



S.L. HORSFORD & CO. LTD

ANNUAL REPORT 2012

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Our Vision

“To be the company of choice.”

Our Mission

“Exceptional service,

Exceptional value

for

Exceptional people.”



In memory of our late Chairman
Mr. William A. Kelsick OBE, CSM
62 Years of Service

CORPORATE INFORMATION

Directors:

W. Anthony Kelsick B.A., B. Comm., C.A.
Donald L. Kelsick B.A., H.B.A.
Judith P Ng'alla F.C.C.A.
Malcolm C. Kirwan B.S., M.B.A.

Mark A. Wilkin B.A., M.B.A.
Victor O Williams B. Sc, SCL
Anthony E. Gonsalves LLB, LLM

Chairman and Managing Director
Executive Director
Executive Director
Retired Vice President for Administration and Finance,
University of the Virgin Islands
Managing Director, Carib Brewery (St. Kitts & Nevis) Ltd.
Architect & Planner
Barrister-at-Law & Solicitor

Secretary:

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

Registered Office:

Marshall House
Independence Square West
Basseterre, St. Kitts

Auditors:

PKF
Chartered Accountants
Independence Square North,
Basseterre, St. Kitts

Bankers:

Royal Bank of Canada, St. Kitts
First Caribbean International Bank,
St. Kitts and Nevis
SKNA National Bank, St. Kitts
Bank of Nova Scotia, St. Kitts

Solicitors:

Kelsick, Wilkin and Ferdinand
Independence Square South
Basseterre, St. Kitts

Law Office of Robin Herbert Thompson
The Sands Complex,
Basseterre, St. Kitts

NOTICE OF MEETING

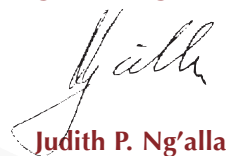
ANNUAL REPORT **2012**

NOTICE IS HEREBY GIVEN that the twenty-second Annual General Meeting of the Company, as a Public Company, will be held at Ocean Terrace Inn, Fortlands, on Thursday, 18 April 2013 at 5 o'clock in the afternoon for the following purposes:

1. To receive and consider the Financial Statements for the year ended 30 September 2012.
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.

BY ORDER OF THE BOARD



Judith P. Ng'alla

Company Secretary

Dated 14 February 2013

Marshall House
1 Independence Square West
Basseterre, St. Kitts

Additional copies of the Annual Report 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 retail, 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, Hyundai, Geest Line, Norwegian Cruise Line, King Ocean Services, Avis Rent a Car, NEMWIL, ORGILL Brothers Inc., 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

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The results for 2012 have been very disappointing as the economies of St. Kitts and Nevis continued their decline, which has resulted in the Group recording a significant further decline in profitability.

Compared to 2011, Profit before Tax showed a decline of \$5,037,457 or 52.59 % to \$4,540,755 and Profit after Tax showed a decrease of \$3,391,464 or 57.48 % to \$2,508,320. Similarly, basic earnings per share declined from \$0.20 to \$0.08.

Comparatively, Group sales increased by \$4,211,108 or 3.84 %. However this increase was due to the opening of our new Valu Mart IGA supermarket in Nevis in mid November 2011 and a full year of operations at the new Sol gas station at Wellington Road. Excluding the sales of these new operations our sales of other operations declined in excess of 8 %.

Gross Profit declined by \$2,312,757 or 7.94 % to \$26,799,773 and Other Income declined by \$274,636 or 3.03 % to \$8,798,252. As a result, Total Income declined by \$2,587,393 or 6.78 % to \$35,598,025.

Expenses increased by \$2,250,012 or 7.33 % to \$32,950,707, however after excluding expenses attributed to those already mentioned new operations, expenses in the other departments actually declined by 3 %.

Profit before Results of Associated Companies was \$2,647,318, a decline of \$4,837,405 or 64.63 %. Share of Profit of Associated Companies was \$1,893,437, a reduction of \$200,052 or 9.56 %.

Tax expense was \$2,032,435 in 2012 which is an effective rate of 44.76 % versus 38.40 % in 2011.

The economy, already in decline for the past 5 years, continued its decline even further in 2012. The result of this, along with the effects of VAT and increased electricity costs, caused further contraction on the ability of the residents of St Kitts and Nevis to spend. Consumers in these islands have significantly reduced their spending on capital goods such as building materials for home construction, cars and furniture, key areas of our operations. While spending on food has been less impacted, this area has also shown further declines, particularly in margins in our pursuit to retain our customers in a highly competitive market.

Although the new Valu Mart IGA supermarket in Nevis, opened in November 2011, has had an encouraging start it has not yet reached its necessary break even sales levels to achieve profitability. We are confident that we will achieve this within our targeted dates as efforts to increase our market share in Nevis continue to bear fruit.

As noted earlier while expenses from comparative operations declined slightly, the single notable exception was our electricity costs, a major expense in the Group and which has been increasing steadily in recent years. In an effort to contain this cost the Company will be undertaking a program of solar power installations at its various locations during 2013, along with reviewing and improving our electricity usage generally.

The group's solvency remains strong with a debt to equity ratio of 0.284: 1 and a debt to total assets of 0.201: 1.

The outlook for 2013 is for some improvement due mainly to the already completed sales of lands by our associated company, St Kitts Developments Ltd. The outlook for the performance of our normal trading operations remain as challenging as they were in 2012. Our environment remains adverse to immediate positive economic or business growth and performance.

