Table of **Contents**

Corporate **Information**

Directors:

W. Anthony Kelsick B.A., B. Comm., C.P.A., C.A.	Chairman and Managing Director
Donald L. Kelsick B.A., H.B.A.	Executive Director
Judith P. Ng'alla F.C.C.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 QC., LLB, LLM	Attorney-at-Law

Secretary:

Judith P. 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

Notice of **Meeting**

NOTICE IS HEREBY GIVEN that the twenty-fourth Annual General Meeting of the Company, as a Public Company, will be held at Ocean Terrace Inn on Thursday 16th April 2015 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 2014.
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 new Directors.
7. 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.

Marshall House
1 Independence Square West
Basseterre
St. Kitts

BY ORDER OF THE BOARD

Judith P. Ng'alla
Company Secretary
Dated 12 February 2015

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, Guardian General Insurance Limited trading as NEMWIL and Ashley Furniture.

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**

The results for 2014 continued on a positive trend as they showed further significant improvement over 2013. Income before taxation of $11,953,284 is an improvement of $3,489,195 or 41.22% over 2013. Similarly Income after taxation of $7,725,707 exceeded 2013 by $2,264,216 or 41.46%. Basic earnings per share for 2014 was $0.26 versus $0.18 for 2013. Total Comprehensive Income was $7,602,667 versus $5,106,004 for 2013.

Turnover or group sales for 2014 was $143,222,069 versus $120,833,483 for 2013, an improvement of $22,388,586 or 18.53%. This improvement reflects the return to growth in our economies first experienced in 2013. This improvement was experienced in all our operations on both St. Kitts and Nevis.

Gross profit increased by $4,203,972 or 14.95% to $32,315,051, Other Income increased slightly by $387,767 to $8,362,436 resulting in a net increase to Total Income of $4,591,739 or 12.72% to $40,677,487.

Expenses increased by $885,564 or 2.81% to $32,418,676. Administrative expenses increased by $388,297 or 1.83%. Within these expenses Employment costs increased by $983,698 or 6.74% as larger increases in remuneration were granted in 2014 to compensate for the freeze in salaries and wages implemented in 2013. This increase, however, was largely recovered with the significant decrease in Utilities of $692,569 or 23.35%. Other significant changes in expenses were Advertising which increased by $328,723 or 14.30% and Depreciation and Amortisation which increased by $325,611 or 9.59%.

Credit management activities continued to perform well as bad debt recoveries improved even further over 2013.

Profits before Results of Associated companies increased by $3,706,175 or 81.41%, to $8,258,811.

Share of Results of Associated Companies was $3,694,473, a decrease of $216,980 or 5.55%.

Income tax Expense was $4,227,577 which is an effective rate of 35.37% versus the effective rate of 35.47% in 2013.

The group's solvency continues to strengthen with a debt to equity ratio of 0.279:1 and a debt to total assets of 0.195:1.

The outlook for 2015 is for similar results as experienced in 2014 as economic growth is expected to continue on its current path.

Your Directors recommend a final dividend of $0.08 per share which, along with the interim dividend of $0.07, will result in a total annual dividend of $0.15 per share for a total of $4,522,264.

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.P.A., C.A.

Report of the **Directors**

The Directors submit their Report and Audited Accounts for the year ended 30 September 2014

	2014	2013
Profit for the year (after providing for Taxation)	$7,725,707	$5,461,491
The Board recommends a dividend of 15% (2013 = 12%)	$4,522,264	$3,617,812

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

In accordance with Articles 97 and 99 of the Articles of Association, Messrs. Faron Lawrence and Terrance Crossman who were appointed directors on 12 February 2015, retire, and being eligible, offer themselves for re-appointment.

Particulars:

Name:	Faron T. Lawrence	Terrence Alphonso Crossman
Address:	Frigate Bay St. Kitts	Fountain Estate St. Kitts
Date of Birth:	30th September 1963	26th May 1966
Citizenship:	St. Kitts & Nevis	St. Kitts & Nevis
Business Occupation:	Real Estate Developer	Chief Executive Officer St. Kitts & Nevis Sugar Industry Diversification Fund

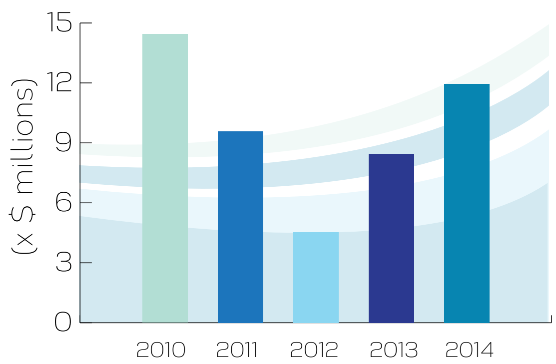
The Auditors, PKF, Chartered Accountants and Business Advisors, also retire, and being eligible, offer themselves for re-appointment.

BY ORDER OF THE BOARD

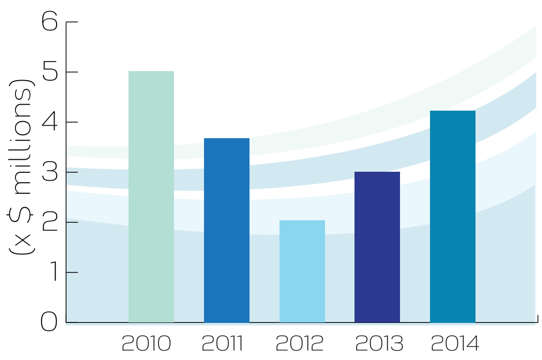
Judith P. Ng'alla
Company Secretary
12 February 2015

