

**BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.**



**TWENTY-FIRST  
ANNUAL REPORT  
AND  
ACCOUNTS**

**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2014**



**BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.**

**TWENTY-FIRST  
ANNUAL REPORT**

**AND**

**ACCOUNTS**

**FOR THE YEAR ENDED 30 JUNE 2014**

**BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.**

**REPORT AND ACCOUNTS 2014**

**CONTENTS**

	<u>Page</u>
Directors, Officers, Management	2-3
Chairman's Report	4-7
Review of Operations	8-10
Directors' Report	11
Accounts for the Year Ended 30 June 2014	Attached

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**BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.**

Registered and Operations Office	Warrens	Telephone:	425-0010
	St. Michael	Fax:	421-7879
Postal Address	P. O. Box 719C		
	Bridgetown		
	Barbados		

# **BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.**

## **DIRECTORS, OFFICERS, MANAGEMENT**

Directors who served during the year were as follows:

Continuing:

Dr. Don Marshall	<b>Chairman</b>
Anderson Morrison	<b>Deputy Chairman</b>
Dr. Attlee H. Brathwaite C.B.E.	
Michael O'Neale Eastmond	
Martin A. Brathwaite	
Juliet M. Pollard (Mrs)	
Lt. Col. Neville E. Edwards	
Stephen E. Layne	
Clement G. Maloney	
Lennox R. Chandler	

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<b>General Manager</b>	Leslie F. Parris
<b>Financial Controller</b>	Flo Jean-Marie (Mrs)
<b>Agricultural Manager</b>	Dr. Orville Wickham
<b>Technical Manager Factories</b>	John Goodman
<b>Human Resources Manager</b>	Jacqueline Belgrave (Ms)
<b>Corporate Secretary</b>	Victoria Bowen (Ms)

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**BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.**

**DIRECTORS, OFFICERS, MANAGEMENT (Cont'd)**

**Auditors**

KPMG  
Hastings  
Christ Church

**Bankers**

CIBCFirstCaribbean International Bank  
Willey  
St. Michael

CIBCFirstCaribbean International Bank  
Broad Street  
Bridgetown

Republic Bank (Barbados) Limited  
Independence Square  
Bridgetown

# BARBADOS AGRICULTURAL MANAGEMENT CO. LTD

## CHAIRMAN'S REPORT

### INTRODUCTION

The financial year ended June 30, 2014 proved to be a difficult one for the Company as economic conditions continued to tighten. This in turn adversely affected the Company's ability to raise financing on the local and regional financial markets by way of Government guaranteed bonds. Consequently, the Company continued to depend heavily on direct financial support from the Government to maintain its operations.

At the beginning of the calendar year, the Company closed operations at its Andrews sugar factory to make way for a 'new' multipurpose factory to be constructed at that location. The multipurpose factory continues to represent a major platform of Government's stated decision and intention of transforming the Industry from a Sugar Industry to that of a Sugar Cane Industry. As a result of the closure of Andrews Factory, the Company functioned for the first time in its history as a single factory operation, grinding sugar solely from its Portvale Factory.

In addition, two (2) significant events occurred which adversely affected overall operations. These events were:

1. A fire at Portvale Factory on November 26, 2013, prior to the commencement of the 2014 crop, which caused severe damage to the Factory's Power Station. This resulted in the factory only being able to commence grinding of cane on March 17, 2014 following extensive repairs; and
2. Industrial action which occurred during the harvest and which disrupted production for approximately nine (9) days from April 10 to April 19, 2014.

The adverse impact of these two events cannot be overstated, either in terms of their overall financial impact on the Company in particular, and the Industry, as a whole.

Following the extensive repairs to the Portvale Factory and, the conclusion of the industrial relations negotiations between the Industry and Workers' representatives regarding the collective agreements, the delivery and processing of cane commenced on March 17, 2014. Production was subsequently interrupted by the industrial action at the Portvale Factory in April 2014. This interruption was unfortunate, as the crop had got off to a relatively good start. It must be mentioned that the industrial action occurred at a time when the island's cane (for the most part) had reached peak maturity. The industrial action resulted in 16,000 tonnes of cane not being reaped over the nine (9) day period. Consequently, following the resumption of processing, it was observed by the Factory personnel that the cane processed towards the latter part of the month of June 2014, and the early part of the month of July 2014, had deteriorated in juice quality and that the overall recovery rate of sugar had declined.

