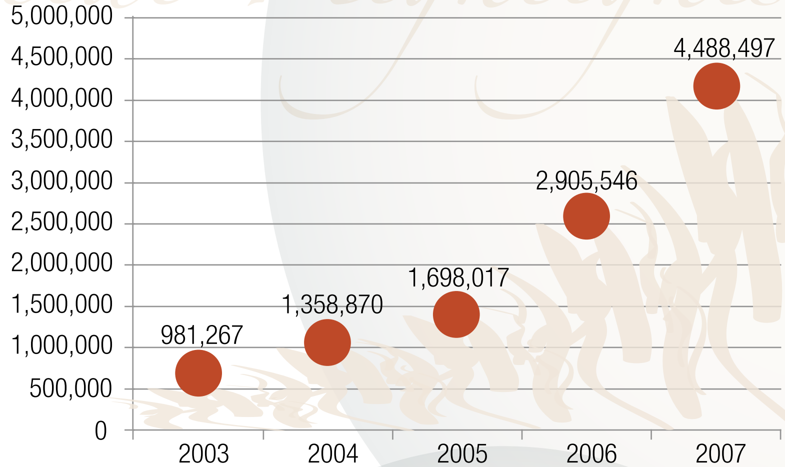




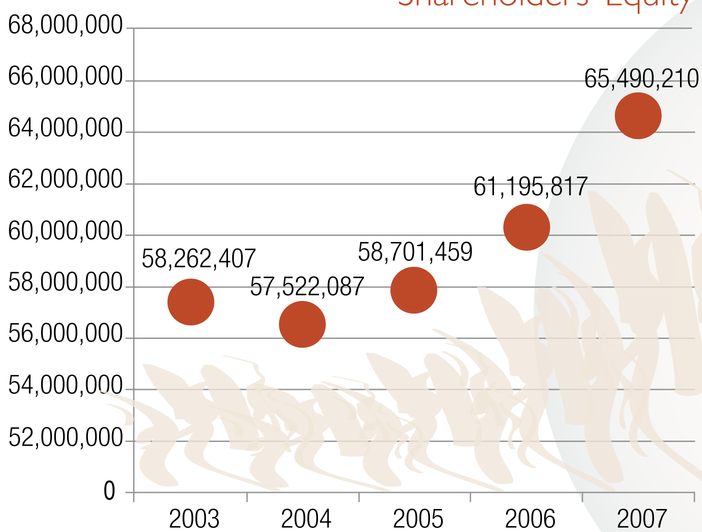


FINANCIAL HIGHLIGHTS

Profits Retained *



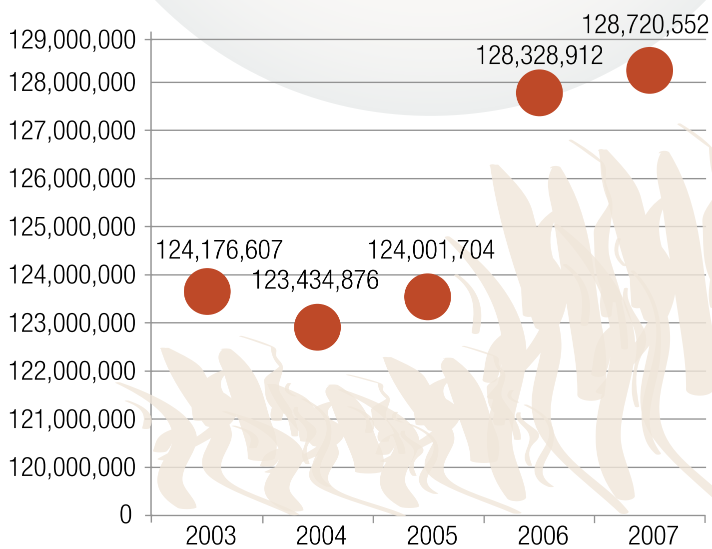
Shareholders' Equity



* Profits Retained:

2003: Without provision for dividends
2004-2007: After payment of dividends in respect of previous year's profit.