Financial **Highlights**

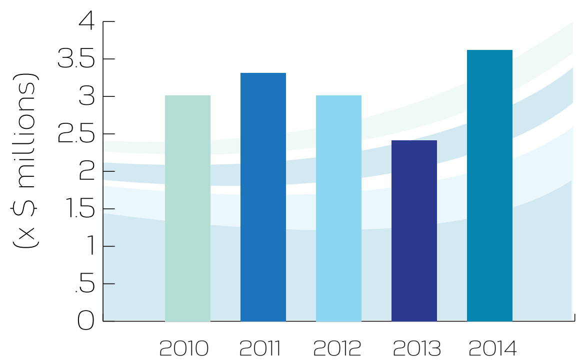
INCOME BEFORE TAX



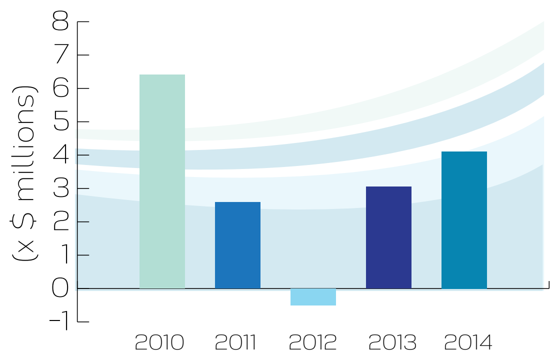
TAXATION



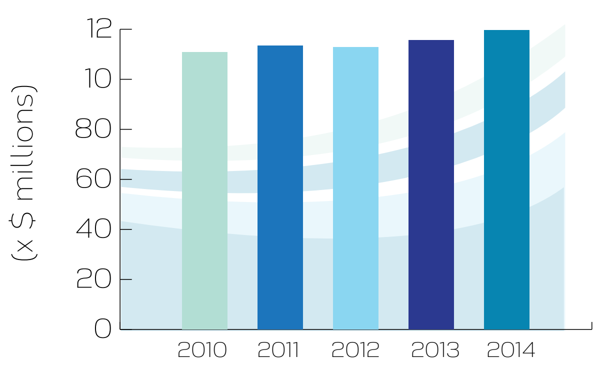
DIVIDENDS PAID



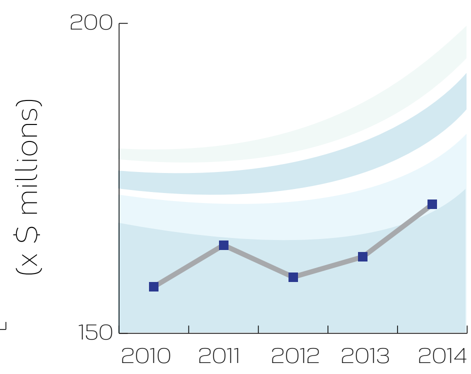
PROFITS RETAINED



SHAREHOLDERS' EQUITY



TOTAL ASSETS



Independent Auditors' **Report**

TO THE SHAREHOLDERS

S.L. HORSFORD AND COMPANY LIMITED

We have audited the accompanying consolidated financial statements of S L Horsford and Company Limited and its subsidiaries ('the Group'), which comprise the consolidated statement of financial position as at 30 September 2014, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment,

Independent Auditors' **Report** (Continued)

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 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PKF

Chartered Accountants:

BASSETERRE, ST. KITTS

12 February 2015

Consolidated Statement of **Financial Position**

AT 30 SEPTEMBER 2014 (Expressed in Eastern Caribbean Dollars)

	Notes	2014	2013 (Restated)
CURRENT ASSETS			
Cash at Bank and in Hand		566,401	621,274
Accounts Receivable - Current	3	11,599,009	10,890,474
Taxation Recoverable		137,614	-
Inventories	4	35,999,051	32,641,492
		48,302,075	44,153,240
NON-CURRENT ASSETS:			
AVAILABLE-FOR-SALE INVESTMENTS	5	578,028	586,153
INVESTMENT IN ASSOCIATED COMPANIES	6	11,420,018	11,355,904
ACCOUNTS RECEIVABLE - NON-CURRENT	3	11,758,633	8,357,838
INTANGIBLES	7	25,229	37,686
PROPERTY, PLANT AND EQUIPMENT	8	98,709,867	97,884,180
TOTAL NON-CURRENT ASSETS		122,491,775	118,221,761
TOTAL ASSETS		$170,793,850	$162,375,001

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

Consolidated Statement of **Financial Position**

(Continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Expressed in Eastern Caribbean Dollars)

	Notes	2014	2013 (Restated)
CURRENT LIABILITIES			
Loans and Bank Overdrafts	9	23,538,605	22,087,769
Accounts Payable and Accruals	10	9,883,705	8,750,731
Provision for Taxation	11	1,658,077	612,379
		35,080,387	31,450,879
NON-CURRENT LIABILITIES			
LOANS - NON-CURRENT	9	9,779,287	9,572,489
DEFERRED TAX LIABILITY	12	6,350,421	5,752,733
		16,129,708	15,325,222
TOTAL LIABILITIES		51,210,095	46,776,101
EQUITY			
SHARE CAPITAL	13	30,148,430	30,148,430
RESERVES	14	89,435,325	85,450,470
SHAREHOLDERS' FUNDS		119,583,755	115,598,900
TOTAL LIABILITIES AND EQUITY		$170,793,850	$162,375,001

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

Approved by the Board of Directors on 12 February 2015

W Anthony Kelsick
Chairman

Donald Kelsick
Director

Consolidated Statement of **Income**

FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Expressed in Eastern Caribbean Dollars)

	Notes	2014	2013 (Restated)
TURNOVER	2 (n)	143,222,069	120,833,483
Cost of Sales		(110,907,018)	(92,722,404)
GROSS PROFIT		32,315,051	28,111,079
OTHER INCOME	21	8,362,436	7,974,669
TOTAL INCOME		40,677,487	36,085,748
LESS: EXPENSES			
Administrative Expenses	22	(21,592,327)	(21,204,030)
Transport and Deliveries		(1,849,237)	(1,858,447)
Advertising		(2,626,748)	(2,298,025)
Other Expenses		(965,491)	(1,123,627)
Depreciation and Amortisation		(3,720,178)	(3,394,567)
Finance Costs		(1,664,695)	(1,654,416)
		(32,418,676)	(31,533,112)
Income before Results of Associated Companies		8,258,811	4,552,636
Share of Results of Associated Companies	2 (d) & 6	3,694,473	3,911,453
INCOME BEFORE TAXATION		11,953,284	8,464,089
Income Tax Expense	11	(4,227,577)	(3,002,598)
INCOME FOR THE YEAR CARRIED TO STATEMENT OF COMPREHENSIVE INCOME		$7,725,707	$5,461,491
BASIC EARNINGS PER SHARE	15	$0.26	$0.18

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

Consolidated Statement of **Comprehensive Income**

FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Expressed in Eastern Caribbean Dollars)

	Notes	2014	2013
Income for the year		7,725,707	5,461,491
OTHER COMPREHENSIVE INCOME:			
Decrease in Revaluation Reserve - Associated Company	6	(114,915)	(296,582)
Unrealised Holding Loss - decrease in fair value of investments		(8,125)	(58,905)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR CARRIED TO STATEMENT OF CHANGES IN EQUITY		$7,602,667	$5,106,004