It is also worthy of note, that the Industry in general, was also adversely affected during the

# BARBADOS AGRICULTURAL MANAGEMENT CO. LTD

## CHAIRMAN'S REPORT

year by the occurrence of an unusually high amount of cane fires, that also unfavorably impacted cane quality.

Burnt cane received by the Factory for the season was estimated at 13.7% compared to the previous averages of 2% to 3%.

### PRODUCTION

The 2014 harvest yielded 159,606 tonnes of cane representing an 8% decline compared to 173,805 in 2013. Actual tonnage harvested was 16% below original Industry projections and well above previous variances. When one also compares the 2014 harvest, just ended, to that of 2012 when 258,601 tonnes of cane were harvested, there has in effect been a 38% decline in cane harvested in Barbados over the past three (3) years. It is surmised that this represents a significant decline and therefore constitutes not only a serious threat to the continued sustainability of the Industry, but also to Government's ability to continue to effectively support the Industry in the current economic climate.

A review of the total number of acres of cane harvested on the island for the 2014 year also records a decline, as 9,590 acres of cane were harvested in 2014 as compared to 10,481 acres the previous year, representing a decline of 8.5%. Further analysis indicates that 12,203 acres were harvested in 2012 and that there has therefore been a 21% decline in acreage harvested over the last three (3) years.

The net effect was that island's sugar output for the year under review dropped to 14,854.80

tonnes compared to 16,422.71 in 2013 (a decline of 9.5%). The tonnes cane per tonne sugar ratio (tc/ts) at 10.14 also compared unfavorably to that of 9.93 in 2013. The trends identified suggest a deterioration in productivity within the wider Industry for which several explanations have been posited. These include, amongst others, unfavorable weather conditions and the financial difficulties being experienced by both the Company and the Independent growers.

Of the total tonnage of cane harvested during 2014 the BAMC farms produced 75,252.85 tonnes or 47% of the total cane harvested. This amount was slightly lower than the 75,386 tonnes harvested by the Company in 2013.

In terms of the acreage harvested, the Company harvested 4,669 acres from its farms or 48.6% of the total acreage harvested for the year slightly up when compared to 46% in the previous year. This appears to be indicative and consistent with a decline in acreage harvested by the wider Industry.

Regarding tonnage, the Company produced 76,423 tonnes of cane or 44.13% of the overall total. In terms of the ratio of tonnes cane per acre (tc/ac), the Company's farms yielded a tc/ac of 16.1, which was slightly higher than that of 15.7 in 2013.

### FINANCIAL PERFORMANCE

The Company for the year ended June 30, 2014 recorded a net loss of \$35.5M compared to a restated loss of \$61.4M in 2013. The operating

# BARBADOS AGRICULTURAL MANAGEMENT CO. LTD

## CHAIRMAN'S REPORT

loss for the year of \$41.7M was \$5.1M less than that of 2013.

A tight control of expenses was maintained by the Company and as a result the operating expenses (net of stock movement) of \$61.5M was \$5.0M lower than the previous year, with expenses in the major areas of operation (Agriculture, Factory and Administration) all being reduced.

The revenue recorded amounted to \$25.5M compared to \$8.4M for the previous year. It should however be noted (as was explained in the 2013 Annual Report ) that this variance or anomaly was due to receipts from the export of raw bulk sugar being booked subsequent to the June 30, 2013 financial year end. This was as a result of changes in the terms of trade negotiated with T & L Sugars Limited for the export of bulk sugar for the 2013 crop. Under the aforementioned terms of trade, the Company agreed to hold and store raw bulk sugar contracted for sale to T & L Sugars Limited up to the month of October in the year of production. The contractual arrangement is on the basis of warehouse receipts. As a result of the change in the terms of trade, part of the revenue from raw bulk sugar exported in 2013 was received and booked in 2014, and part of the revenue for the 2014 crop will be booked during the financial year 2015. Traditionally, revenue from the shipment of raw bulk sugar was booked during the year of production.

