



# S.L. HORSFORD & CO. LTD.

## ANNUAL REPORT 2008





## *Our Vision*

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To be the company of choice.



## *Mission Statement*

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Exceptional service,  
Exceptional value,  
for  
Exceptional people.



**SL HORSFORD AND COMPANY LIMITED** Annual Report 2008  
**AND ITS SUBSIDIARY COMPANIES**

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# Corporate Information

Corporate Information • Corporate Information • Corporate Information • Corporate Information • Corporate Information •

## Directors:

W. Anthony Kelsick B.A., B. Comm., C.A.	Chairman and Managing Director
Donald L. Kelsick B.A., H.B.A.	Executive Director
Christopher K. Martin B.Comm., M.B.A.	Executive Director
Malcolm C. Kirwan B.S., M.B.A.	Retired Vice-President for Administration and Finance University of the Virgin Islands
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:

PKF  
Chartered Accountants and Business Advisors  
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  
The Sands Complex, Basseterre,  
St. Kitts, West Indies



## Company Profile

Company Profile • Company Profile • Company Profile • Company Profile • Company Profile • Company Profile • Comp

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 Finance Co. Limited, S. L. Horsford Nevis Ltd., and S. L. Horsford Shipping Ltd.

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

# Chairman's Report

Chairman's Report • Chairman's Report • Chairman's Report • Chairman's Report • Chairman's Report • Chairman's Report

**I am again pleased to report another year of record performance by the Group in 2008 with significant improvement in both revenues and profitability.**

Group Sales increased by \$24,495,445 or 18.61% to \$156,129,428 and Group Profit before taxation by \$4,078,207 or 39.71% to \$14,347,531. After tax profits increased by \$2,796,161 or 44.4% to \$9,093,564. Of this, the parent company and wholly owned subsidiaries contributed \$6,383,144 and associated companies contributed \$2,710,420.

Earnings per share were \$0.30 versus \$0.21 in 2007.

In spite of the then gathering clouds in the external economies, the economy in St. Kitts Nevis performed well during the period under review. Construction and tourism remained strong. An often overlooked sector in our economy, the offshore universities operating in our islands, need to be recognized for their contribution.

All of our operations contributed positively to our profitability. There were gains at our Building Center, Automotive Department, Furniture and Appliance Department, Valu Mart IGA and our Texaco Gas Station located at Wellington Road. There were, however, declines in performance at our Nevis Center, Avis Car Rentals and Ocean Cold Storage.

There were strong contributions from all our associated companies, namely St. Kitts Developments Ltd., St. Kitts Masonry Products Ltd. and Carib Brewery (St. Kitts Nevis) Ltd. It should be noted that St. Kitts Developments is nearing the end of its available land inventory so its contributions will be significantly less in future years.

Increases in operating expenses were kept within acceptable levels. Increases in employment costs,

advertising, delivery and building maintenance costs were offset by savings in depreciation and bad debt expenses.

Income tax expense had an effective rate of 36.6% versus 38.7% in 2007.

This improvement in performance will enable your Directors to recommend an increased dividend of \$0.08 per share for a total of \$2,411,874, allowing retention of \$6,681,690.

Additionally this has created improvements in the Group's overall solvency with the debt to equity ratio reaching a low of 0.703:1 and debt to total assets of 0.362:1.

The gathering clouds in the external economies referred to earlier have resulted in an economic storm not experienced by most of us in our lifetimes. While St. Kitts Nevis has been spared of most of its effects to date, the extent of its future impact on us remains uncertain. What we can be certain of is that we will be affected adversely. We therefore need to ensure that we take the necessary measures and adopt the necessary policies to ensure that the Company emerges from this period with minimal, if any, damage. Foremost among these would be continuous focus on ensuring that we become and remain the "Company of Choice" to consumers in St. Kitts Nevis as well as efforts to continuously improve our efficiencies.