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

Consolidated Statement of **Changes in Equity**

FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Expressed in Eastern Caribbean Dollars)

	Share Capital	Revaluation Reserve	Other Capital Reserve	Unrealised Holding Gain - Investment	Retained Earnings	Total
Balance at 30 September 2012	30,148,430	38,269,438	706,431	494,576	43,285,893	112,904,768
Total Comprehensive Income	-	(296,582)	-	(58,905)	5,461,491	5,106,004
Dividend paid ($0.08 per share)	-	-	-	-	(2,411,872)	(2,411,872)
Balance at 30 September 2013	$30,148,430	$37,972,856	$706,431	$435,671	$46,335,512	$115,598,900
Balance at 30 September 2013	30,148,430	37,972,856	706,431	435,671	46,335,512	115,598,900
Total Comprehensive Income	-	(114,915)	-	(8,125)	7,725,707	7,602,667
Dividend paid ($0.12 per share)	-	-	-	-	(3,617,812)	(3,617,812)
Balance at 30 September 2014	$30,148,430	$37,857,941	$706,431	$427,546	$50,443,407	$119,583,755

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

Consolidated Statement of **Cash Flows**

FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Expressed in Eastern Caribbean Dollars)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before Taxation	11,953,284	8,464,089
Adjustments for:		
Depreciation and Amortisation	3,720,178	3,394,567
Gain on disposal of Property, Plant and Equipment	(170,344)	(264,072)
Finance costs incurred	1,664,695	1,654,416
Share of income from Associated Companies	(3,694,473)	(3,911,453)
Operating profit before working capital changes	13,473,340	9,337,547
Net change in non-cash working capital balances related to Operations	(2,933,120)	(87,465)
	10,540,220	9,250,082
Finance costs paid	(1,664,695)	(1,654,416)
Taxation paid	(1,971,495)	(2,089,618)
Net cash inflow from operating activities	6,904,030	5,506,048
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property, Plant and Equipment	(4,809,862)	(7,227,625)
Proceeds on disposal of Property, Plant and Equipment	452,291	917,148
Purchase of Intangibles	(5,494)	(20,602)
Dividends received from Associated Companies	2,765,135	3,685,135
Net cash used in investing activities	(1,597,930)	(2,645,944)
CASH FLOWS FROM FINANCING ACTIVITIES		
Non-current Receivables	(3,400,795)	(199,486)
Long term Loans repaid	4,316,393	(2,549,797)
Dividends paid to Shareholders	(3,617,812)	(2,411,872)
Net cash used in financing activities	(2,702,214)	(5,161,155)
Net increase/(decrease) in cash and cash equivalents	2,603,886	(2,301,051)
Cash and cash equivalents - beginning of year	(4,368,950)	(2,067,899)
Cash and cash equivalents - end of year	$(1,765,064)	$(4,368,950)
Cash and cash equivalents comprise:		
Cash	566,401	621,274
Bank Overdrafts	(2,331,465)	(4,990,224)
	$(1,765,064)	$(4,368,950)

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

Notes to the Consolidated **Financial Statements**

FOR THE YEAR ENDED 30 SEPTEMBER 2014 (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 18.

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 and certain available-for-sale investments which are included at fair value. 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.

These accounting policies adopted are consistent with those of the previous year and include the adoption of the new and amended IAS, IFRS and IFRIC:

New and amended pronouncements in effect and applicable:

IFRS 7 Financial Instruments: Disclosures

The amended standard requires disclosures to include information that will enable users of the financial statements to evaluate the effects or potential effects of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and liabilities. The amendment is effective for periods commencing on or after 1 January 2013. This amendment has no effect on the group's financial position or performance.

IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34 – 2009-2011 cycle

The process is to enhance the quality of standards, by amending existing IFRSs to clarify guidance and wording, or to correct for relatively minor unintended oversights, conflicts and consequences. Issues included in the cycles are as follows:

IFRS 1 - permits the repeated application of IFRS 1, borrowing costs on certain qualifying assets;

IAS 1 - clarification of requirements for comparative information;

IAS 16 – classification of servicing equipment;

IAS 32 – clarify that tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12 Income Taxes;

IAS 34 – clarify interim reporting of segment information for total assets in order to enhance consistency with the requirements in IFRS 8 Operating Segments.

The amendment for the cycle is effective for annual periods beginning on or after 1 January 2013 and has no effect on the group's financial position or performance.

IFRS 10 Consolidated Financial Statements

This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard defines the definition of control where this is difficult to assess. Control exists when all of the following conditions are present:

- Power over investee company;
- Exposure, or rights, to variable returns from investee company;
- Ability to use power over investee to affect the entity's returns from investee.

Notes to the Consolidated **Financial Statements**

FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Expressed in Eastern Caribbean Dollars) - continued

2. ACCOUNTING POLICIES (continued)

(a) Basis of Accounting (continued)

The basic principle that a consolidated entity includes a parent and its subsidiaries as if they were a single entity and consolidation procedures remain unchanged. This amendment has no effect on the group's financial position or performance.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the disclosure requirements relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. This standard requires a reporting entity to disclose information that helps users to assess the nature and financial effects of the reporting entity's relationship with other entities.

As this new standard only affects disclosure, there is no effect on the Group's financial position or performance.

IAS 27 Separate Financial Statements; IAS 28 Investments in Associates and Joint Ventures

These two existing standards have been amended in order to align them with the newly released standards. The revised IAS 27 now deals with the requirements for the preparation of separate financial statements only. The previous standard which also dealt with consolidated financial statements, now requires that investments in subsidiaries, associates and jointly controlled entities be carried either at cost or in accordance with IFRS 9. The effective date of IFRS 10, 11 and 12 and amended IAS 27 and 28 is 1 January 2013.

IFRS 13 Fair Value

The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. It applies to both financial instrument items and non-financial instrument items where other standards require or permit fair value measurements and disclosures about fair value measurements.

With some exceptions, the standard requires entities to classify these measurements into a 'fair value hierarchy' based on the nature of the inputs.

Entities are required to make various disclosures depending upon the nature of the fair value measurement (eg whether it is recognised in the financial statements or merely disclosed) and the level in which it is classified.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013. This standard did not significantly affect any fair value measurements of the group's assets or liabilities as changes were limited to presentation and disclosure.