A more pragmatic approach would therefore be a comparison to sugar sales of \$22.3M for the year just ended to those of 2011 and 2012

when sugar sales of \$29.5M and \$29.6M were booked.

### THE FUTURE

The resurgence of the Industry rests on the Cane Industry Restructuring Project which is ongoing. In the interim, the BAMC continues the process of restructuring its operations in order to achieve greater levels of efficiency and to reduce its dependence on Government financing. In this regard, the performance of the Company must be seen in the context of the services which it provides to the wider Industry by way of its Agronomy Research and Variety Testing Unit (the ARVTU) and Sugar Technology Research Unit (STRU). In addition, the Company provides other supporting administrative functions to the Industry (for example, the obligation, management and disbursement of financial support provided by the Government and the storage, management and delivery of molasses to the rum industry). The cost and expenses of these activities and services are virtually entirely absorbed by the Company as part of its operating costs, as these costs and expenses are not borne by the Industry. The Company in addition to its internal restructuring has entered into discussion on policy and financially related issues regarding the role of the Company in the areas mentioned. The desired outcome of these discussions will be to redefine the operational role and governance of the Company with a view to reversing, or at least mitigating against the concomitant structural and financial disadvantages, which although not readily apparent, severely and adversely impact on the Company's finances.



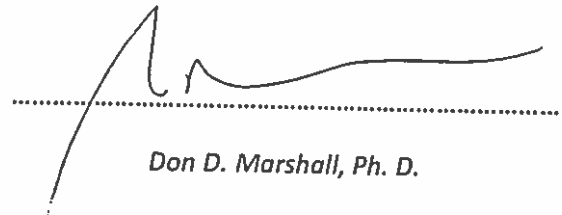
# BARBADOS AGRICULTURAL MANAGEMENT CO. LTD

## CHAIRMAN'S REPORT

### APPRECIATION

Appreciation is expressed on behalf of the Directors to the management and staff of the Company for their contribution to the efforts of the Company during the year. Appreciation is also expressed to the respective - Ministries of Agriculture, Food, Fisheries and Water Resources Management and the Ministry of Finance – as without their continued and valued

support, the operations of the Company would not have been possible. The acknowledged support of the farmers and the trade unions, namely the Barbados Workers' Union and the Sugar Industries Staff Association, is also appreciated.



*Don D. Marshall, Ph. D.*  
*Chairman*

**BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.**  
**REVIEW OF OPERATIONS**

**Finance**

The Company incurred a net loss of \$35.5M for the year ended June 30, 2014 compared to that of \$61.4M in 2013.

It should however be noted that sugar revenue booked in 2013 included only part of the revenue generated from the 2013 crop with the remainder being booked in 2014 (i.e. the year just ended June 30, 2014). As a result \$5.6M in sugar sales were booked for the year ended June 30, 2013 while \$22.3M was booked for the year just ended. This was as a result of changes in the terms of trade negotiated between the BAMC and T & L Sugars Limited. Under the amended terms of trade the BAMC is required to store raw bulk sugar contracted to T & L Sugars Limited up to the month of October of the year of production. Payments are then made on the basis of warehouse receipts. As a consequence sales to T & L Sugars Limited cannot be booked on an accrual basis. In addition T & L Sugars Limited under the existing arrangement is required to cover all reasonable expenses related to the storage of the sugar contracted and stored on its behalf including insurance and related expenses.

Operating expenses of the company's main operations (namely Agriculture, Factory and Administration) all reflected reductions resulting in a net reduction of \$5.0M in related expenses. The Company was able however to cover its operating expenses (as in previous years) mainly through Government grants which amounted to \$28.2M for the year.

Interest and finance charges at \$16.4M for the year were slightly above the \$16.3M incurred the previous year.