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

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



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

# Report of the Directors

Report of the Directors • Report of the Directors • Report of the Directors • Report of the Directors • Report of the Directors

**The Directors submit their Report and Audited Accounts for the year ended 30 September 2008:**

	2008	2007
Profit for the year (after providing for Taxation)	\$9,093,564	\$6,297,403
The Board recommends a dividend of 8% (2007 = 7%)	\$2,411,874	\$2,110,390

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

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

BY ORDER OF THE BOARD

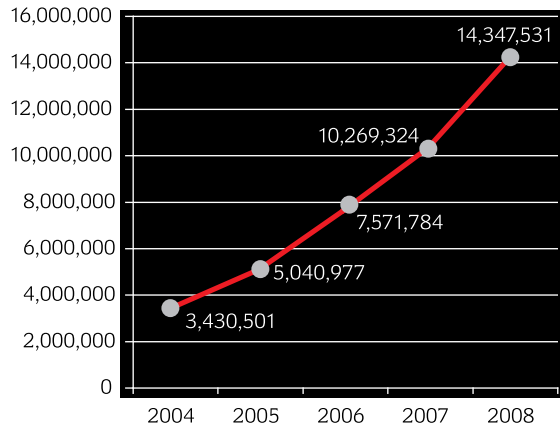
  
**JUDITH P NG'ALLA**  
 Company Secretary



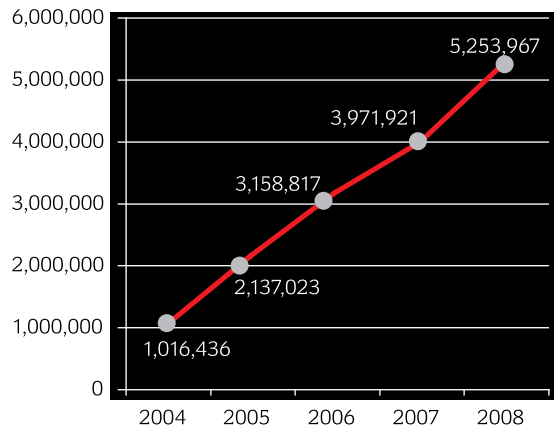
# Financial Highlights

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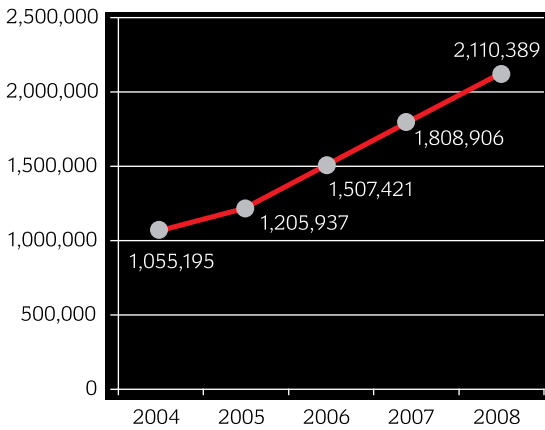
PROFIT BEFORE TAX