Total Assets



REPORT OF THE AUDITORS

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 balance sheet as at 30 September 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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.

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 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PANNELL KERR FORSTER

Chartered Accountants:

Pannell Kerr Forster

BASSETERRE ST KITTS

18 December 2007

CONSOLIDATED BALANCE SHEET

AT 30 SEPTEMBER 2007
(EXPRESSED IN EASTERN CARIBBEAN DOLLARS)

CURRENT ASSETS	Notes	2007	2006
Cash at Bank and in Hand		471,369	592,444
Accounts Receivable – Current	3	14,575,182	15,685,466
Inventories	4	39,115,332	38,195,362
		54,161,883	54,473,272
CURRENT LIABILITIES			
Loans and Bank Overdrafts	5	29,600,465	30,146,360
Accounts Payable and Accruals	6	8,707,880	7,735,686
Provision for Taxation	7	1,172,982	1,237,834
		39,481,327	39,119,880
WORKING CAPITAL		14,680,556	15,353,392
ACCOUNTS RECEIVABLE – Non-Current	3	10,644,403	10,702,616
INVESTMENT IN ASSOCIATED COMPANIES	8	8,844,702	7,922,591
AVAILABLE-FOR-SALE INVESTMENTS	9	402,902	389,747
PROPERTY, PLANT AND EQUIPMENT	5 & 10	54,666,662	54,840,686
TOTAL		$89,239,225	$89,209,032
FINANCED BY:			
SHARE CAPITAL	11	30,148,430	30,148,430
RESERVES		35,341,780	31,047,387
SHAREHOLDERS' FUNDS		65,490,210	61,195,817
DEFERRED TAX LIABILITY	12	1,989,045	1,750,840
LOANS NON CURRENT	5	21,759,970	26,262,375
FUNDS EMPLOYED		$89,239,225	$89,209,032

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

Approved by the Board of Directors on 7 February 2008.

W Anthony Kelsick, Chairman & Managing Director

Donald Kelsick, Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2007
(EXPRESSED IN EASTERN CARIBBEAN DOLLARS)

		2007	2006
TURNOVER (Note 2 (l))		131,633,983	118,695,180
Cost of Sales		(103,337,678)	(94,836,559)
Gross Profit		28,296,305	23,858,621
Other Income		7,991,764	9,091,939
Administrative Expenses		(18,372,025)	(16,932,383)
Distribution Costs	- Transport	(1,881,862)	(1,980,887)
	- Advertising	(2,055,872)	(1,425,916)
Other Expenses		(1,837,393)	(1,519,236)
Depreciation		(2,917,786)	(2,732,330)
Finance Costs		(3,303,524)	(3,586,759)
Share of Profit of Associated Companies (Note 2(c))		4,349,717	2,798,735
PROFIT BEFORE TAXATION		10,269,324	7,571,784
Income Tax Expense (Note 7)		(3,971,921)	(3,158,817)
PROFIT FOR THE YEAR CARRIED TO STATEMENT OF CHANGES IN EQUITY		$6,297,403	$4,412,967
BASIC EARNINGS PER SHARE (See Note 14)		$0.21	$0.15

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2007
(EXPRESSED IN EASTERN CARIBBEAN DOLLARS)