The Company for the year under review continued its policy of accelerated depreciation on plant/equipment in anticipation of the existing factory being replaced. Depreciation and amortization expenses therefore increased to \$32.2M up from \$25.9M the previous year.

As a result of the continued losses the Company's total shareholder's deficiency increased to \$217.5M.

During the year under review an O/D facility at CIBC/FCIB was converted to a term loan of \$41.0M.

The Company's debt profile continues to be unfavorable as trade credit increased from \$1.0M to \$3.4M as a result of its working capital deficiency and undercapitalization.

**Agricultural Operations**

The Company began the year with 8,401.32 acres of land under its control and as at June 30, 2014 ended with 8,313.07 acres (a reduction of 88.25 acres). The reduction resulted from 88.25 acres being surrendered representing 77.25 acres at Searles and 11.0 acres at Three Houses.

During the year the BAMC cultivated a total of 1,411.48 acres for the planting of CPC (Future); forced back; and non-sugar crops applying conventional cultivation.

**BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.**  
**REVIEW OF OPERATIONS**

This acreage however fell short of the 1,804.24 acres originally planned, reportedly due to the following:

- Heavy rainfall in June, July and August which slowed and delayed progress.
- The unavailability of some cultivation tractors which were in need of mechanical repairs.

Planting on the Company's farms commenced in September and 1,029.50 acres was planted in sugar cane.

Harvesting in both Areas of the Company's farming operations commenced on March 17, 2014 and concluded during the week of July 8, 2014. The Company's farms harvested 9,589.87 acres of cane of which 1,003.50 were harvested burnt. The TCA for BAMC farms was 15.88 compared to that of 17.46 for the Independent farmers. The Industry average was 16.76.

BAMC (inclusive of the ARVTU) produced 76,423.17 tonnes of cane or 44.13% of the total tonnage for 2014.

#### **Factory Operations**

Portvale began grinding operations on Monday March 17, 2014 at 5.33 pm following deliveries of 1,113.5 tonnes of cane that day.

Contributing to the late start of the crop in March 2014 was a fire which occurred at the factory on Tuesday November 26, 2013 at approx. 5.00 pm. The fire destroyed the Factory's Laboratory and also severely damaged electrical generating equipment, power cables, switchgear, breaker panels and other

accessories to the Factory's power station. The Company was forced to redeploy large quantities of electrical cables and other equipment and material from Andrews Factory to effect repairs. The Company was also forced to redeploy additional labor from the closed Andrews Factory. Repairs were completed during the third week of February 2014.

Prior to the start of the crop grave concern was expressed in a number of quarters regarding cane delivery following the closure of Andrew and the loss of its facilities. However prior to the start of the season, Management met with producers and liaised with the transport contractors. Arising from these discussions Factory Management streamlined delivery and traffic flows to the Factory to improve the turn-around time. This proved to be most effective and there were no complaints received.

Over the season Portvale processed 159,606.68 tonnes of cane compared to the 173,084.62 tonnes processed in 2013 when there were two (2) factories in operation.

During Week #4 of the crop, industrial action at the Factory and trans-loading stations resulted in production being halted for nine (9) days.

Lost operational hours for out-of-cane (non-weather) increased significantly after Week #10 of the crop once some of the major Independent Suppliers had completed their harvest. BAMC farms were on the other hand unable to satisfy their cane delivery quotas for most of the season due to unreliable and defective equipment. A total of 337.56 hours were lost during the season causing not only increased costs, but also a decline in juice quality as time wore on.

**BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.**  
**REVIEW OF OPERATIONS**

Grinding operations came to a close on Saturday, July 5, 2014 and the crop yielded 14,854.8 tonnes of sugar at Tc/Ts conversion rate of 10.14 compared to that 9.93 in 2013.

**Human Resources**

The Company was faced with Industrial action at its Portvale Factory and its trans-loading station from April 10 to April 19, 2014. The matter was referred to the Chief Labor Officer for resolution. At the heart of the grievance was the BWU's view that the Company had acted unilaterally and abruptly in severing workers at its Andrews Factory in April of 2014 following the cessation of grinding operations in June 2013.