Your Directors recommend a final dividend of \$0.04 per share which, along with the interim dividend of \$0.04, will result in a total annual dividend of \$0.08 per share for a total of \$2,411,874.

Our former Chairman, Mr. William Archibald Kelsick O.B.E. CSM passed away in January of this year. I wish to note the many years of service which he gave to this company and to the country in general.

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

The Directors submit their Report and Audited Accounts for the year ended 30 September 2012:

| | 2012 | 2011 |
|---|-------------|-------------|
| Profit for the year (after providing for Taxation) | \$2,508,320 | \$5,899,784 |
| The Board recommends a dividend of 8% (2011 = 10%) | \$2,411,874 | \$3,014,843 |

In accordance with Articles 102 and 103 of the Articles of Association, Mr. Anthony Gonsalves and Mr. Victor Williams 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

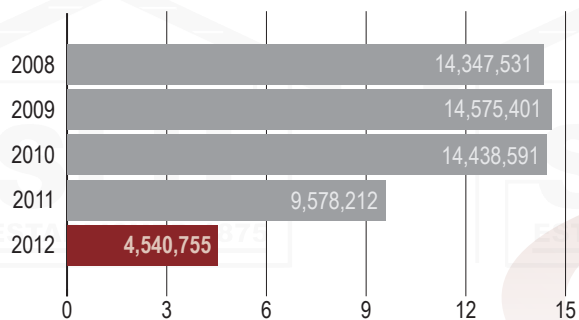


Judith P. Ng'alla
Company Secretary
14 February 2013

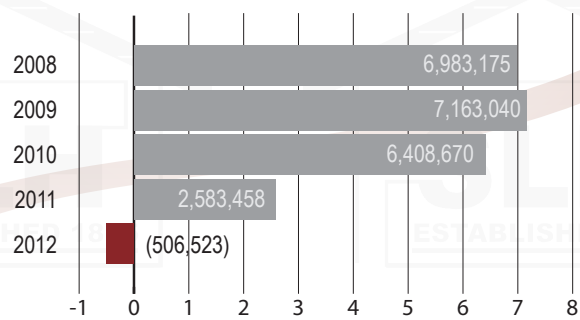
FINANCIAL HIGHLIGHTS

ANNUAL REPORT **2012**

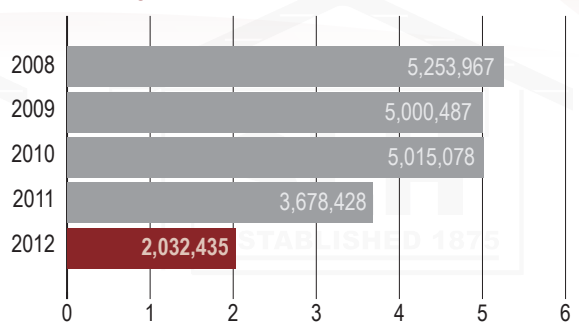
PROFIT BEFORE TAX



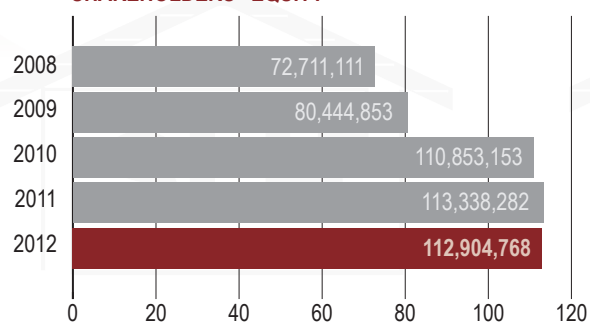
PROFITS RETAINED



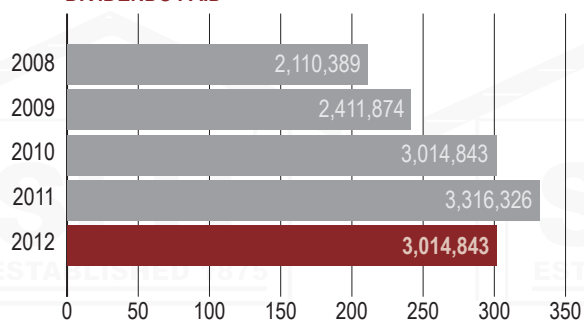
TAXATION



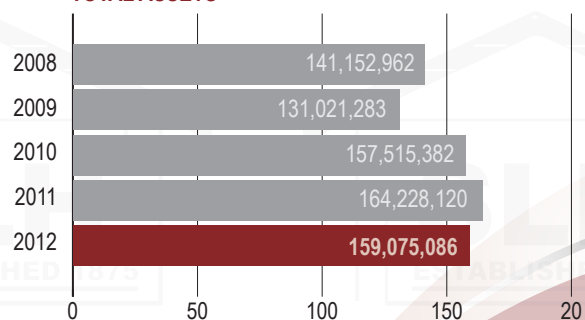
SHAREHOLDERS' EQUITY



DIVIDENDS PAID



TOTAL ASSETS



INDEPENDENT AUDITORS' REPORT

PKF

**TO THE SHAREHOLDERS
S L HORSFORD AND COMPANY LIMITED**

We have audited the accompanying consolidated financial statements of S L Horsford and Company Limited and its subsidiaries ('the Group'), which comprise the consolidated statement of financial position as at 30 September 2012, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