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

The company intends to adopt the following standards and amendments, if applicable, when they become effective:

IFRS 15	Revenue from Contracts with Customers	effective 1 January 2017
IAS 32	Financial Instruments: Presentation	effective 1 January 2014
IAS 16	Property, Plant and Equipment (Amendment)	effective 1 January 2017

Assessment is being made of the potential impact of these new standards and amendments.

(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.

The estimates and assumptions that could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Provision for Inventory obsolescence:

Provision for obsolescence of inventory is based on the assessment of the physical condition of inventory and average loss rate of inventory over a period of time.

Depreciation of property, plant and equipment:

The group estimates the useful lives and residual values of property, plant and equipment based on the intended

Notes to the Consolidated **Financial Statements**

FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Expressed in Eastern Caribbean Dollars) - continued

2. ACCOUNTING POLICIES (continued)

(b) Use of Estimates: (continued)

use of these assets, the periodic review of actual asset lives and the resulting depreciation determined thereon.

Fair value measurement:

A number of assets included in the group's financial statements require measurement at, and /or disclosure of fair value.

The group measures some of its assets at fair value at each reporting date. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants and the measurement date.

The fair value measurement is based on the assumption that the transaction to sell the asset takes place either:

- In the principal market for the asset, or
- In the absence of a principal market, in the most advantageous market for the asset.

The fair value of an asset is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The measurement of a non-financial asset at fair value takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Fair value measurement of the group's financial and non-financial assets utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurement are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1 – quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 – inputs other than quoted market price included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability

The group measures the following at fair value:

- Revalued land and buildings – property, plant and equipment (see note 8)
- Available-for-sale investments - quoted (see note 5)

(c) Basis of Consolidation:

The consolidated financial statements include the audited financial statements of the company and entities controlled by it and its subsidiaries ("the group").

Control is achieved when the investor

- Has power over the investee;
- Is exposed or has rights to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

(d) Investment in subsidiaries

Consolidation of a subsidiary begins from the date the investor gains control of an investee and ceases when the investor loses control of an investee. The cost of the acquisition is measured as the fair value of assets transferred, equity instruments issued and liabilities incurred at the date of exchange.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated.

Notes to the Consolidated **Financial Statements**

FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Expressed in Eastern Caribbean Dollars) - continued

2. ACCOUNTING POLICIES (continued)

(e) 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 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 remaining investment at its fair value. Any differences between the carrying amount of the associates upon loss of significant influence and the value of the remaining investment and proceeds from disposal is recognised in profit or loss.

(f) Foreign Currencies:

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

(g) Revenue Recognition:

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

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 purchase sales 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.

Notes to the Consolidated **Financial Statements**

FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Expressed in Eastern Caribbean Dollars) - continued

2. ACCOUNTING POLICIES (continued)

(g) Revenue Recognition:(continued)

Dividend:

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

Rental:

Rental income arising from operating leases on buildings is accounted for on the straight-line basis over the lease terms and is included in revenue in the statement of income due to its operating nature.

h) Financial Assets

Loans and Receivables:

The group's loans and receivables comprise trade and other receivables and cash at bank and in hand in the statement of financial position.

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (eg trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue.

Due to their short-term nature, the carrying value of cash at bank and in hand and trade and other receivables, net any provision for impairment, approximates their fair values.

At each reporting date, the company assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the recoverable amount. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the statement of income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Available-for-sale Investments:

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 income statement.

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 income statement.

A financial asset is primarily derecognised when:

- The rights to receive cash flows from the asset have expired;
- The group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flow in full without material delay to a third party.

Notes to the Consolidated **Financial Statements**

FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Expressed in Eastern Caribbean Dollars) - continued

2. ACCOUNTING POLICIES (continued)

i) Financial Liabilities

The group's financial liabilities comprise primarily trade and other payables and bank loans and overdrafts. The company has not designated any financial liabilities upon recognition as at fair value through profit or loss.

All financial liabilities are recognised initially at fair value. Due to their short-term nature, the carrying value of trade and other payables and overdrafts approximates their fair value. After the initial recognition, interest-bearing loans are subsequently measured at amortised cost using the effective interest rate method. The effective interest rate amortisation is included as finance costs in the statement of income, where applicable.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or has expired.

j) 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.

k) 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.

l) 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	6.67%, 20% - 33.33%
Boat	20%

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income when the asset is derecognised.

Upon disposal of revalued assets, the group has elected to transfer in full, the revaluation reserve relating to the particular asset being sold to retained earnings.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted, if appropriate.

m) 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.

n) Turnover:

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

Notes to the Consolidated **Financial Statements**

FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Expressed in Eastern Caribbean Dollars) - continued

2. ACCOUNTING POLICIES (continued)

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.

Warranty provisions

Provisions for warranty-related costs are recognised when the product is sold or service is provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

Customer loyalty programme provision

The group operates a loyalty points programme which allows customers to accumulate points when they purchase products in the group's retail stores. These points can be redeemed for free products subject to a minimum number of points being obtained and other specified conditions.

These provisions are recognised in the statement of income and are reviewed annually.

p) Intangibles:

Intangible assets are identifiable non-monetary assets without physical substance. Computer software meets this description. 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.

r) Share Capital:

Financial instruments issued by the group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The group's ordinary shares are classified as equity instruments.

s) Dividends:

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when approved by the directors. In the case of final dividend, this is when approved by the shareholders at the Annual General Meeting.

Notes to the Consolidated **Financial Statements**

FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Expressed in Eastern Caribbean Dollars) - continued

3. ACCOUNTS RECEIVABLE

	2014	2013
Trade Receivables	30,426,033	26,943,163
Less: Provision for impairment	(7,701,991)	(8,413,178)
	22,724,042	18,529,985
Sundry Receivables and Prepayments	633,600	718,327
	23,357,642	19,248,312
Less: **Non-current portion of Receivables**	(11,758,633)	(8,357,838)
TOTAL - **Current**	$11,599,009	$10,890,474

All non-current receivables are due within five (5) years from the year end.

Movement on provision for impairment:		
Balance at beginning of year	8,413,178	8,566,854
Increase in provision for impairment	593,709	1,012,450
Impaired losses recovered	(1,304,896)	(1,166,126)
Balance at end of year	$7,701,991	$8,413,178

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 2014	$22,724,042	$11,758,633	$9,007,355	$1,154,781	$803,273
30 September 2013	$18,529,985	$8,357,838	$8,093,455	$1,032,587	$1,046,105

The carrying value of trade and other receivables approximates fair value.

Credit quality of the customer is assessed based on regular monitoring of accounts receivable and actual incurred historical data. Customer credit risk is also managed by establishing defined limits based on the customer's ability to pay.