Average manpower statistics for the year ended June 30, 2014 record a workforce of 641 employees following the displacement of 57 persons from the now closed Andrews Factory. In total there occurred a total of 95 separations (inclusive of the Andrews' employees).

Total employment cost of \$24,997,252 for the year was approximately 5.01% within budget.

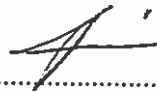
There were 172 lost days as a result of accidents which represents a 54% decline as there were twenty three (23) accidents compared to fifty (50) during the 2012 -2013 year.

Collective agreements between the Barbados Workers Union (BWU) and the Sugar Industries Staff Association (SISA) have not been changed or altered as the Company expects to enter into

further formal discussion on these matters in the immediate future.

Over the year just ended two hundred and ninety six (296) man days of training were conducted at a cost of \$22,630.

Training included computer awareness training for both weekly and monthly paid Agricultural employees. The Technical and Vocational Council (TVET) funded 75% of the cost of the aforementioned training.



**Leslie F. Parris**  
**General Manager**

BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

DIRECTORS' REPORT

The Directors submit their report on the Financial Statements of the Company for the year ended 30 June 2014.

RESULTS

Net Loss for the year was \$ 35,531,678.

Total comprehensive loss for the year was \$ 32,997,632.

DIVIDEND

No dividend was declared during the period and the Directors do not now recommend the declaration of a final dividend.

General

- (a) No contingent liability has arisen since the end of the financial year which continued to exist at the date of this report.
- (b) No contingent liability has become enforceable, or is likely to become enforceable within a period twelve months from the date of this report, that will materially affect the Company's ability to meet its obligations as and when they fall due.
- (c) No significant events have occurred since the end of the financial year which render misleading or otherwise affect the financial statements.

Signed in Barbados  
this 17 day of November 2014,  
in accordance with a resolution  
passed by the Board of Directors.

  
\_\_\_\_\_  
CHAIRMAN  
\_\_\_\_\_  
DIRECTOR



Financial Statements of

**BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.**

June 30, 2014

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**BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.**

**Table of Contents**

	Page
Auditors' Report to the Shareholder	1
Statement of Financial Position	2
Statement of Comprehensive Loss	3
Statement of Changes in Shareholder's Deficiency	4
Statement of Cash Flows	5
Notes to Financial Statements	6 – 32





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Hastings  
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## AUDITORS' REPORT

### To the Shareholder of Barbados Agricultural Management Co. Ltd.

We have audited the accompanying financial statements of Barbados Agricultural Management Co. Ltd., which comprise the statement of financial position as of June 30, 2014, the statement of comprehensive loss, statement of changes in shareholder's deficiency and the statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 our 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, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in 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 financial statements present fairly, in all material respects, the financial position of Barbados Agricultural Management Co. Ltd. as of June 30, 2014, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 2 in the financial statements which indicates that the Company has incurred a net loss of \$35,531,678 which resulted in an accumulated deficit of \$493,255,441 for the year ended June 30, 2014. The ability of the Company to remain as a going concern is dependent upon the continued financial support of its ultimate shareholder.