INDEPENDENT AUDITORS' REPORT (continued)

ANNUAL REPORT 2012

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 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants:

PKF

BASSETERRE, ST. KITTS
14 February 2013

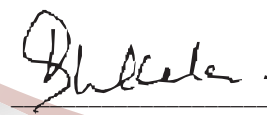
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars)

| | Notes | 2012 | 2011 (Restated) |
|---|--------|----------------------|----------------------|
| CURRENT ASSETS | | | |
| Cash at Bank and in Hand | | 723,011 | 299,755 |
| Accounts Receivable - Current | 3 | 10,467,762 | 12,927,809 |
| Inventories | 4 | 30,988,473 | 31,183,360 |
| | | <u>42,179,246</u> | <u>44,410,924</u> |
| CURRENT LIABILITIES | | | |
| Loans and Bank Overdrafts | 5 | 17,839,340 | 22,957,555 |
| Accounts Payable and Accruals | 6 | 7,632,157 | 8,665,655 |
| Provision for Taxation | 7 | 685,711 | 580,640 |
| | | <u>26,157,208</u> | <u>32,203,850</u> |
| WORKING CAPITAL | | 16,022,038 | 12,207,074 |
| INTANGIBLES | 8 | 29,788 | 1,508 |
| ACCOUNTS RECEIVABLE - Non current | 3 | 9,028,044 | 10,715,502 |
| INVESTMENT IN ASSOCIATED COMPANIES | 9 | 12,501,455 | 13,183,759 |
| AVAILABLE-FOR-SALE INVESTMENTS | 10 | 645,058 | 684,967 |
| PROPERTY, PLANT AND EQUIPMENT | 5 & 11 | 94,691,495 | 95,231,460 |
| TOTAL | | <u>\$132,917,878</u> | <u>\$132,024,270</u> |
| FINANCED BY: | | | |
| SHARE CAPITAL | 12 | 30,148,430 | 30,148,430 |
| RESERVES | | 82,756,338 | 83,189,852 |
| SHAREHOLDERS' FUNDS | | 112,904,768 | 113,338,282 |
| DEFERRED TAX LIABILITY | 13 | 5,841,709 | 5,884,847 |
| LOANS NON CURRENT | 5 | 14,171,401 | 12,801,141 |
| FUNDS EMPLOYED | | <u>\$132,917,878</u> | <u>\$132,024,270</u> |

The attached Notes form an integral part of these Consolidated Financial Statements.
Approved by the Board of Directors on 14 February 2013


W Anthony Kelsick
Chairman


Donald Kelsick
Director

CONSOLIDATED STATEMENT OF INCOME

ANNUAL REPORT 2012

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars)

| | Notes | 2012 | 2011 |
|--|-----------|--------------|--------------|
| TURNOVER | 2 (m) | 113,833,626 | 109,622,518 |
| Cost of Sales | | (87,033,853) | (80,509,988) |
| GROSS PROFIT | | 26,799,773 | 29,112,530 |
| OTHER INCOME | | 8,798,252 | 9,072,888 |
| TOTAL INCOME | | 35,598,025 | 38,185,418 |
| LESS: EXPENSES | | | |
| Administrative Expenses | | (22,180,158) | (20,753,864) |
| Distribution Costs - Transport | | (1,755,823) | (1,939,846) |
| - Advertising | | (2,131,146) | (2,008,564) |
| Other Expenses | | (1,674,465) | (1,489,745) |
| Depreciation and Amortisation | | (3,214,719) | (2,835,640) |
| Finance Costs | | (1,994,396) | (1,673,036) |
| | | (32,950,707) | (30,700,695) |
| Profit before Results of Associated Companies | | 2,647,318 | 7,484,723 |
| Share of Results of Associated Companies | 2 (d) & 9 | 1,893,437 | 2,093,489 |
| INCOME BEFORE TAXATION | | 4,540,755 | 9,578,212 |
| Tax Expense | 7 | (2,032,435) | (3,678,428) |
| INCOME FOR THE YEAR CARRIED TO STATEMENT OF COMPREHENSIVE INCOME | | \$2,508,320 | \$5,899,784 |
| BASIC EARNINGS PER SHARE | 14 | \$0.08 | \$0.20 |

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars)

| | Notes | 2012 | 2011 |
|---|-------|--------------------|--------------------|
| Income for the year | | 2,508,320 | 5,899,784 |
| OTHER COMPREHENSIVE INCOME: | | | |
| Decrease in Revaluation Reserve - Associated Company | | (38,206) | (65,286) |
| Capitalisation of deposits on land sales - Marshall Plantations Ltd | | 151,124 | - |
| Unrealised Holding Loss - decrease in fair value | 10 | <u>(39,909)</u> | <u>(33,043)</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR CARRIED TO STATEMENT OF CHANGES IN EQUITY | | <u>\$2,581,329</u> | <u>\$5,801,455</u> |