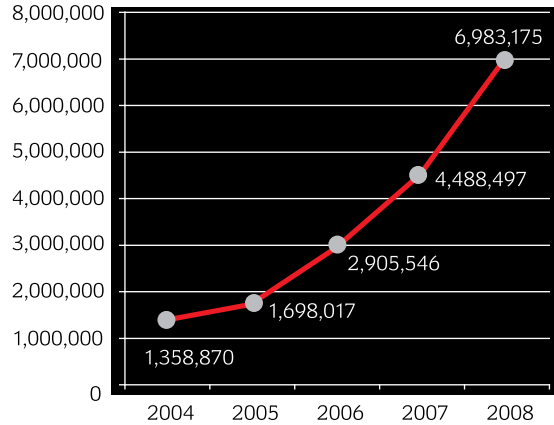
CORPORATION TAX



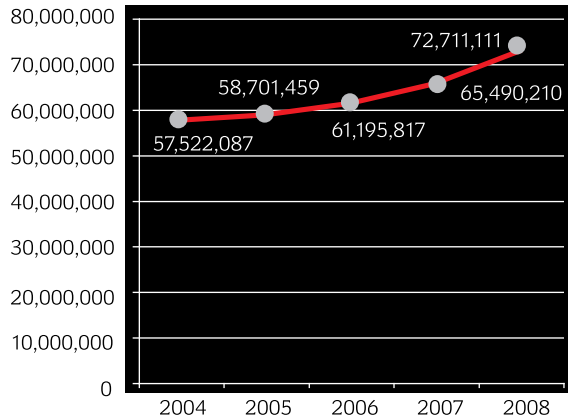
DIVIDENDS PAID



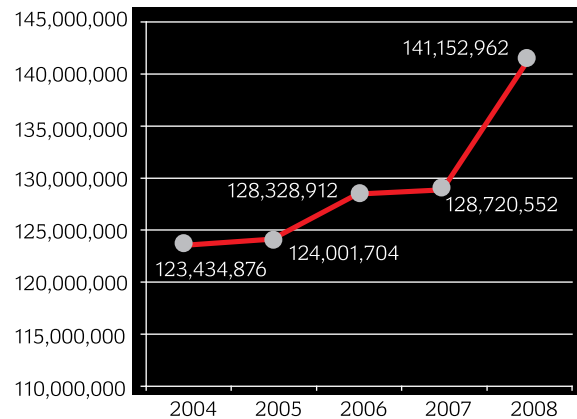
PROFITS RETAINED



SHAREHOLDERS' EQUITY



TOTAL ASSETS





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 2008, 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  
18 December 2008

# Consolidated Balance Sheet

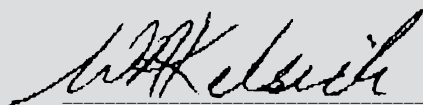
## At 30 September 2008 (Expressed in Eastern Caribbean Dollars)

Consolidated Balance Sheet • Consolidated Balance Sheet • Consolidated Balance Sheet • Consolidated Balance Sheet

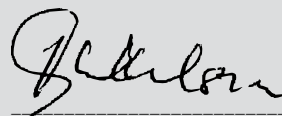
<b>CURRENT ASSETS</b>	<u>Notes</u>	<b>2008</b>	<b>2007</b>
Cash at Bank and in Hand		772,509	471,369
Accounts Receivable – Current	3	12,905,754	14,575,182
Inventories	4	<u>46,184,387</u>	<u>39,115,332</u>
		<b><u>59,862,650</u></b>	<b><u>54,161,883</u></b>
<b>CURRENT LIABILITIES</b>			
Loans and Bank Overdrafts	5	32,092,233	29,600,465
Accounts Payable and Accruals	6	13,053,005	8,707,880
Provision for Taxation	7	<u>2,355,534</u>	<u>1,172,982</u>
		<b><u>47,500,772</u></b>	<b><u>39,481,327</u></b>
<b>WORKING CAPITAL</b>		<b>12,361,878</b>	<b>14,680,556</b>
<b>ACCOUNTS RECEIVABLE – Non-Current</b>	3	<b>16,258,447</b>	<b>10,644,403</b>
<b>INVESTMENT IN ASSOCIATED COMPANIES</b>	8	<b>9,746,593</b>	<b>8,844,702</b>
<b>AVAILABLE-FOR-SALE INVESTMENTS</b>	9	<b>867,611</b>	<b>402,902</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>	5 & 10	<b><u>54,417,661</u></b>	<b><u>54,666,662</u></b>
<b>TOTAL</b>		<b><u>\$93,652,190</u></b>	<b><u>\$89,239,225</u></b>
		<b>FINANCED BY</b>	
SHARE CAPITAL	11	30,148,430	30,148,430
RESERVES		<u>42,562,681</u>	<u>35,341,780</u>
		<b>72,711,111</b>	<b>65,490,210</b>
		<b>SHAREHOLDERS' FUNDS</b>	
DEFERRED TAX LIABILITY	12	1,886,668	1,989,045
LOANS - NON CURRENT	5	<u>19,054,411</u>	<u>21,759,970</u>
		<b><u>\$93,652,190</u></b>	<b><u>\$89,239,225</u></b>
		<b>FUNDS EMPLOYED</b>	

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

Approved by the Board of Directors on 12 February 2009.