These conditions as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

Chartered Accountants  
Bridgetown, Barbados  
November 17, 2014

# BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.


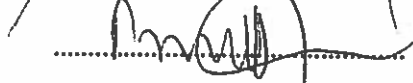
## Statement of Financial Position

As at June 30, 2014  
with comparative figures for 2013

	Notes	June 30, 2014	June 30, 2013 Restated	July 1, 2012 Restated
<b>Assets</b>				
<b>Current Assets</b>				
Cash and bank	4	\$ 1,392,706	187,808	405,741
Accounts receivable	5	4,631,528	4,787,507	7,079,325
Inventory	6	24,164,433	27,347,334	14,328,918
Prepayments		436,619	1,709,307	691,780
VAT recoverable		<u>3,401,925</u>	<u>2,613,428</u>	<u>1,713,068</u>
<b>Total current assets</b>		<u>34,027,211</u>	<u>36,645,384</u>	<u>24,218,832</u>
Investments	7	3	3	3
Employee benefits	15	1,302,715	-	2,994,551
Capital works in progress		126,357	237,981	112,773
Property, plant and equipment, net	8	<u>141,418,387</u>	<u>164,836,054</u>	<u>182,482,884</u>
<b>Total Assets</b>		<u>\$ 176,874,673</u>	<u>201,719,422</u>	<u>209,809,043</u>
<b>Liabilities and Shareholder's Deficiency</b>				
<b>Current Liabilities</b>				
Overdraft	4	\$ -	26,737,387	29,100,219
Employee benefits	15	-	842,476	-
Accounts payable and accrued liabilities	9	22,568,294	19,381,389	17,376,281
Short term debt	9	10,250,000	9,968,750	-
Current portion of long term debt	9	<u>23,391,215</u>	<u>37,698,048</u>	<u>13,417,737</u>
<b>Total current liabilities</b>		<u>56,209,509</u>	<u>94,628,050</u>	<u>59,894,237</u>
Bonds payable	10	176,847,242	183,144,447	196,995,897
Loans payable	11	156,164,646	102,540,417	76,574,304
Due to parent company	13	<u>5,129,162</u>	<u>5,884,762</u>	<u>6,603,076</u>
<b>Total Liabilities</b>		<u>394,350,559</u>	<u>386,197,676</u>	<u>340,067,514</u>
<b>Shareholder's Deficiency</b>				
Share capital	14	115,113,480	115,113,480	115,113,480
Revaluation reserves	8	157,586,593	157,586,593	150,328,484
Other reserves		3,079,482	545,436	630,045
Deficit		<u>(493,255,441)</u>	<u>(457,723,763)</u>	<u>(396,330,480)</u>
<b>Total shareholder's deficiency</b>		<u>(217,475,886)</u>	<u>(184,478,254)</u>	<u>(130,258,471)</u>
Commitments	18	-	-	-
<b>Total Liabilities and Shareholder's Deficiency</b>		<u>\$ 176,874,673</u>	<u>201,719,422</u>	<u>209,809,043</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:

 Director  
 Director

# **BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.**

## Statement of Comprehensive Loss

For the year ended June 30, 2014  
with comparative figures for 2013

	<u>Notes</u>	<u>2014</u>	<u>2013</u> <u>Restated</u>
<b>Revenue</b>			
Sales - sugar		\$ 22,289,950	5,601,135
Sales - other		<u>3,238,796</u>	<u>2,831,778</u>
Total revenue		<u>25,528,746</u>	<u>8,432,913</u>
<b>Expenses</b>			
Agriculture		26,330,963	28,378,598
Factory		24,159,789	25,676,707
Administration		11,040,999	12,352,840
Stock Movement		<u>5,731,510</u>	<u>(11,208,953)</u>
Operating expenses		<u>67,263,261</u>	<u>55,199,192</u>
Operating loss before the under mentioned items		(41,734,515)	(46,766,279)
Government grants	12	55,097,751	26,858,114
Other income		190,912	797,877
Foreign exchange gain (loss)		(438,501)	-
Interest and finance charges		(16,421,406)	(16,286,236)
Depreciation and amortization		<u>(32,225,919)</u>	<u>(25,996,759)</u>
		<u>6,202,837</u>	<u>(14,627,004)</u>
Loss before corporation tax		(35,531,678)	(61,393,283)
Corporation tax	16	<u>-</u>	<u>-</u>
Net loss for the year		<u>(35,531,678)</u>	<u>(61,393,283)</u>
<b>Other Comprehensive Income</b>			
Re-measurement of defined benefit plan		2,534,046	(84,609)
Revaluation of plant and equipment		<u>-</u>	<u>7,258,109</u>
Other comprehensive income for the year		<u>2,534,046</u>	<u>7,173,500</u>
Total comprehensive loss for the year		\$ <u>(32,997,632)</u>	<u>(54,219,783)</u>

See accompanying notes to financial statements.