	Share Capital	Revaluation Reserve	Other Capital Reserves	Unrealised Holding Gain-Investment	Retained Earnings	Total
Balance at 30 September 2005						
- As previously reported	30,148,430	14,991,890	570,307	-	13,783,955	59,494,582
- Prior Year Adjustments (Note 13)	-	-	-	261,641	(1,264,671)	(1,003,030)
- As Restated	30,148,430	14,991,890	570,307	261,641	12,519,284	58,491,552
Decrease in Capital Reserve-Associated Company	-	(178,907)	-	-	-	(178,907)
Decrease in Fair Value – Investment	-	-	-	(22,374)	-	(22,374)
Surplus on Disposal of Investment transferred to Retained Earnings	-	-	(15,000)	-	15,000	-
Profit for the Year	-	-	-	-	4,412,967	4,412,967
Dividend Paid	-	-	-	-	(1,507,421)	(1,507,421)
Balance at 30 September 2006 (Restated)	$30,148,430	$14,812,983	$555,307	$239,267	$15,439,830	$61,195,817
Balance at 30 September 2006						
- As previously reported	30,148,430	14,812,983	555,307	239,267	15,649,737	61,405,724
- Prior Year Adjustments (Note 13)	-	-	-	-	(209,907)	(209,907)
- As Restated	30,148,430	14,812,983	555,307	239,267	15,439,830	61,195,817
Decrease in Capital Reserve - Associated Company	-	(207,259)	-	-	-	(207,259)
Increase in Fair Value - Investment	-	-	-	13,155	-	13,155
Profit for the Year	-	-	-	-	6,297,403	6,297,403
Dividend Paid	-	-	-	-	(1,808,906)	(1,808,906)
Balance at 30 September 2007	$30,148,430	$14,605,724	$555,307	$252,422	$19,928,327	$65,490,210

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2007
(EXPRESSED IN EASTERN CARIBBEAN DOLLARS)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before Taxation	10,269,324	7,571,784
Adjustments for:		
Depreciation	2,917,786	2,732,330
Gain on Disposal of Property, Plant and Equipment	(121,701)	(147,873)
Gain on Disposal of Investment	-	(50,396)
Finance costs incurred	3,303,524	3,586,759
Share of Income from Associated Companies	(4,349,717)	(2,798,735)
Operating profit before working capital changes	12,019,216	10,893,869
Net change in non-cash working capital balances related to Operations	1,162,508	(2,951,855)
Cash generated from operating activities	13,181,724	7,942,014
Finance costs Paid	(3,303,524)	(3,586,759)
Taxation Paid	(2,256,240)	(1,675,261)
Net Cash from Operating Activities	7,621,960	2,679,994
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property, Plant and Equipment	(3,370,607)	(4,564,207)
Proceeds from Disposal of Property, Plant and Equipment	748,546	1,879,619
Proceeds from Disposal of Investment	-	118,125
Dividends received from Associated Companies	1,678,019	1,298,018
Net Cash used in Investing Activities	(944,042)	(1,268,445)
CASH FLOWS FROM FINANCING ACTIVITIES		
Non-Current Receivables	58,213	(1,741,068)
Long term Loans Repaid	(5,995,808)	(921,574)
Dividends Paid to Shareholders	(1,808,906)	(1,507,421)
Net Cash used in Financing Activities	(7,746,501)	(4,170,063)
Net Decrease in Cash and Cash Equivalents	(1,068,583)	(2,758,514)
Cash and Cash equivalents - beginning of year	(5,654,306)	(2,895,792)
Cash and Cash equivalents – end of year	$(6,722,889)	$(5,654,306)
Cash and cash equivalents comprise:		
Cash	471,369	592,444
Bank Overdrafts	(7,194,258)	(6,246,750)
	$(6,722,889)	$(5,654,306)

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

1 CORPORATE INFORMATION

S L Horsford and Company Limited (known locally as Horsfords) was incorporated as a Private Limited Company on 31January 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.

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.

(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) 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.

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.

2 ACCOUNTING POLICIES (CONT'D)

(h) 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.

(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.

Depreciation rates are as follows:

Freehold Buildings	2%
Leasehold Buildings	4%
Vehicles	15% - 30%
Cargo Handling Gear	20%
Furniture, Fittings and Equipment	10%
Coldrooms and Electrical Installations	10%
Plant and Equipment	20%

In the previous year, the buildings of the Parent Company had been depreciated, for the first time, at the rate of 2% per annum effective 2004. The effect of this change in policy resulted in profits being reduced by $591,889 in 2006.