Hire purchase receivables – cars are secured by bills of sale over the respective vehicles. Other accounts receivable are unsecured.

Notes to the Consolidated **Financial Statements**

FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Expressed in Eastern Caribbean Dollars) - continued

4. INVENTORIES

	2014	2013
Merchandise	28,939,989	27,182,813
Stock on Hire	3,720,715	2,932,439
Goods In Transit	3,338,347	2,526,240
TOTAL	$35,999,051	$32,641,492

5. AVAILABLE-FOR-SALE INVESTMENTS

	2014	2013
Quoted Securities	528,027	536,152
Unquoted Securities	50,001	50,001
TOTAL	$578,028	$586,153

6. INVESTMENT IN ASSOCIATED COMPANIES

	2014	2013
Original cost of investments	3,048,436	3,048,436
Increase in equity over cost from acquisition to the end of previous year	8,307,468	9,453,019
	11,355,904	12,501,455
Capital reserve reduction	(114,915)	(296,582)
Share of net income less dividends received from Associated Companies (see below)	179,029	(848,969)
Balance at End of Year	$11,420,018	$11,355,904
Share of net income less dividends received for the year is made up as follows:		
Share of income before taxation	3,694,473	3,911,453
Taxation (Note 11)	(750,309)	(1,075,287)
	2,944,164	2,836,166
Dividends received	(2,765,135)	(3,685,135)
TOTAL (As Above)	$179,029	$(848,969)

Notes to the Consolidated **Financial Statements**

FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Expressed in Eastern Caribbean Dollars) - continued

6. INVESTMENT IN ASSOCIATED COMPANIES (continued)

The following entities have been included in the consolidated financial statements using the equity method:

Name	Country of Incorporation/principal place of business	Proportion of ownership interest held at 30 September	
		2014	2013
St Kitts Masonry Products Limited	St Kitts	50%	50%
St Kitts Developments Limited	St Kitts	30%	30%
Carib Brewery (St Kitts & Nevis) Limited	St Kitts	20.1%	20.1%

The principal activities of the associated companies are disclosed in Note 18.

Summarised financial information – Carib Brewery (St Kitts and Nevis) Limited:

	2014 $	2013 $
Current Assets	20,528,560	20,719,168
Non-current assets	19,380,578	19,770,456
Current liabilities	8,345,841	9,431,227
Non-current liabilities	2,434,971	3,112,103
Revenue	37,964,353	30,938,217
Profit after tax	8,217,583	6,210,114
Other Comprehensive Income	344,437	-
Total Comprehensive Income	8,562,020	6,210,114
Dividend from Associate	1,485,135	1,485,135

Summarised financial information – St Kitts Developments Limited and St Kitts Masonry Products Limited:

Current Assets	5,791,110	6,832,686
Non-current assets	10,813,646	11,728,193
Current liabilities	3,300,324	5,264,422
Non-current liabilities	976,427	797,101
Revenue	22,142,902	26,246,186
Profit after tax	3,011,698	5,144,067
Other Comprehensive Income	(383,049)	(988,608)
Total Comprehensive Income	2,628,649	4,155,459
Dividend from Associates	1,280,000	2,200,000

Notes to the Consolidated **Financial Statements**

FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Expressed in Eastern Caribbean Dollars) - continued

7. INTANGIBLES

	2014	2013
Software – cost brought forward (See Note 2(p))	101,697	81,095
Additions	5,494	20,602
Software – cost carried forward	107,191	101,697
Accumulated Amortisation – brought forward	64,011	51,307
Amortisation	17,951	12,704
Accumulated Amortisation – carried forward	81,962	64,011
NET CARRYING AMOUNT	$25,229	$37,686

8. 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 2014				
Gross Carrying Amount - Beginning of Year	88,133,722	25,419,057	464,665	114,017,444
Additions	-	4,357,688	452,174	4,809,862
(Disposals)	-	(910,597)	-	(910,597)
Transfers	-	464,665	(464,665)	-
Gross Carrying Amount - End of Year	88,133,722	29,330,813	452,174	117,916,709
Accumulated Depreciation - Brought Forward	3,276,215	12,857,049	-	16,133,264
Charge	988,734	2,713,493	-	3,702,227
(Disposals)	-	(628,649)	-	(628,649)
Accumulated Depreciation Carried Forward	4,264,949	14,941,893	-	19,206,842
Net Carrying Amount - 2014	$83,868,773	$14,388,920	$452,174	$98,709,867

Notes to the Consolidated **Financial Statements**

FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Expressed in Eastern Caribbean Dollars) - continued

8. 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 2013				
Gross Carrying Amount - Beginning of Year	88,059,629	20,397,945	117,715	108,575,289
Additions	74,093	6,688,867	464,665	7,227,625
(Disposals)	-	(1,785,470)	-	(1,785,470)
Transfers	-	117,715	(117,715)	-
Gross Carrying Amount - End of Year	88,133,722	25,419,057	464,665	114,017,444
Accumulated Depreciation - Brought Forward	2,287,975	11,595,819	-	13,883,794
Charge	988,240	2,393,623	-	3,381,863
(Disposals)	-	(1,132,393)	-	(1,132,393)
Accumulated Depreciation Carried Forward	3,276,215	12,857,049	-	16,133,264
Net Carrying Amount - 2013	$84,857,507	$12,562,008	$464,665	$97,884,180

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	(4,003,883)
	44,841,721
Revaluation	72,685,738
SURPLUS ON REVALUATION	27,844,017
Less: Reserve on property disposed of	(609,422)
	27,234,595
Less: Related Costs	(55,607)
NET REVALUATION RESERVE	$27,178,988

Additions subsequent to revaluation are stated at cost.

In the opinion of the Management, there has been no significant change to the market values of freehold land and buildings which were last revalued in July 2009.

Notes to the Consolidated **Financial Statements**

FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Expressed in Eastern Caribbean Dollars) - continued

9 LOANS AND BANK OVERDRAFTS

	2014	2013
Current:		
Overdrafts	2,331,465	4,990,224
Loans – Current Portion	21,207,140	17,097,545
TOTAL CURRENT LOANS AND BANK OVERDRAFTS	$23,538,605	$22,087,769
LOANS – NON-CURRENT	$9,779,287	$9,572,489
Summary of Loans and Overdrafts:		
Amounts Payable:		
Within 1 year	23,538,605	22,087,769
Over 1 year – 5 Years	7,612,098	3,643,921
Over 5 Years	2,167,189	5,928,568
TOTAL LOANS	$33,317,892	$31,660,258
Analysed as follows:		
Secured	13,391,962	15,905,091
Unsecured	19,925,930	15,755,167
TOTAL	$33,317,892	$31,660,258

Repayment Terms:

Loans are repayable over periods varying from one (1) to twelve (12) years at rates of interest of between approximately 5.5% and 9% for EC$ denominated loans and three (3) month LIBOR plus 4% for US$ denominated loans (approximately 4.26%).