W Anthony Kelsick  
Chairman



Donald Kelsick  
Director

## Consolidated Profit and Loss Account

### For The Year Ended 30 September 2008 (Expressed in Eastern Caribbean Dollars)

Consolidated Profit and Loss Account • Consolidated Profit and Loss Account • Consolidated Profit and Loss Account • Cons

	2008	2007
TURNOVER (Note 2 (l))	156,129,428	131,633,983
Cost of Sales	<u>(123,447,771)</u>	<u>(103,337,678)</u>
Gross Profit	32,681,657	28,296,305
Other Income	9,253,421	7,991,764
Administrative Expenses	(19,630,411)	(18,372,025)
Distribution Costs - Transport	(2,087,264)	(1,881,862)
- Advertising	(2,377,798)	(2,055,872)
Other Expenses	(1,530,133)	(1,837,393)
Depreciation	(2,847,524)	(2,917,786)
Finance Costs	(3,310,128)	(3,303,524)
Share of Profit of Associated Companies (Note 2(c))	<u>4,195,711</u>	<u>4,349,717</u>
PROFIT BEFORE TAXATION	14,347,531	10,269,324
Income Tax Expense (Note 7)	<u>(5,253,967)</u>	<u>(3,971,921)</u>
PROFIT FOR THE YEAR CARRIED TO STATEMENT OF CHANGES IN EQUITY	<u>\$9,093,564</u>	<u>\$6,297,403</u>
BASIC EARNINGS PER SHARE (See Note 14)	<u>\$0.30</u>	<u>\$0.21</u>

## Consolidated Statement of Changes in Equity

### For The Year Ended 30 September 2008 (Expressed in Eastern Caribbean Dollars)

Consolidated Statement of Changes of Equity • Consolidated Statement of Changes of Equity • Consolidated Statement

	Share Capital	Revaluation Reserve	Other Capital Reserves	Unrealised Holding Gain- Investment	Retained Earnings	Total
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)
Unrealised Holding Gain	-	-	-	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	<u>\$30,148,430</u>	<u>\$14,605,724</u>	<u>\$555,307</u>	<u>\$252,422</u>	<u>\$19,928,327</u>	<u>\$65,490,210</u>
Balance at 30 September 2007	30,148,430	14,605,724	555,307	252,422	19,928,327	65,490,210
Decrease in Capital Reserve						
- Associated Company	-	(176,982)	-	-	-	(176,982)
Unrealised Holding Gain	-	-	-	414,708	-	414,708
Profit for the Year	-	-	-	-	9,093,564	9,093,564
Dividend Paid	-	-	-	-	(2,110,389)	(2,110,389)
Balance at 30 September 2008	<u>\$30,148,430</u>	<u>\$14,428,742</u>	<u>\$555,307</u>	<u>\$667,130</u>	<u>\$26,911,502</u>	<u>\$72,711,111</u>

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

# Consolidated Statement of Cash Flows

## For The Year Ended 30 September 2008 (Expressed in Eastern Caribbean Dollars)

Consolidated Profit and Loss Account • Consolidated Profit and Loss Account • Consolidated Profit and Loss Account • Cons

CASH FLOWS FROM OPERATING ACTIVITIES	2008	2007
Income before Taxation	14,347,531	10,269,324
Adjustments for:		
Depreciation	2,847,524	2,917,786
Gain on Disposal of Property, Plant and Equipment	(77,198)	(121,701)
Finance costs incurred	3,310,128	3,303,524
Share of Income from Associated Companies	<u>(4,195,711)</u>	<u>(4,349,717)</u>
Operating profit before working capital changes	16,232,274	12,019,216
Net change in non-cash working capital balances related to Operations	<u>(1,054,502)</u>	<u>1,162,508</u>
Cash generated from operating activities	15,177,772	13,181,724
Finance costs Paid	(3,310,128)	(3,303,524)
Taxation Paid	<u>(2,688,502)</u>	<u>(2,256,240)</u>
<b>Net Cash from Operating Activities</b>	<u>9,179,142</u>	<u>7,621,960</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property, Plant and Equipment	(3,242,556)	(3,370,607)
Proceeds from Disposal of Property, Plant & Equipment	721,231	748,546
Purchase of Investments	(50,000)	-
Dividends received from Associated Companies	<u>1,631,547</u>	<u>1,678,019</u>
<b>Net Cash used in Investing Activities</b>	<u>(939,778)</u>	<u>(944,042)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Non-Current Receivables	(5,614,044)	58,213
Long-term Loans Repaid	(3,975,135)	(5,995,808)
Dividends Paid to Shareholders	<u>(2,110,389)</u>	<u>(1,808,906)</u>
<b>Net Cash used in Financing Activities</b>	<u>(11,699,568)</u>	<u>(7,746,501)</u>
Net Decrease in Cash and Cash Equivalents	(3,460,204)	(1,068,583)
Cash and Cash equivalents - beginning of year	<u>(6,722,889)</u>	<u>(5,654,306)</u>
Cash and Cash equivalents – end of year	<u><b>\$(10,183,093)</b></u>	<u><b>\$(6,722,889)</b></u>
Cash and cash equivalents comprise:		
Cash	772,509	471,369
Bank Overdrafts	<u>(10,955,602)</u>	<u>(7,194,258)</u>
	<u><b>\$(10,183,093)</b></u>	<u><b>\$(6,722,889)</b></u>