(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 these investments, it is not considered necessary to make further provisions for permanent impairment in the value of investments as at 30 September 2007.

2 ACCOUNTING POLICIES (CONT'D)

(j) Investments: (cont'd)

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 and Loss Account.

(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.

(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) 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) 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.

		2007	2006
3	ACCOUNTS RECEIVABLE		
	Trade Receivables	14,353,311	15,011,797
	Instalment Receivables	16,371,482	14,270,155
		30,724,793	29,281,952
	Less: Provision for Doubtful Accounts	(6,695,332)	(5,290,015)
		24,029,461	23,991,937
	Sundry Receivables and Prepayments	1,190,124	2,396,145
		25,219,585	26,388,082
	Less: Non-current portion of Receivables	(10,644,403)	(10,702,616)
	TOTAL - Current	$14,575,182	$15,685,466
4	INVENTORIES		
	Merchandise	34,551,778	32,900,895
	Stock on Hire	3,314,327	3,282,275
	Goods In Transit	1,249,227	2,012,192
	TOTAL	$39,115,332	$38,195,362
5	LOANS AND BANK OVERDRAFTS		
	Current:		
	Overdrafts	7,194,258	6,246,750
	Loans – Current Portion	22,406,207	23,899,610
	TOTAL CURRENT LOANS AND BANK OVERDRAFTS	$29,600,465	$30,146,360
	LOANS – NON-CURRENT	$21,759,970	$26,262,375
	Summary of Loans: Amount Payable:		
	Within 1 year	22,406,207	23,899,610
	2 – 5 Years	11,186,691	13,001,163
	Over 5 Years	10,573,279	13,261,212
	TOTAL LOANS	$44,166,177	$50,161,985
	Analysed as follows:		
	Secured	24,831,057	29,601,394
	Unsecured	19,335,120	20,560,591
	TOTAL	$44,166,177	$50,161,985

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 $56,345,000 (2006 = $56,345,000).

The principal instalments due within the twelve months ending 30 September 2008 have been shown under Current Liabilities.

6 ACCOUNTS PAYABLE AND ACCRUALS

	2007	2006
Trade Payables	5,068,279	4,329,188
Sundry Payables and Accruals	3,639,601	3,406,498
TOTAL	$8,707,880	$7,735,686

7 PROVISION FOR TAXATION

Balance Sheet

The taxation provision in the Balance Sheet comprises the following:		
Current Year	1,167,388	1,166,228
Previous Years	5,594	71,606
TOTAL	$1,172,982	$1,237,834

Profit and Loss Account

The Taxation charge in the Profit and Loss Account comprises the following:		
Provision for charge on Current Profits	2,191,388	1,822,227
Deferred Tax (Note 12)	238,205	311,741
Taxation Overprovision – previous year	-	(2,886)
	2,429,593	2,131,082
Associated Companies	1,542,328	1,027,735
TOTAL	$3,971,921	$3,158,817

7 PROVISION FOR TAXATION (CONT'D)

	2007	2006
The group's effective tax rate of 38% (2006 = 42%) differs from the Statutory rate of 35% as follows:		
Profit before taxation	$10,269,324	$7,571,784
Taxes at statutory rate of 35%	3,594,263	2,650,124
Tax effect of expenses not deductible in determining taxable profits	237,187	307,195
Tax effect of income not assessable for taxation	(13,672)	(47,071)
Under(over) provision for taxation	-	64,145
Tax effect of Capital Allowances disallowed on Motor Vehicles	16,900	20,815
Tax effect of Loss on land and building not assessable for tax	117,315	(1,471)
Tax effect of losses written off	-	165,590
Tax effect on gain on disposal of investments	-	(17,639)
Other	19,928	17,129
TOTAL	$3,971,921	$3,158,817

All income tax assessments up to and including the year of assessment 2006/05 have been examined and agreed by the Comptroller of Inland Revenue and the taxes duly paid.