Collateral for Advances:

The Bank Loans and Overdrafts are secured by debentures executed by the Parent Company and two subsidiaries totalling $56,428,000 (2013 = $56,428,000).

The principal instalments due within the twelve months ending 30 September 2015 have been shown under Current Liabilities.

10. ACCOUNTS PAYABLE AND ACCRUALS

	2014	2013
Trade Payables	6,296,770	4,945,208
Sundry Payables, Provisions and Accruals	3,586,935	3,805,523
TOTAL	$9,883,705	$8,750,731

The carrying value of trade and other payables approximates their fair value.

Notes to the Consolidated **Financial Statements**

FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Expressed in Eastern Caribbean Dollars) - continued

11. TAXATION

	2014	2013
Statement of Financial Position		
Taxation in the Statement of Financial Position comprises the following:		
Provision for Taxation - Current Year	$1,658,077	$612,379
Statement of Income		
The Taxation charge in the Statement of Income comprises the following:		
Provision for charge on Current Profits	2,876,082	1,826,412
Underprovision – previous year	3,498	189,875
Deferred Tax (Note 12)	597,688	(88,976)
	3,477,268	1,927,311
Associated Companies (Note 6)	750,309	1,075,287
TOTAL	$4,227,577	$3,002,598

The group's effective tax rate of 35.4% (2013 = 35.5%) differs from the Statutory rate of 33% (2013 = 35%/33%) as follows:

	2014	2013
Profit before taxation	$11,953,284	$8,464,089
Taxes at statutory rates 33% (2013 = 35%/33%)	3,944,584	2,825,366
Tax effect of expenses not deductible in determining taxable profits	639,602	589,543
Tax effect of income not assessable for taxation	(476,887)	(224,751)
Tax effect of Depreciation on non qualifying assets	126,341	122,884
Underprovision - previous year	3,498	189,875
Deferred Tax Asset written off – Inland Revenue Assessment	-	65,141
Deferred Tax Liability Adjustment - Inland Revenue Assessment	-	(234,909)
Deferred Tax Liability Adjustment due to change in tax rate	-	(328,486)
Other	(9,561)	(2,065)
TOTAL	$4,227,577	$3,002,598

All income tax assessments up to and including the year of assessment 2014/13 have been submitted to the Comptroller of Inland Revenue and the taxes duly paid.

Notes to the Consolidated **Financial Statements**

FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Expressed in Eastern Caribbean Dollars) - continued

12. DEFERRED TAX LIABILITY

	2014	2013
Deferred Tax Liability (Net) – at beginning of year	5,752,733	5,841,709
Deferred Tax (Note 11)	597,688	(88,976)
Deferred Tax Liability (Net) – at end of year	$6,350,421	$5,752,733
Deferred Tax Liability (Net) comprises the following:		
Deferred Tax Asset	(10,464)	(371,401)
Deferred Tax Liability	6,360,885	6,124,134
	$6,350,421	$5,752,733
Deferred Tax Asset comprises:		
- Unutilised Capital Allowances	$10,464	$371,401
Deferred Tax Liability comprises:		
- Accelerated Capital Allowances	$6,360,885	$6,124,134

13 SHARE CAPITAL

	2014	2013
Authorised		
50,000,000 Ordinary Shares of $1 each		
Issued and Fully Paid		
30,148,430 Ordinary Shares of $1 each	$30,148,430	$30,148,430

Dividend of 15% (2013 = 12%) per ordinary share (amounting to $4,522,265/2013 = $3,617,812) in respect of 2014 has been proposed by the Directors. The Financial Statements for the year ended 30 September 2014 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 2015.

14 RESERVES

The following describes the nature and purpose of each reserve within equity:

Revaluation reserve	gains/losses arising on the revaluation of the group's property.
Other capital reserve	sugar rehabilitation/return on investments
Unrealised holding gain	gains/losses on revaluation of financial assets classified as available-for-sale
Retained earnings	all other net gains and losses and transactions with owners (eg dividends) not recognised elsewhere.

Notes to the Consolidated **Financial Statements**

FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Expressed in Eastern Caribbean Dollars) - continued

15. 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.

	2014	2013
Net Income for the Year	$7,725,707	$5,461,491
Number of shares in issue during the year	30,148,430	30,148,430
Basic earnings per share	$0.26	$0.18

16. CONTINGENT LIABILITIES

a) Unfunded Pension:

The Parent 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 Parent Company has given guarantees to First Caribbean International Bank and Royal Bank of Canada as collateral for overdraft facilities of up to $4,200,000 (2013 = $3,015,000) for its Subsidiary Companies, S L Horsford Nevis Limited, Ocean Cold Storage (St Kitts) Limited, S L Horsford Finance Company Limited and S L Horsford Shipping Limited.

Associated Company:

The Parent Company issued a Letter of Undertaking to First Caribbean International Bank Limited in the amount of EC $500,000 to meet any shortfalls in debt service of St Kitts Masonry Products Limited, a 50% owned Associated Company.

c) Letters of Credit:

At the year end, the group had outstanding letters of credit totalling $448,820 (2013 = $448,820).

d) Legal Claims:

Counsel has advised that at 30 September 2014 there were no claims pending against the group (2013 = Nil).

Notes to the Consolidated **Financial Statements**

FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Expressed in Eastern Caribbean Dollars) - continued

17. RELATED PARTY TRANSACTIONS

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

		2014	2013
i)	Sales of goods and services	$3,498,960	$2,604,616
ii)	Purchases of goods and services	$4,554,100	$4,926,424
iii)	Management fees	$32,160	$28,800
iv)	Dividends received	$2,765,135	$3,685,135

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

	2014	2013
Salaries and other benefits	$1,158,632	$1,129,695

3. Balances due to/from Related Parties

	2014	2013
Due from Associated Companies	$446,383	$31,786
Due from Directors	$38,398	$29,400
Due to Associated Companies	$5,589,473	$4,836,233
Due to Directors	$4,422,577	$2,728,224

The balances due to associated companies and directors comprised substantially unsecured demand loans with interest chargeable at the rate of 51/2% per annum.