# Notes To The Consolidated Financial Statements For The Year Ended 30 September 2008 (Expressed in Eastern Caribbean Dollars)

Notes to the Consolidated Financial Statements • Notes to the Consolidated Financial Statements • Notes to the Consolidated Financial Statements

## 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.

## 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.



# Notes To The Consolidated Financial Statements (cont'd)

## For The Year Ended 30 September 2008 (Expressed in Eastern Caribbean Dollars)

Notes to the Consolidated Financial Statements • Notes to the Consolidated Financial Statements • Notes to the Consolidated Financial Statements

### 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:

##### 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 (cont'd)

### For The Year Ended 30 September 2008 (Expressed in Eastern Caribbean Dollars)

Notes to the Consolidated Financial Statements • Notes to the Consolidated Financial Statements • Notes to the Consolidated Financial Statements

#### 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.

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%
Boat	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 these investments, it is not considered necessary to make further provisions for permanent impairment in the value of investments as at 30 September 2008.

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.

## Notes To The Consolidated Financial Statements (cont'd) For The Year Ended 30 September 2008 (Expressed in Eastern Caribbean Dollars)

Notes to the Consolidated Financial Statements • Notes to the Consolidated Financial Statements • Notes to the Consolidated Financial Statements

### 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) 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.

## Notes To The Consolidated Financial Statements (cont'd)

### For The Year Ended 30 September 2008 (Expressed in Eastern Caribbean Dollars)

Notes to the Consolidated Financial Statements • Notes to the Consolidated Financial Statements • Notes to the Consolidated Financial Statements

3	ACCOUNTS RECEIVABLE	2008	2007
	Trade Receivables	15,045,477	14,353,311
	Instalment Receivables	<u>20,394,131</u>	<u>16,371,482</u>
		35,439,608	30,724,793
	<u>Less:</u> Provision for Doubtful Accounts	<u>(7,129,633)</u>	<u>(6,695,332)</u>
		28,309,975	24,029,461
	Sundry Receivables and Prepayments	<u>854,226</u>	<u>1,190,124</u>
		29,164,201	25,219,585
	<u>Less:</u> <b>Non-current portion of Receivables</b>	<u>(16,258,447)</u>	<u>(10,644,403)</u>
	TOTAL - <b>Current</b>	<u><b>\$12,905,754</b></u>	<u><b>\$14,575,182</b></u>
	All non-current receivables are due within six (6) years from the balance sheet date.		
4	INVENTORIES	2008	2007
	Merchandise	40,840,042	34,551,778
	Stock on Hire	3,613,637	3,314,327
	Goods In Transit	<u>1,730,708</u>	<u>1,249,227</u>
	TOTAL	<u><b>\$46,184,387</b></u>	<u><b>\$39,115,332</b></u>
5	LOANS AND BANK OVERDRAFTS	2008	2007
	Current:		
	Overdrafts	10,955,602	7,194,258
	Loans – Current Portion	<u>21,136,631</u>	<u>22,406,207</u>
	TOTAL CURRENT LOANS AND BANK OVERDRAFTS	<u><b>\$32,092,233</b></u>	<u><b>\$29,600,465</b></u>
	LOANS – NON-CURRENT	<u><b>\$19,054,411</b></u>	<u><b>\$21,759,970</b></u>
	Summary of Loans:		
	Amount Payable:		
	Within 1 year	21,136,631	22,406,207
	2 – 5 Years	9,876,472	11,186,691
	Over 5 Years	<u>9,177,939</u>	<u>10,573,279</u>
	TOTAL LOANS	<u><b>\$40,191,042</b></u>	<u><b>\$44,166,177</b></u>
	Analysed as follows:		
	Secured	21,682,632	24,831,057
	Unsecured	<u>18,508,410</u>	<u>19,335,120</u>
	TOTAL	<u><b>\$40,191,042</b></u>	<u><b>\$44,166,177</b></u>