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

ANNUAL REPORT 2012

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars)

| | Share Capital | Revaluation Reserve | Other Capital Reserve | Unrealised Holding Gain - Investment | Retained Earnings | Total |
|----------------------------------|---------------------|---------------------|-----------------------|--------------------------------------|---------------------|----------------------|
| Balance at 30 September 2010 | 30,148,430 | 38,372,930 | 555,307 | 567,528 | 41,208,958 | 110,853,153 |
| Total Comprehensive Income | - | (65,286) | - | (33,043) | 5,899,784 | 5,801,455 |
| Dividend paid (\$0.11 per share) | - | - | - | - | (3,316,326) | (3,316,326) |
| Balance at 30 September 2011 | <u>\$30,148,430</u> | <u>\$38,307,644</u> | <u>\$555,307</u> | <u>\$534,485</u> | <u>\$43,792,416</u> | <u>\$113,338,282</u> |
| Balance at 30 September 2011 | 30,148,430 | 38,307,644 | 555,307 | 534,485 | 43,792,416 | 113,338,282 |
| Total Comprehensive Income | - | (38,206) | 151,124 | (39,909) | 2,508,320 | 2,581,329 |
| Dividend paid (\$0.10 per share) | - | - | - | - | (3,014,843) | (3,014,843) |
| Balance at 30 September 2012 | <u>\$30,148,430</u> | <u>\$38,269,438</u> | <u>\$706,431</u> | <u>\$494,576</u> | <u>\$43,285,893</u> | <u>\$112,904,768</u> |

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars)

| | 2012 | 2011 |
|---|-----------------------------|-----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before Taxation | 4,540,755 | 9,578,212 |
| Adjustments for: | | |
| Depreciation and Amortisation | 3,214,726 | 2,835,640 |
| Gain on disposal of Property, Plant and Equipment | (155,226) | (86,826) |
| Impairment of Investment | - | 49,999 |
| Finance costs incurred | 1,994,396 | 1,673,036 |
| Share of income from Associated Companies | (1,893,437) | (2,093,489) |
| Operating profit before working capital changes | 7,701,214 | 11,956,572 |
| Net change in non-cash working capital balances related to Operations | 1,621,437 | (146,741) |
| | 9,322,651 | 11,809,831 |
| Finance costs paid | (1,994,396) | (1,673,036) |
| Taxation paid | (1,483,118) | (3,604,944) |
| Net cash inflow from operating activities | 5,845,137 | 6,531,851 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of Property, Plant and Equipment | (5,386,249) | (13,310,696) |
| Proceeds on disposal of Property, Plant and Equipment | 2,871,058 | 490,693 |
| Purchase of Intangibles | (32,624) | - |
| Capitalisation of Deposits on Land Sales - Marshall Plantations Ltd | 151,124 | - |
| Dividends received from Associated Companies | 2,050,150 | 1,290,090 |
| Net cash used in investing activities | (346,541) | (11,529,913) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Non-current Receivables | 1,687,458 | 2,512,024 |
| Long term Loans repaid | (1,563,383) | (248,665) |
| Dividends paid to Shareholders | (3,014,843) | (3,316,326) |
| Net cash used in financing activities | (2,890,768) | (1,052,967) |
| Net increase/(decrease) in cash and cash equivalents | 2,607,828 | (6,051,029) |
| Cash and cash equivalents - beginning of year | (4,675,727) | 1,375,302 |
| Cash and cash equivalents - end of year | <u><u>\$(2,067,899)</u></u> | <u><u>\$(4,675,727)</u></u> |
| Cash and cash equivalents comprise: | | |
| Cash | 723,011 | 299,755 |
| Bank Overdrafts | (2,790,910) | (4,975,482) |
| | <u><u>\$(2,067,899)</u></u> | <u><u>\$(4,675,727)</u></u> |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ANNUAL REPORT 2012

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars)

1 CORPORATE INFORMATION

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

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

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

The Company is listed on the Eastern Caribbean Stock Exchange.

2 ACCOUNTING POLICIES

(a) Basis of Accounting:

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

The accounting policies which are followed are set out below.

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

These financial statements are prepared in accordance with International Financial Reporting Standards.

Standards and interpretations in effect and applicable

| | |
|----------|---|
| IAS 24 | Related Party Disclosures (2009) - effective 1 January 2011 |
| IFRS 1 | Improvement to IFRSs (2010) - effective 1 January 2011 |
| IAS 1 | Improvement to IFRSs (2010) - effective 1 January 2011 |
| IFRS 7 | Improvement to IFRSs (2010) - effective 1 January 2011 |
| IFRIC 13 | Improvements to IFRSs (2010) - effective 1 January 2011 |

Adoption of these standards and interpretations did not have any effect on the performance of the Company.

Standards and interpretations in issue and effective but not applicable

| | |
|----------|---|
| IAS 34 | Improvements to IFRSs(2010) - effective 1 January 2011 |
| IFRIC 14 | IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interactions - effective 1 January 2011 |

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

| | |
|--------|---|
| IAS 1 | Presentation of items of Other Comprehensive Income (Amendments to IAS 1) - effective 1 July 2012 |
| IAS 12 | Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12) - effective 1 January 2012 |
| IAS 19 | Employee Benefits (2011) - effective 1 January 2013 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars) - continued

2 ACCOUNTING POLICIES (continued)

(a) Basis of Accounting (continued):