The group has not made any allowance for bad or doubtful debts in respect of related party debtors. A guarantee has been given on behalf of an associated company (see Note 16 (b)).

Notes to the Consolidated **Financial Statements**

FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Expressed in Eastern Caribbean Dollars) - continued

18. DETAILS OF SUBSIDIARY AND ASSOCIATED COMPANIES

Subsidiary Companies	Principal Activities	Interest held in the Equity %
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
Associated Companies		
St Kitts Developments Limited	Land Development	30.0
St Kitts Masonry Products Limited	Concrete and Related Products	50.0
Carib Brewery (St Kitts & Nevis) Limited	Manufacturers of Beer and non-alcoholic Beverages	20.1

19. FINANCIAL INSTRUMENTS

a) Interest Rate Risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The group's exposure to the risk of changes in market interest rates relates primarily to the group's long-term borrowings and overdrafts with financial institutions and short-term demand deposits.

The group manages centrally its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

Interest rates and terms of borrowing are disclosed in Note 9.

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, unquoted investments, accounts payable and loans. It is the directors' opinion that because of the short-term maturities of cash and bank balances, accounts receivable, accounts payable and loans their carrying value approximates their fair value.

In the directors' opinion, the carrying amount of unquoted investments approximates its fair value since their fair value cannot be measured reliably. The carrying amount is measured at cost less provision for impairment.

Notes to the Consolidated **Financial Statements**

FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Expressed in Eastern Caribbean Dollars) - continued

19 FINANCIAL INSTRUMENTS (continued)

c) Fair Values: (continued)

Financial and non-financial assets measured at fair value are as follows:

Financial assets:

Available-for-sale investments (quoted)

These assets are categorised as Level 1 in the fair value hierarchy as these instruments are traded in an active market and is based on the quoted market prices at the reporting date.

Non-financial assets:

Freehold lands and buildings:

These assets are categorised as Level 3 in the fair value hierarchy.

Fair value is based on the revaluations of freehold properties in July 2009 by professional valuers.

In the opinion of the directors, there is no significant change to the market values of these freehold properties.

Fair value measurements hierarchy for financial and non-financial assets at 30 September 2014:

			Fair value measurements using		
	Date of Valuation	Total	Quoted prices in active markets (Level 1)	Significant Observable inputs (Level 2)	Significant Unobservable inputs (Level 3)
Assets valued at fair value:					
Available-for-sale financial assets:					
Quoted equity shares	30 September 2014	$528,027	$528,027	-	-
Non-financial assets:					
Lands and buildings	30 September 2014	$83,868,773	-	-	$83,868,773
Assets valued at fair value:					
Available-for-sale financial assets:					
Quoted equity shares	30 September 2013	$536,152	$536,152	-	-
Non-financial asset:					
Lands and buildings	30 September 2013	$84,857,507	-	-	$84,857,507

For fair value measurement and valuation processes, see Note 2 (b).

Notes to the Consolidated **Financial Statements**

FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Expressed in Eastern Caribbean Dollars) - continued

19 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.

At the year end, the group's net exposure to foreign exchange risk was as follows:
The aggregate value of financial assets and liabilities by reporting currency are as follows:

	EC$	US$	£ Sterling	Other	Total
Year ended 30 September 2014					
ASSETS					
Cash at bank and in hand	392,466	173,935	-	-	566,401
Trade and other receivables	23,302,509	55,133	-	-	23,357,642
Investments	11,839,019	159,027	-	-	11,998,046
	$35,533,994	$388,095	-	-	$35,922,089
LIABILITIES					
Loans and bank overdrafts	29,824,208	3,493,684	-	-	33,317,892
Trade and other payables	7,455,602	2,405,877	8,500	13,726	9,883,705
	$37,279,810	$5,899,561	$8,500	$13,726	$43,201,597
Year ended 30 September 2013					
Cash at bank and in hand	542,061	79,213	-	-	621,274
Trade and other receivables	19,209,581	38,731	-	-	19,248,312
Investments	11,788,405	153,652	-	-	11,942,057
	$31,540,047	$271,596	-	-	$31,811,643
LIABILITIES					
Loan and bank overdrafts	31,660,258	-	-	-	31,660,258
Trade and other payables	7,699,175	1,039,540	-	12,016	8,750,731
	$39,359,433	$1,039,540	-	$12,016	$40,410,989

Notes to the Consolidated **Financial Statements**

FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Expressed in Eastern Caribbean Dollars) - continued

19 FINANCIAL INSTRUMENTS (continued)

e) Liquidity Risk: (continued)

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 2014:

	Due within 1 Year	>1 year to 5 years	Over 5 years	Total
Financial Liabilities:				
Year ended 30 September 2014				
Loans and bank overdrafts	23,538,605	7,612,098	2,167,189	33,317,892
Accounts payable and accruals	9,883,705	-	-	9,883,705
	$33,422,310	$7,612,098	$2,167,189	$43,201,597
Year ended 30 September 2013				
Loans and bank overdrafts	22,087,769	3,643,921	5,928,568	31,660,258
Accounts payable and accruals	8,750,731	-	-	8,750,731
	$30,838,500	$3,643,921	$5,928,568	$40,410,989
Financial Assets:				
Year ended 30 September 2014:				
Cash with bankers and in hand	566,401	-	-	566,401
Accounts Receivable	11,599,009	11,758,633	-	23,357,642
Investments	-	-	11,998,046	11,998,046
	$12,165,410	$11,758,633	$11,998,046	$35,922,089
Year ended 30 September 2013:				
Cash with bankers and in hand	621,274	-	-	621,274
Accounts Receivable	10,890,474	8,357,838	-	19,248,312
Investments	-	-	11,942,057	11,942,057
	$11,511,748	$8,357,838	$11,942,057	$31,811,643

Notes to the Consolidated **Financial Statements**

FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Expressed in Eastern Caribbean Dollars) - continued

20. SEGMENT REPORTING

The executive directors monitor the operating results of its business for the purpose of making decisions about resource allocation and performance assessment. For management purposes, the group is organised into business units based on its products and had four reportable segments as follows:

- Durable goods: sale of building materials, hardware, furniture and appliances;
- Automotive: sale of cars, car spares, car servicing and car rental income;
- Consumable goods: sale of food and gas
- Other: sale of items not included in the above

Inter-segment revenues and balances are eliminated upon consolidation as shown below.