## Notes To The Consolidated Financial Statements (cont'd) For The Year Ended 30 September 2008 (Expressed in Eastern Caribbean Dollars)

Notes to the Consolidated Financial Statements • Notes to the Consolidated Financial Statements • Notes to the Consolidated Financial Statements

### 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 (2007 = \$56,345,000).

The principal instalments due within the twelve months ending 30 September 2009 have been shown under Current Liabilities.

6 ACCOUNTS PAYABLE AND ACCRUALS	2008	2007
Trade Payables	10,124,850	5,068,279
Sundry Payables and Accruals	<u>2,928,155</u>	<u>3,639,601</u>
TOTAL	<u>\$13,053,005</u>	<u>\$8,707,880</u>

7 PROVISION FOR TAXATION	2008	2007
<u>Balance Sheet</u>		
The taxation provision in the Balance Sheet comprises the following:		
Current Year	2,371,461	1,167,388
Previous Years	<u>(15,927)</u>	<u>5,594</u>
TOTAL	<u>\$2,355,534</u>	<u>\$1,172,982</u>

## Notes To The Consolidated Financial Statements (cont'd) For The Year Ended 30 September 2008 (Expressed in Eastern Caribbean Dollars)

Notes to the Consolidated Financial Statements • Notes to the Consolidated Financial Statements • Notes to the Consolidated Financial Statements

	2008	2007
7 PROVISION FOR TAXATION (cont'd)		
<u>Profit and Loss Account</u>		
The Taxation charge in the Profit and Loss Account comprises the following:		
Provision for charge on Current Profits	3,871,053	2,191,388
Deferred Tax (Note 12)	<u>(102,377)</u>	<u>238,205</u>
	3,768,676	2,429,593
Associated Companies	<u>1,485,291</u>	<u>1,542,328</u>
TOTAL	<u>\$5,253,967</u>	<u>\$3,971,921</u>
The Group's effective tax rate of 37% (2007 = 39%) differs from the Statutory rate of 35% as follows:		
Profit before taxation	<u>\$14,347,531</u>	<u>\$10,269,324</u>
Taxes at statutory rate of 35%	5,021,636	3,594,263
Tax effect of expenses not deductible in determining taxable profits	269,813	237,187
Tax effect of income not assessable for taxation	(22,882)	(13,672)
Tax effect of Capital Allowances disallowed on Motor Vehicles	30,945	16,900
Tax effect of Depreciation on non qualifying assets	(62,337)	117,315
Other	<u>16,792</u>	<u>19,928</u>
TOTAL	<u>\$5,253,967</u>	<u>\$3,971,921</u>

All income tax assessments up to and including the year of assessment 2008/07 have been examined and agreed by the Comptroller of Inland Revenue and the taxes duly paid.

## Notes To The Consolidated Financial Statements (cont'd)

### For The Year Ended 30 September 2008 (Expressed in Eastern Caribbean Dollars)

Notes to the Consolidated Financial Statements • Notes to the Consolidated Financial Statements • Notes to the Consolidated Financial Statements

	2008	2007
<b>8 INVESTMENT IN ASSOCIATED COMPANIES</b>		
Original cost of investments	3,048,436	3,048,436
Increase in equity over cost from acquisition to the end of previous year	<u>5,796,266</u>	<u>4,874,155</u>
	8,844,702	7,922,591
Capital reserve reduction	(176,982)	(207,259)
Share of net income less dividends received from Associated Companies (see below)	<u>1,078,873</u>	<u>1,129,370</u>
Balance at End of Year	<u><b>\$9,746,593</b></u>	<u><b>\$8,844,702</b></u>
Share of net income less dividends received for the year is made up as follows:		
Share of income before taxation	4,195,711	4,349,717
Taxation (Note 7)	<u>(1,485,291)</u>	<u>(1,542,328)</u>
	2,710,420	2,807,389
Dividends received	<u>(1,631,547)</u>	<u>(1,678,019)</u>
TOTAL (As Above)	<u><b>\$1,078,873</b></u>	<u><b>\$1,129,370</b></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:		
Assets	15,240,311	16,229,191
Liabilities	5,493,718	7,384,489
Revenue	18,786,989	18,479,124
Profit before Tax	4,195,711	4,349,717
<b>9 AVAILABLE-FOR-SALE INVESTMENTS</b>	<b>2008</b>	<b>2007</b>
Quoted Securities	767,611	252,902
Unquoted Securities	<u>100,000</u>	<u>150,000</u>
TOTAL	<u><b>\$867,611</b></u>	<u><b>\$402,902</b></u>