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

| | |
|----------|---|
| IAS 27 | Separate Financial Statements - effective 1 January 2013 |
| IAS 28 | Investments in Associates and Joint Ventures (2011) - effective 1 January 2013 |
| IAS 32 | Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) - effective 1 January 2014 |
| IFRS 1 | Government Loans (Amendments to IFRS 1) - effective 1 January 2013 |
| IFRS 7 | Amendments to IFRS 7 Financial Instruments: Disclosures - effective 1 January 2013 |
| IFRS 7 | Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) - effective 1 January 2013 |
| IFRS 9 | Financial Instruments (2009) - effective 1 January 2015 |
| IFRS 9 | Financial Instruments (2010) - effective 1 January 2015 |
| IFRS 10 | Consolidated Financial Statements - effective 1 January 2013 |
| IFRS 11 | Joint Arrangements - effective 1 January 2013 |
| IFRS 12 | Disclosures of Interest in Other Entities - effective 1 January 2013 |
| IFRS 13 | Fair Value Measurement - effective 1 January 2013 |
| IFRIC 20 | Stripping Costs in the Production Phase of a Surface Mine - effective 1 January 2013 |

(b) Use of Estimates:

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

(c) Basis of Consolidation:

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

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

(d) Investment in Associated Companies:

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income in the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ANNUAL REPORT 2012

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars) - continued

Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the income statement.

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

(e) Foreign Currencies:

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

Balance Sheet date. Fixed and other assets are reflected at the rates prevailing when acquired.

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

(f) Revenue Recognition:

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

Sales to third parties:

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

Rendering of services:

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

Interest income:

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

Dividend:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars) - continued

2 ACCOUNTING POLICIES (continued)

(g) Accounts Receivable:

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

(h) Inventories and Goods in Transit:

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

(i) Hire Purchase Sales:

Furniture:

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

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

(j) Property, Plant and Equipment:

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

Depreciation rates are as follows:

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

(k) Investments:

Available-for-sale:

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

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

Investments in companies quoted on the Securities Exchange are carried at fair value based on quoted market prices at the year end. All unrealised 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 recognised in equity is included in the profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ANNUAL REPORT 2012

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars) - continued

(l) Taxation:

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

(m) Turnover:

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

(n) Accounts Payable and Accruals:

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

(o) Provisions:

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

(p) Intangibles:

Intangible assets are identifiable non-monetary assets without physical substance. Computer software meets this description and has been removed from property, plant and equipment in order to comply with International Accounting Standard No. 38. Acquired computer software licences, upgrades to software and related costs that are expected to contribute to the future economic benefit of the group are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives at a rate of 33 1/3% per annum.

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

q) Borrowing Costs:

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars) - continued

3 ACCOUNTS RECEIVABLE

| | 2012 | 2011 (Restated) |
|---|----------------------------|----------------------------|
| Trade Receivables | 27,213,249 | 29,866,859 |
| Less: Provision for impairment | <u>(8,566,854)</u> | <u>(8,259,744)</u> |
| | 18,646,395 | 21,607,115 |
| Sundry Receivables and Prepayments | <u>849,411</u> | <u>2,036,196</u> |
| | 19,495,806 | 23,643,311 |
| Less: Non-current portion of Receivables | <u>(9,028,044)</u> | <u>(10,715,502)</u> |
| TOTAL - Current | <u>\$10,467,762</u> | <u>\$12,927,809</u> |

All non-current receivables are due within five (5) years from the balance sheet date.

Movement on provision for impairment – current and non-current receivables:

| | 2012 | 2011 |
|--------------------------------------|---------------------------|---------------------------|
| Balance at beginning of year | 8,259,744 | 7,881,801 |
| Increase in provision for impairment | 1,057,662 | 993,236 |
| Impaired losses recovered | <u>(750,552)</u> | <u>(615,293)</u> |
| Balance at end of year | <u>\$8,566,854</u> | <u>\$8,259,744</u> |

Ageing analysis of trade receivables:

| | Total | Future Due | Neither past due nor impaired | Past due but not impaired 30 to 90 days | Past due but not impaired Over 90 days |
|-------------------|---------------------|---------------------|-------------------------------|---|--|
| 30 September 2012 | <u>\$18,646,395</u> | <u>\$9,028,044</u> | <u>\$7,128,197</u> | <u>\$1,178,162</u> | <u>\$1,311,992</u> |
| 30 September 2011 | <u>\$21,607,115</u> | <u>\$10,715,502</u> | <u>\$8,233,231</u> | <u>\$985,748</u> | <u>\$1,672,634</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ANNUAL REPORT 2012

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars) - continued

4 INVENTORIES

| | 2012 | 2011 (Restated) |
|------------------|----------------------------|----------------------------|
| Merchandise | 25,746,892 | 26,084,296 |
| Stock on Hire | 3,040,305 | 3,786,696 |
| Goods In Transit | 2,201,276 | 1,312,368 |
| TOTAL | <u>\$30,988,473</u> | <u>\$31,183,360</u> |

5 LOANS AND BANK OVERDRAFTS

| | 2012 | 2011 |
|--|----------------------------|----------------------------|
| Current: | | |
| Overdrafts | 2,790,910 | 4,975,482 |
| Loans – Current Portion | 15,048,430 | 17,982,073 |
| TOTAL CURRENT LOANS AND BANK OVERDRAFTS | <u>\$17,839,340</u> | <u>\$22,957,555</u> |
| LOANS – NON-CURRENT | <u>\$14,171,401</u> | <u>\$12,801,141</u> |
| Summary of Loans and Overdrafts: | | |
| Amount Payable: | | |
| Within 1 year | 17,839,340 | 22,957,555 |
| 2 – 5 Years | 6,794,278 | 8,317,381 |
| Over 5 Years | 7,377,123 | 4,483,760 |
| TOTAL LOANS | <u>\$32,010,741</u> | <u>\$35,758,696</u> |
| Analysed as follows: | | |
| Secured | 19,049,894 | 19,609,104 |
| Unsecured | 12,960,847 | 16,149,592 |
| TOTAL | <u>\$32,010,741</u> | <u>\$35,758,696</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars) - continued

5 LOANS AND BANK OVERDRAFTS (continued)

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 \$56,428,000 (2011 = \$56,428,000).