8 INVESTMENT IN ASSOCIATED COMPANIES

	2007	2006
Original cost of investments	3,048,436	3,048,436
Increase in equity over cost from acquisition to the end of previous year	4,874,155	4,580,080
	7,922,591	7,628,516
Capital reserve reduction	(207,259)	(178,907)
Share of net income less dividends received from Associated Companies (see below)	1,129,370	472,982
Balance at End of Year	$8,844,702	$7,922,591
Share of net income less dividends received for the year is made up as follows:		
Share of income before taxation	4,349,717	2,798,735
Taxation (Note 7)	(1,542,328)	(1,027,735)
	2,807,389	1,771,000
Dividends received	(1,678,019)	(1,298,018)
TOTAL (As Above)	$1,129,370	$472,982

	2007	2006
8 INVESTMENT IN ASSOCIATED COMPANIES (CONT'D)		
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:		
Assets	16,229,191	14,701,883
Liabilities	6,719,048	6,113,851
Revenue	18,479,124	14,854,748
Profit before Tax	4,349,717	2,798,735

9 AVAILABLE-FOR-SALE INVESTMENTS

	2007	2006
Quoted Securities	252,902	239,747
Unquoted Securities	150,000	150,000
	$402,902	$389,747

10 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 - Beginning of Year	49,277,633	452,700	20,013,459	265,583	70,009,375
Additions	-	178,434	3,192,173	-	3,370,607
(Disposals)	-	(164,663)	(1,807,155)	-	(1,971,818)
Cost/Valuation - End of Year	49,277,633	466,471	21,398,477	265,583	71,408,164
Accumulated Depreciation - Brought Forward	2,236,612	335,884	12,596,193	-	15,168,689
Charge	611,461	62,859	2,243,466	-	2,917,786
(Disposals)	-	(164,663)	(1,180,310)	-	(1,344,973)
Accumulated Depreciation Carried Forward	2,848,073	234,080	13,659,349	-	16,741,502
Written Down Value - 2007	$46,429,560	$232,391	$7,739,128	$265,583	$54,666,662
Written Down Value - 2006	$47,041,021	$116,816	$7,417,266	$265,583	$54,840,686

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

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 had 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

11 SHARE CAPITAL

	2007	2006
Authorised		
50,000,000 Ordinary Shares of $1 each		
Issued and Fully Paid		
30,148,430 Ordinary Shares of $1 each	$30,148,430	$30,148,430

Dividend of 7% (2006 = 6%) per ordinary share (amounting to $2,110,390/2006 - $1,808,906) in respect of 2007 has been proposed by the Directors. The Financial Statements for the year ended 30 September 2007 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 2008.

12 DEFERRED TAX LIABILITY

	2007	2006
Deferred Tax Liability (Net) – at beginning of year	1,750,840	1,229,192
Prior Period Adjustment (Note 13)	-	209,907
Deferred Tax (Note 7)	238,205	311,741
Deferred Tax Liability (Net) – at end of year	$1,989,045	$1,750,840

12 DEFERRED TAX LIABILITY (CONTINUED)

	2007	2006
Deferred Tax Liability (Net) comprises the following:		
Deferred Tax Asset	(206,656)	(360,835)
Deferred Tax Liability	2,195,701	2,111,675
	$1,989,045	$1,750,840
Deferred Tax Asset comprises:		
- Unutilised Capital Allowances	(180,059)	(318,184)
- Unutilised Tax Losses	-	(8,750)
- Accelerated Depreciation	(26,597)	(33,901)
	$(206,656)	$(360,835)
Deferred Tax Liability comprises:		
- Accelerated Capital Allowances	$2,195,701	$2,111,675

Deferred taxation on revalued buildings:

International Accounting Standard 12 on deferred taxes states a deferred tax liability shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction, which at the time of the transaction affects neither accounting profit nor taxable profit.