## Notes To The Consolidated Financial Statements (cont'd)

### For The Year Ended 30 September 2008 (Expressed in Eastern Caribbean Dollars)

Notes to the Consolidated Financial Statements • Notes to the Consolidated Financial Statements • Notes to the Consolidated Financial Statements

#### 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	466,471	21,398,477	265,583	71,408,164
Additions	-	138,915	3,070,641	33,000	3,242,556
(Disposals)	-	-	(1,858,086)	-	(1,858,086)
Cost/Valuation -					
End of Year	<u>49,277,633</u>	<u>605,386</u>	<u>22,611,032</u>	<u>298,583</u>	<u>72,792,634</u>
Accumulated Depreciation -					
Brought Forward	2,848,073	234,080	13,659,349	-	16,741,502
Charge	597,012	101,510	2,149,002	-	2,847,524
(Disposals)	-	-	(1,214,053)	-	(1,214,053)
Accumulated Depreciation					
Carried Forward	<u>3,445,085</u>	<u>335,590</u>	<u>14,594,298</u>	<u>-</u>	<u>18,374,973</u>
Written Down Value - 2008	<u>\$45,832,548</u>	<u>\$269,796</u>	<u>\$8,016,734</u>	<u>\$298,583</u>	<u>\$54,417,661</u>
Written Down Value - 2007	<u>\$46,429,560</u>	<u>\$232,391</u>	<u>\$7,739,128</u>	<u>\$265,583</u>	<u>\$54,666,662</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

The first lease effective from 1 April 1973 expired and the Company is in negotiation with the Government of St Kitts-Nevis for the purchase of this piece of land.



## Notes To The Consolidated Financial Statements (cont'd) For The Year Ended 30 September 2008 (Expressed in Eastern Caribbean Dollars)

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### 10 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, 2003, 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

	2008	2007
Authorised		
50,000,000 Ordinary Shares of \$1 each		
Issued and Fully Paid		
30,148,430 Ordinary Shares of \$1 each	<b><u>\$30,148,430</u></b>	<b><u>\$30,148,430</u></b>

Dividend of 8% (2007 = 7%) per ordinary share (amounting to \$2,411,874 / 2007 = \$2,110,390) in respect of 2008 has been proposed by the Directors. The Financial Statements for the year ended 30 September 2008 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 2009.

### 12 DEFERRED TAX LIABILITY

	2008	2007
Deferred Tax Liability (Net) – at beginning of year	1,989,045	1,750,840
Deferred Tax (Note 7)	<b><u>(102,377)</u></b>	<b><u>238,205</u></b>
Deferred Tax Liability (Net) – at end of year	<b><u>\$1,886,668</u></b>	<b><u>\$1,989,045</u></b>

## Notes To The Consolidated Financial Statements (cont'd) For The Year Ended 30 September 2008 (Expressed in Eastern Caribbean Dollars)

Notes to the Consolidated Financial Statements • Notes to the Consolidated Financial Statements • Notes to the Consolidated Financial Statements

12 DEFERRED TAX LIABILITY (cont'd)	2008	2007
Deferred Tax Liability (Net) comprises the following:		
Deferred Tax Asset	(194,915)	(206,656)
Deferred Tax Liability	<u>2,081,583</u>	<u>2,195,701</u>
	<u>\$1,886,668</u>	<u>\$1,989,045</u>
Deferred Tax Asset comprises:		
- Unutilised Capital Allowances	(146,875)	(180,059)
- Accelerated Depreciation	<u>(48,040)</u>	<u>(26,597)</u>
	<u>\$(194,915)</u>	<u>\$(206,656)</u>
Deferred Tax Liability comprises:		
- Accelerated Capital Allowances	<u>\$2,081,583</u>	<u>\$2,195,701</u>

### Deferred taxation on revalued buildings – Year Ended 30 September 2007:

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 2007 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 previous year, 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 had been charged directly to reserves as required by International Financial Reporting Standards.