The principal instalments due within the twelve months ending 30 September 2013 have been shown under Current Liabilities.

6 ACCOUNTS PAYABLE AND ACCRUALS

| | 2012 | 2011 |
|--|--------------------|--------------------|
| Trade Payables | 3,837,388 | 4,981,167 |
| Sundry Payables, Provisions and Accruals | <u>3,794,769</u> | <u>3,684,488</u> |
| TOTAL | <u>\$7,632,157</u> | <u>\$8,665,655</u> |

7 TAXATION

Statement of Financial Position

Taxation in the Statement of Financial Position comprises the following:

| | | |
|---------------------------------------|------------------|------------------|
| Provision for Taxation - Current Year | <u>\$685,711</u> | <u>\$580,640</u> |
|---------------------------------------|------------------|------------------|

Statement of Income

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

| | | |
|---|-----------------|----------------|
| Provision for charge on Current Profits | 1,588,188 | 2,535,669 |
| Deferred Tax (Note 13) | <u>(43,138)</u> | <u>633,985</u> |

| | | |
|-------------------------------|----------------|----------------|
| | 1,545,050 | 3,169,654 |
| Associated Companies (Note 9) | <u>487,385</u> | <u>508,774</u> |

| | | |
|-------|--------------------|--------------------|
| TOTAL | <u>\$2,032,435</u> | <u>\$3,678,428</u> |
|-------|--------------------|--------------------|

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ANNUAL REPORT 2012

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars) - continued

7 TAXATION (continued)

The group's effective tax rate of 44.7% (2011 = 38.4%) differs from the Statutory rate of 35% as follows:

| | 2012 | 2011 |
|--|--------------------|--------------------|
| Profit before taxation | <u>\$4,540,755</u> | <u>\$9,578,212</u> |
| Taxes at statutory rate of 35% | 1,589,264 | 3,352,374 |
| Tax effect of expenses not deductible in determining taxable profits | 479,914 | 415,572 |
| Tax effect of income not assessable for taxation | (175,854) | (236,885) |
| Tax effect of Depreciation on non qualifying assets | 131,652 | 133,675 |
| Other | <u>7,459</u> | <u>13,692</u> |
| TOTAL | <u>\$2,032,435</u> | <u>\$3,678,428</u> |

All income tax assessments up to and including the year of assessment 2012/11 have been submitted to the Comptroller of Inland Revenue and the taxes duly paid.

8 INTANGIBLES

| | 2012 | 2011 |
|--|-----------------|----------------|
| Software - brought forward (See Note 2(p)) | 48,471 | 48,471 |
| Additions | <u>32,624</u> | <u>-</u> |
| Software - carried forward | <u>81,095</u> | <u>48,471</u> |
| Accumulated Amortisation – brought forward | 46,963 | 40,316 |
| Amortisation | <u>4,344</u> | <u>6,647</u> |
| Accumulated Amortisation – carried forward | <u>51,307</u> | <u>46,963</u> |
| NET CARRYING AMOUNT | <u>\$29,788</u> | <u>\$1,508</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars) - continued

9 INVESTMENT IN ASSOCIATED COMPANIES

| | 2012 | 2011 |
|---|---------------------|---------------------|
| Original cost of investments | 3,048,436 | 3,048,436 |
| Increase in equity over cost from acquisition to the end of previous year | <u>10,135,323</u> | <u>9,905,984</u> |
| | 13,183,759 | 12,954,420 |
| Capital reserve reduction | (38,206) | (65,286) |
| Share of net income less dividends received from Associated Companies (see below) | <u>(644,098)</u> | <u>294,625</u> |
| Balance at End of Year | <u>\$12,501,455</u> | <u>\$13,183,759</u> |

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

| | 2012 | 2011 |
|---------------------------------|--------------------|--------------------|
| Share of income before taxation | 1,893,437 | 2,093,489 |
| Taxation (Note 7) | <u>(487,385)</u> | <u>(508,774)</u> |
| | 1,406,052 | 1,584,715 |
| Dividends received | <u>(2,050,150)</u> | <u>(1,290,090)</u> |
| TOTAL (As Above) | <u>\$(644,098)</u> | <u>\$294,625</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:

| | 2012 \$ | 2011 \$ |
|-------------------|------------|------------|
| Assets | 17,426,830 | 17,003,373 |
| Liabilities | 4,925,375 | 3,819,614 |
| Revenue | 13,477,159 | 14,571,037 |
| Profit before Tax | 1,893,437 | 2,093,489 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ANNUAL REPORT 2012

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars) - continued

10 AVAILABLE-FOR-SALE INVESTMENTS

| | 2012 | 2011 |
|---------------------|------------------|------------------|
| Quoted Securities | 595,057 | 634,966 |
| Unquoted Securities | <u>50,001</u> | <u>50,001</u> |
| TOTAL | <u>\$645,058</u> | <u>\$684,967</u> |