The company in the prior year 2006 commenced the depreciation of buildings, which previously was not done. This policy included buildings that were not allowable for capital allowances at the date of their purchase or construction and because these transactions did not affect accounting or taxable profit, hence no liability was created for deferred taxation on these buildings. Deferred tax was however provided for the other buildings that were allowable for capital allowances.

Consequent upon revaluations carried out in 2003, during the year under review, the company reallocated the values on some of the buildings which resulted in an increase in the values of buildings allowable for tax purposes and a reduction in the values of those not eligible for tax relief. This reallocation resulted in an increase in the company's deferred tax liability totalling $209,907 (See Note 13). Consequent upon this increase being the result of a revaluation, the change in the deferred taxation liability has been charged directly to reserves as required by International Financial Reporting Standards.

13 PRIOR YEAR ADJUSTMENTS

	2007	2006
Prior year adjustments comprise:		
Group:		
Deferred Taxation re: Buildings	-	72,525
Depreciation (see Note 2(i))	-	(1,183,777)
Unrealised Holding Gain - Investment	-	261,641
Deferred Tax Liability – Re-allocation of buildings tax values (Note 12)	(209,907)	(209,907)
	(209,907)	(1,059,518)
Associated Company:		
Miscellaneous (Net of Tax)	-	56,488
	-	56,488
TOTAL	$(209,907)	$(1,003,030)

a) **Deferred Tax re: Buildings:**

The prior year adjustment represented the reversal of deferred tax on buildings;

b) **Depreciation:**

As a result of the change in accounting policy regarding buildings, the prior year adjustment represented depreciation charge for the previous years ended 30 September 2005 and 2004;

c) **Unrealised Holding Gain – Investment:**

The prior year adjustments represented an Available-for-Sale investment, previously valued at cost, but revalued at fair value to comply with International Financial Reporting Standards; and

d) **Deferred Tax Liability – Re-allocation of Buildings Tax Values:**

As explained under Note 12, this reflects the increase in the Deferred Tax Liability as a result of the re-allocation of building values for taxation purposes.

e) **Associated Company:**

The prior year adjustment represented miscellaneous provisions written back

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.

	2007	2006
Net Income for the Year	$6,297,403	$4,412,967
Number of shares in issue at the year end	30,148,430	`30,148,430
Basic earnings per share	$0.21	$0.15

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 (2006 = $3,015,000) for its Subsidiary Companies, Ocean Cold Storage (St Kitts) Limited and S L Horsford Finance Company Limited.

The company has issued a letter of Undertaking to First Caribbean International Bank in the amount of $500,000 to meet any shortfalls in debt service of St Kitts Masonry Products Limited.

c) Letters of Credit:

At the year end, the company had outstanding letters of credit totalling $268,820 (2006 = Nil).

d) Legal Claims:

Parent Company:

Counsel has advised that at 30 September 2007 there were no claims pending against the company.

16 RELATED PARTY TRANSACTIONS

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

	2007	2006
i) Sales of goods and services	6,209,525	3,593,579
ii) Purchases of goods and services	8,056,443	5,538,824
iii) Management fees	28,800	28,800
iv) Dividends received	1,678,018	1,298,018

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

	2007	2006
Short-term employee benefits and retirement contributions	$844,092	$1,013,579

17 DETAILS OF SUBSIDIARY AND ASSOCIATED COMPANIES

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, Car Sales and Insurance Agency	100
S L Horsford Shipping Limited (previously S L Horsford Motors Limited)	Shipping Agency	100
S L Horsford Nevis Limited	Retail activities and related services	100
Associated Companies		
St Kitts Developments Limited	Land Development	30.0
St Kitts Masonry Products Limited	Concrete and Related Products	50.0
Carib Brewery (St Kitts & Nevis) Limited	Manufacturers of Beer and non-alcoholic Beverages	20.1

18 FINANCIAL INSTRUMENTS

a) Interest Rate Risk:

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

b) Credit Risk:

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

c) Fair Values:

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

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.

NOTES

NOTES

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