13 PRIOR YEAR ADJUSTMENTS	2008	2007
Prior year adjustment comprise:		
Deferred Tax Liability – Re-allocation of buildings tax values (Note 12)	<u>\$ -</u>	<u>\$(209,907)</u>

## Notes To The Consolidated Financial Statements (cont'd) For The Year Ended 30 September 2008 (Expressed in Eastern Caribbean Dollars)

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### 13 PRIOR YEAR ADJUSTMENTS (cont'd)

Deferred Tax Liability – Re-allocation of Buildings Tax Values (Year Ended 30 September 2007):

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

### 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.

	2008	2007
Net Income for the Year	<u>\$9,093,564</u>	<u>\$6,297,403</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>\$0.30</u>	<u>\$0.21</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 (2007 = \$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.

## Notes To The Consolidated Financial Statements (cont'd) For The Year Ended 30 September 2008 (Expressed in Eastern Caribbean Dollars)

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### 15 CONTINGENT LIABILITIES (cont'd)

**c) Letters of Credit:**

At the year end, the company had outstanding letters of credit totalling \$268,820 (2007 = \$268,820).

**d) Legal Claims:**

Parent Company:

Counsel has advised that at 30 September 2008 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:

	2008	2007
i) Sales of goods and services	7,153,287	6,209,525
ii) Purchases of goods and services	8,199,554	8,056,443
iii) Management fees	28,800	28,800
iv) Dividends received	1,631,547	1,678,019

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

Short-term employee benefits and retirement contributions	<b><u>\$814,998</u></b>	<b><u>\$844,092</u></b>
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## Notes To The Consolidated Financial Statements (cont'd) For The Year Ended 30 September 2008 (Expressed in Eastern Caribbean Dollars)

Notes to the Consolidated Financial Statements • Notes to the Consolidated Financial Statements • Notes to the Consolidated Financial Statements

### 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
<u>Associated Companies</u>		
St Kitts Developments Limited	Land Development	30.0
St Kitts Masonry Products Limited	Concrete and Related Products	50.0
Carib Brewery (St Kitts & Nevis) Limited	Manufacturers of Beer and non-alcoholic Beverages	20.1

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### 18 FINANCIAL INSTRUMENTS

- a) **Interest Rate Risk:**  
Interest rates and terms of borrowing are disclosed in Note 5.
- b) **Credit Risk:**  
The Group sells products and provides services to customers primarily in St Kitts-Nevis. The Group performs on-going credit evaluation of its customers and counterparties and provisions are made for potential credit losses.
- c) **Fair Values:**  
The carrying amounts of the following financial assets and liabilities approximate their fair value: cash and bank balances, accounts receivable, investments, accounts payable, loans and long-term liabilities.

## Notes To The Consolidated Financial Statements (cont'd) For The Year Ended 30 September 2008 (Expressed in Eastern Caribbean Dollars)

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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 at 30 September 2008:

Year ended 30 September 2008

	Due within 1 Year	>1 year to 5 years	Over 5 years	Total
Loans and bank overdrafts	32,092,233	9,876,472	9,177,939	51,146,644
Accounts payable and accruals	<u>13,053,005</u>	-	-	<u>13,053,005</u>
	<u>\$45,145,238</u>	<u>\$9,876,472</u>	<u>\$9,177,939</u>	<u>\$64,199,649</u>

Year ended 30 September 2007

	Due within 1 Year	>1 year to 5 years	Over 5 years	Total
Loans and bank overdrafts	29,600,465	11,186,691	10,573,279	51,360,435
Accounts payable and accruals	<u>8,707,880</u>	-	-	<u>8,707,880</u>
	<u>\$38,308,345</u>	<u>\$11,186,691</u>	<u>\$10,573,279</u>	<u>\$60,068,315</u>