11 PROPERTY, PLANT AND EQUIPMENT

| | Land & Buildings - at cost/ Valuation | Plant, Vehicles and Other Assets - at cost | Capital Work- in-Progress - at cost | Total |
|---|---|---|---|---------------------|
| Year Ended 30 September 2012 | | | | |
| Gross Carrying Amount - | | | | |
| Beginning of Year | 74,378,988 | 19,970,417 | 15,224,250 | 109,573,655 |
| Additions | - | 4,711,337 | 674,912 | 5,386,249 |
| Transfers | 13,929,478 | - | (13,929,478) | - |
| (Disposals) | <u>(248,837)</u> | <u>(4,283,809)</u> | <u>(1,851,969)</u> | <u>(6,384,615)</u> |
| Gross Carrying Amount - End of Year | <u>88,059,629</u> | <u>20,397,945</u> | <u>117,715</u> | <u>108,575,289</u> |
| Accumulated Depreciation - | | | | |
| Brought Forward | 1,441,805 | 12,900,390 | - | 14,342,195 |
| Charge | 856,640 | 2,353,742 | - | 3,210,382 |
| (Disposals) | <u>(10,470)</u> | <u>(3,658,313)</u> | <u>-</u> | <u>(3,668,783)</u> |
| Accumulated Depreciation Carried Forward | <u>2,287,975</u> | <u>11,595,819</u> | <u>-</u> | <u>13,883,794</u> |
| Net Carrying Amount - 2012 | <u>\$85,771,654</u> | <u>\$8,802,126</u> | <u>\$117,715</u> | <u>\$94,691,495</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars) - continued

11 PROPERTY, PLANT AND EQUIPMENT (continued)

| | Land & Buildings - at cost/ Valuation | Plant, Vehicles and Other Assets - at cost | Capital Work- in-Progress - at cost | Total |
|-------------------------------------|--|---|--|---------------------|
| Year Ended 30 September 2011 | | | | |
| Gross Carrying Amount - | | | | |
| Beginning of Year | 72,331,243 | 19,978,213 | 6,725,091 | 99,034,547 |
| Additions | 2,047,745 | 2,763,792 | 8,499,159 | 13,310,696 |
| (Disposals) | - | (2,771,588) | - | (2,771,588) |
| Gross Carrying Amount - End of Year | <u>74,378,988</u> | <u>19,970,417</u> | <u>15,224,250</u> | <u>109,573,655</u> |
| Accumulated Depreciation - | | | | |
| Brought Forward | 735,043 | 13,145,879 | - | 13,880,922 |
| Charge | 706,762 | 2,122,231 | - | 2,828,993 |
| (Disposals) | - | (2,367,720) | - | (2,367,720) |
| Accumulated Depreciation | | | | |
| Carried Forward | <u>1,441,805</u> | <u>12,900,390</u> | <u>-</u> | <u>14,342,195</u> |
| Net Carrying Amount - 2011 | <u>\$72,937,183</u> | <u>\$7,070,027</u> | <u>\$15,224,250</u> | <u>\$95,231,460</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ANNUAL REPORT 2012

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars) - continued

11 PROPERTY, PLANT AND EQUIPMENT (continued)

Revaluation:

The majority of the group's lands and buildings were revalued in July 2009 to amounts which approximated current market values. The revalued amounts were incorporated in these financial statements at 1 October 2009. The surplus on revaluation in the amount of \$27,844,017 was placed in Capital Reserves and made up as follows:

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

Additions subsequent to revaluation are stated at cost.

12 SHARE CAPITAL

Authorised

50,000,000 Ordinary Shares of \$1 each

Issued and Fully Paid

30,148,430 Ordinary Shares of \$1 each

| 2012 | 2011 |
|---------------------|---------------------|
| <u>\$30,148,430</u> | <u>\$30,148,430</u> |

Dividend of 8% (2011 = 10%) per ordinary share (amounting to \$2,411,874/2011 = \$3,014,843) in respect of 2012 has been proposed by the Directors. The Financial Statements for the year ended 30 September 2012 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 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars) - continued

13 DEFERRED TAX LIABILITY

| | 2012 | 2011 |
|---|--------------------|--------------------|
| Deferred Tax Liability (Net) – at beginning of year | 5,884,847 | 5,250,862 |
| Deferred Tax (Note 7) | (43,138) | 633,985 |
| Deferred Tax Liability (Net) – at end of year | <u>\$5,841,709</u> | <u>\$5,884,847</u> |
| Deferred Tax Liability (Net) comprises the following: | | |
| Deferred Tax Asset | (423,133) | (239,743) |
| Deferred Tax Liability | <u>6,264,842</u> | <u>6,124,590</u> |
| | <u>\$5,841,709</u> | <u>\$5,884,847</u> |
| Deferred Tax Asset comprises: | | |
| - Accelerated Depreciation | 90 | - |
| - Unutilised Capital Allowances | <u>423,043</u> | <u>239,743</u> |
| | <u>\$423,133</u> | <u>\$239,743</u> |
| Deferred Tax Liability comprises: | | |
| - Accelerated Capital Allowances | <u>\$6,264,842</u> | <u>\$6,124,590</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ANNUAL REPORT 2012