	Durable Goods	Automotive	Consumable Goods	Other	Unallocated/ Head Office	Eliminations	Total
Year ended 30 September 2014							
External Sales	45,931,177	21,881,142	77,931,786	-	-	(2,522,036)	143,222,069
Other Income	755,145	4,613,139	1,516,998	6,506,298	-	(5,029,144)	8,362,436
Total Revenue	$46,686,322	$26,494,281	$79,448,784	$6,506,298	-	$(7,551,180)	$151,584,505
Operating Income before finance costs	3,357,535	3,208,345	1,703,615	2,098,020	-	(444,009)	9,923,506
Finance Costs	(628,242)	(922,231)	(111,762)	(92,460)	-	90,000	(1,664,695)
	2,729,293	2,286,114	1,591,853	2,005,560	-	(354,009)	8,258,811
Share of results of Associated Companies	1,214,921	-	1,842,189	637,363	-	-	3,694,473
Operating Income before Taxation	$3,944,214	$ 2,286,114	$ 3,434,042	$2,642,923	-	$(354,009)	11,953,284
Taxation							(4,227,577)
Net Income after Taxation							$ 7,725,707
The segment assets and liabilities at 30 September 2014 were as follows:							
Operating assets	48,357,172	38,642,961	34,179,100	12,609,715	36,818,529	(11,233,646)	159,373,831
Investments in Associated Companies	4,359,264	-	6,457,911	602,844	-	-	11,420,019
Total Consolidated Assets	$52,716,436	$38,642,961	$40,637,011	$13,212,559	$36,818,529	$(11,233,646)	$170,793,850
Total Consolidated Liabilities	$14,821,898	$24,138,215	$9,724,523	$1,271,701	$12,499,069	$(11,245,311)	$51,210,095
Capital Expenditure	$808,134	$1,323,641	$1,785,739	$922,098	-	$(29,750)	$4,809,862
Depreciation and amortisation	$969,991	$631,682	$ 1,321,185	$797,320	-	-	$3,720,178

Notes to the Consolidated **Financial Statements**

FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Expressed in Eastern Caribbean Dollars) - continued

20. SEGMENT REPORTING (continued)

Inter-segment revenues and balances are eliminated upon consolidation as shown below.

	Durable Goods	Automotive	Consumable Goods	Other	Unallocated/ Head Office	Eliminations	Total
Year ended 30 September 2013							
External Sales	41,566,835	14,947,278	66,515,147	-	-	(2,195,777)	120,833,483
Other Income	658,479	4,643,835	1,529,718	6,262,343	-	(5,119,706)	7,974,669
Total Revenue	$42,225,314	$19,591,113	$68,044,865	$6,262,343	-	$(7,315,483	$128,808,152
Operating Income before finance costs	2,452,877	2,037,552	508,124	1,653,070	-	(444,571)	6,207,052
Finance Costs	(633,396)	(897,349)	(121,465)	(92,206)	-	90,000	(1,654,416)
	1,819,481	1,140,203	386,659	1,560,864	-	(354,571)	4,552,636
Share of results of Associated Companies	733,761	-	1,248,812	1,928,880	-	-	3,911,453
Operating Income before Taxation	$ 2,553,242	$1,140,203	$1,635,471	$3,489,744	-	$'(354,571)	8,464,089
Taxation							(3,002,598)
Net Income after Taxation							$5,461,491

The segment assets and liabilities at 30 September 2013 were as follows:

	Durable Goods	Automotive	Consumable Goods	Other	Unallocated/ Head Office	Eliminations	Total
Operating assets	45,877,211	32,719,468	34,387,662	12,103,064	40,217,279	(14,285,587)	151,019,097
Investments in Associated Companies	4,065,136	-	6,220,042	1,070,726	-	-	11,355,904
Total Consolidated Assets	$49,942,347	$32,719,468	$40,607,704	$13,173,790	$40,217,279	$'(14,285,587)	$162,375,001
Total Consolidated Liabilities	$15,342,241	$23,879,308	$9,391,691	$1,434,302	$10,958,699	$'(14,230,140)	$46,776,101
Capital Expenditure	$706,006	$1,748,689	$3,623,721	$1,149,209	-	-	$7,227,625
Depreciation and amortisation	$1,037,438	$ 617,772	$1,316,757	$422,600	-	-	$3,394,567

Notes to the Consolidated **Financial Statements**

FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Expressed in Eastern Caribbean Dollars) - continued

21. OTHER INCOME

	2014	2013
Interest	3,007,644	3,273,560
Dividend Income	24,306	18,651
Lease and Rental Income	756,701	632,401
Car Servicing and related Income	703,436	655,478
Car Rental Income	1,549,901	1,378,417
Shipping Income	1,367,328	980,655
Insurance Commission Income	474,682	406,101
Truckage Delivery Income	255,145	258,479
Gain on Sale of Property, Plant and Equipment	152,576	258,219
Miscellaneous	70,717	112,708
TOTAL	$8,362,436	$7,974,669

22. ADMINISTRATIVE EXPENSES

	2014	2013
Occupancy Cost	1,117,633	1,022,743
Utilities	2,273,067	2,965,636
Insurance	908,798	938,666
Stationery and Supplies	447,973	412,748
Repairs to Plant and Equipment	902,515	920,869
Communications	362,760	347,485
Employment	15,579,581	14,595,883
TOTAL	$21,592,327	$21,204,030

23. CAPITAL COMMITMENT

At year end, the group was committed to the completion of the installation of a Solar Energy Plant and the paving of the Valumart parking lot in the total approximate amount of $600,000 (2013 = $1.1 million).

Notes to the Consolidated **Financial Statements**

FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Expressed in Eastern Caribbean Dollars) - continued

24. RECLASSIFICATIONS

Certain items in the Consolidated Statement of Income have been reclassified during the current financial year to improve the financial statement presentation. The effect on the Consolidated Statement of Income is as follows:

Description	As Previously Reported	Reclassification	As reclassified
Other Income	8,158,079	(183,410)	7,974,669
Administrative Expenses	21,305,584	(101,554)	21,204,030
Finance Costs	1,744,416	(90,000)	1,654,416
Other Expenses	1,115,483	8,144	1,123,627

Similarly items in the Statement of Financial Position have been reclassified during the current financial year to improve the financial statements presentation. The effect on the consolidated statement of financial position is as follows:

Description	As Previously Reported	Reclassification	As reclassified
Inventories	32,591,992	49,500	32,641,492
Accounts Payable	8,701,231	49,500	8,750,731

These reclassifications had no effects on the results as reported for the current and previous years.