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars) - continued

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 during the year.

| | 2012 | 2011 |
|---|--------------------|--------------------|
| Net Income for the Year | <u>\$2,508,320</u> | <u>\$5,899,784</u> |
| Number of shares in issue during the year | <u>30,148,430</u> | <u>30,148,430</u> |
| Basic earnings per share | <u>\$0.08</u> | <u>\$0.20</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 and Royal Bank of Canada as collateral for overdraft facilities of up to \$3,015,000 (2011 = \$3,015,000) for its Subsidiary Companies, Ocean Cold Storage (St Kitts) Limited and S L Horsford Finance Company Limited.

c) Letters of Credit:

At the year end, the company had outstanding letters of credit totalling \$448,820 (2011 = \$448,820).

d) Legal Claims:

Parent Company:

Counsel has advised that at 30 September 2012 there were no claims pending against the company (2011 = Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars) - continued

16 RELATED PARTY TRANSACTIONS

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

| | 2012 \$ | 2011 \$ (Restated) |
|-------------------------------------|------------|--------------------------|
| i) Sales of goods and services | 3,327,212 | 4,316,760 |
| ii) Purchases of goods and services | 4,384,786 | 4,785,118 |
| iii) Management fees | 28,800 | 28,800 |
| iv) Dividends received | 2,050,150 | 1,290,090 |

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

| | | |
|---|------------------|------------------|
| Short-term employee benefits and retirement contributions | <u>\$857,200</u> | <u>\$973,086</u> |
|---|------------------|------------------|

3. Balances due to/from Related Parties

| | | |
|-------------------------------|--------------------|--------------------|
| Due from Associated Companies | <u>\$49,457</u> | <u>\$390,613</u> |
| Due from Directors | <u>\$82,196</u> | <u>\$41,042</u> |
| Due to Associated Companies | <u>\$1,834,918</u> | <u>\$6,483,098</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ANNUAL REPORT 2012

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars) - continued

17 DETAILS OF SUBSIDIARY AND ASSOCIATED COMPANIES

| <u>Subsidiary Companies</u> | <u>Principal Activities</u> | <u>Interest held in the Equity %</u> |
|---|--|--|
| Marshall Plantations Limited | Investments | 100 |
| Ocean Cold Storage (St Kitts) Limited | Food Distribution (Wholesale) | 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 |

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

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars) - continued

18 FINANCIAL INSTRUMENTS (continued)

d) Currency Risk:

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

e) Liquidity Risk:

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

The following table summarises the maturity profile of the Group's financial liabilities and assets at 30 September 2012:

Year ended 30 September 2012

Financial Liabilities:

| | Due within 1 Year | >1 year to 5 years | Over 5 years | Total |
|-------------------------------|----------------------|-----------------------|--------------------|---------------------|
| Overdrafts | 2,790,910 | - | - | 2,790,910 |
| Loans | 15,048,430 | 6,794,278 | 7,377,123 | 29,219,831 |
| Accounts payable and accruals | 7,632,157 | - | - | 7,632,157 |
| | <u>\$25,471,497</u> | <u>\$6,794,278</u> | <u>\$7,377,123</u> | <u>\$39,642,898</u> |

Year ended 30 September 2011

| | | | | |
|-------------------------------|---------------------|--------------------|--------------------|---------------------|
| Overdrafts | 4,975,482 | - | - | 4,975,482 |
| Loans | 17,982,073 | 8,317,381 | 4,483,760 | 30,783,214 |
| Accounts payable and accruals | 8,665,655 | - | - | 8,665,655 |
| | <u>\$31,623,210</u> | <u>\$8,317,381</u> | <u>\$4,483,760</u> | <u>\$44,424,351</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ANNUAL REPORT 2012

FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Expressed in Eastern Caribbean Dollars) - continued

18 FINANCIAL INSTRUMENTS (continued)

e) Liquidity Risk: (continued)

Financial Assets:

| | Due within 1 Year | >1 year to 5 years | Over 5 years | Total |
|--------------------------------------|----------------------|-----------------------|---------------------|---------------------|
| Year ended 30 September 2012: | | | | |
| Cash with bankers and in hand | 723,011 | - | - | 723,011 |
| Accounts Receivable | 10,467,762 | 9,028,044 | - | 19,495,806 |
| Investments | - | - | 13,146,513 | 13,146,513 |
| | <u>\$11,190,773</u> | <u>\$9,028,044</u> | <u>\$13,146,513</u> | <u>\$33,365,330</u> |
| Year ended 30 September 2011: | | | | |
| Cash with bankers and in hand | 299,755 | - | - | 299,755 |
| Accounts Receivable | 12,927,809 | 10,715,502 | - | 23,643,311 |
| Investments | - | - | 13,868,726 | 13,868,726 |
| | <u>\$13,227,564</u> | <u>\$10,715,502</u> | <u>\$13,868,726</u> | <u>\$37,811,792</u> |

19 CAPITAL COMMITMENT

At year end, the Parent Company was committed to the installation of a Solar Energy Plant and Retrofit lighting in the total approximate amount of \$4 million (2011 = \$2.1 million).

20 RECLASSIFICATION

During the year under review, an amount included in the Accounts Receivable has been reclassified to Inventories balance in order to rectify an incorrect classification. Additionally reclassifications have been made between current and non-current receivables. 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.

NOTES:



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ESTABLISHED 1875