Statement of Changes in Shareholder's Deficiency

For the year ended June 30, 2014  
with comparative figures for 2013

	<u>Notes</u>	<u>Share Capital</u>	<u>Revaluation Reserves</u>	<u>Other Reserves</u>	<u>Deficit</u>	<u>Total</u>
Balance at June 30, 2012 as previously reported		\$ 115,113,480	150,328,484	-	(396,330,480)	(130,888,516)
Impact of change in accounting policy		-	-	630,045	-	630,045
Balance at June 30, 2012, restated		115,113,480	150,328,484	630,045	(396,330,480)	(130,258,471)
Net loss for the year, restated		-	-	-	(61,393,283)	(61,393,283)
Other comprehensive income	8	-	7,258,109	(84,609)	-	7,173,500
Balance at June 30, 2013		115,113,480	157,586,593	545,436	(457,723,763)	(184,478,254)
Net loss for the year		-	-	-	(35,531,678)	(35,531,678)
Other comprehensive income	8	-	-	2,534,046	-	2,534,046
Balance at June 30, 2014		\$ 115,113,480	157,586,593	3,079,482	(493,255,441)	(217,475,886)

See accompanying notes to financial statements.

# **BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.**

## Statement of Cash Flows

For the year ended June 30, 2014  
with comparative figures for 2013

	2014	2013
		Restated
<b>Cash Flows from Operating Activities</b>		
Net loss for the year	\$ (35,531,678)	(61,393,283)
Adjustment for:		
Depreciation and amortization	32,225,919	25,996,759
Foreign exchange loss	438,501	-
Loss (gain) on sale of equipment	63,104	(50,041)
Interest income	(31,853)	(20,233)
Interest expense and finance charges	16,421,406	16,286,236
Employee benefits	388,854	3,752,418
Government grant	(55,097,751)	(26,858,114)
Operating loss before working capital changes	(41,123,498)	(42,286,258)
Decrease in accounts receivable	155,979	2,291,818
Decrease (increase) decrease in prepayments	1,272,688	(1,017,527)
Decrease (increase) in inventory	3,182,901	(13,018,416)
Increase (decrease) increase in accounts payable and accrued liabilities	3,215,340	(317,080)
Increase in VAT recoverable	(788,497)	(900,360)
<b>Cash used in operating activities</b>	(34,085,087)	(55,247,823)
Interest paid	(16,449,860)	(13,964,048)
<b>Net cash used in operating activities</b>	(50,534,947)	(69,211,871)
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of equipment	34,686	413,904
Net expenditure on capital works in progress	111,624	(125,208)
Purchase of plant and equipment	(8,906,022)	(1,455,683)
Interest received	31,853	20,233
<b>Net cash used in investing activities</b>	(8,727,859)	(1,146,754)
<b>Cash Flows from Financing Activities</b>		
Proceeds of short-term loans	10,250,000	9,968,750
Repayment of short-term loans	(9,968,750)	-
Net (repayment) proceeds of loan from Government of Barbados	(254,526)	27,426,064
Repayment of loan from CDB/GOB	(1,070,301)	(1,340,608)
Due to parent company	(755,600)	(718,314)
Repayment of loan from ADF	(518,583)	(296,265)
Proceeds of loan from NIB	13,000,000	-
Repayment of loan from NIB	(2,051,168)	-
Proceeds of loan from CIBC FCIB	41,000,000	-
Proceeds from bonds payable	10,038,675	23,600,000
Repayment of bonds payable	(35,836,425)	(12,994,217)
Finance Lease - Storage Solutions - net	8,274,018	-
Government grant	55,097,751	26,858,114
<b>Net cash from financing activities</b>	87,205,091	72,503,524
Increase in cash and cash equivalents during year	27,942,285	2,144,899
Cash and cash equivalents, beginning of year	(26,549,579)	(28,694,478)
Cash and cash equivalents, end of year	\$ 1,392,706	(26,549,579)
Cash and cash equivalents are comprised of:		
Bank Overdraft	\$ -	(26,737,387)
Cash and bank balances	1,392,706	187,808
	\$ 1,392,706	(26,549,579)

See accompanying notes to financial statements.

# BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

## Notes to Financial Statements

June 30, 2014

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### 1. General

The Company was incorporated under the Companies Act of Barbados on June 10, 1992. On March 08, 1993, the Company obtained articles of amendment to change its name from B. A. P. Land Management Co. Ltd. to Barbados Agricultural Management Co. Ltd. The Company commenced operations in June 1993. The registered office of the Company is located at Warrens, St. Michael, Barbados.

The Company currently controls approximately 40% of lands under sugar cane cultivation. In addition to the cultivation of sugar cane and non-sugar crops it also manages and operates the sole sugar mill on the island from its Portvale factory as well as provides services to the wider industry by way of its sugar and molasses terminal and extension services through its Agronomy Research & Variety Testing Unit.

The Company is a wholly owned subsidiary of Barbados Agricultural Credit Trust Ltd. ("BACT"), whose sole shareholder is the Government of Barbados, which guarantees the repayment of principal and interest of the bonds issued by the Company in accordance with the Barbados Agricultural Management Co. Ltd. (Sugar Bonds Guarantee) Act Cap. 255. To this end, the Company is economically dependent upon the Government of Barbados for its continued operations.

The financial statements were authorized for issue by the Board of Directors on November 17, 2014.

### 2. Going Concern

These financial statements have been prepared on a going concern basis. For the year ended June 30, 2014, the Company has a net loss of \$35,531,678 which resulted in an accumulated deficit of \$493,255,441. The ability of the Company to remain as a going concern is dependent upon the continued financial support of its Shareholder. The Shareholder has provided written assurance (as it has in the past) of its intention to "make whatever financial support is needed" for the Company for at least the next twelve months from the date of the Directors' approval of the statement of financial position.

This assurance should be viewed in the context of the Government's stated intention of transforming the industry from that of a sugar industry to that of a sugar cane industry by way of an on-going Cane Industry Restructuring Project ("the Project"). In this regard plans are still on stream for the construction of a multipurpose factory intended to enhance the viability of the industry and to increase its contribution to the further economic development of the country. This objective is expected to be achieved through the capacity of the new factory to generate value added products and processes currently not possible given the age and configuration of the existing factory. In addition, "the Project" provides for a technical assistance component designed to assist the industry in improving existing practices in order to achieve improved yields and efficiencies at the field level. Arrangements for the financing of the Project have been undertaken by the principal shareholder who has undertaken the responsibility of bringing the Project to fruition.

The new multipurpose factory is intended to come on stream in 2017 and is expected to be otherwise managed. The BAMC's core activity will be revised (following this transition), to that of cultivating sugar cane and non-sugar crops, thereby relieving it of the costs involved in operating the current factory at Portvale. It is therefore evident that the continued financial support of the BAMC will be vital in achieving the shareholder's objectives as previously outlined.

# BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

## Notes to Financial Statements

June 30, 2014

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### 3. Significant Accounting Policies

These financial statements are stated in Barbados dollars and have been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that could affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the year. Actual results could differ significantly from those reported. The significant accounting policies adopted in the preparation of these financial statements by the company are as follows:

(a) *Basis of Accounting*

Historical cost accounting has been used, except where stated, and therefore does not take into account changing money values or current valuations of non-current assets.

(b) *Use of Estimates and Judgments*

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

- Note 15 – measurement of defined benefit obligation
- Note 3(c) & 6 - Inventory
- Note 3(d) & 8 – Property, plant and equipment

(c) *Inventory*

Molasses and sugar stocks have been valued at the lower of cost into store and net realizable value. Stores stocks are valued at cost. Cost is determined on the average cost basis.

(d) *Property, Plant and Equipment*

All property, plant and equipment are initially recorded at cost. Land, buildings, plant and equipment are carried at fair value based on valuations done by two independent valuers. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

Increases arising from revaluations are credited to Revaluation Surplus in Shareholder's Deficiency.

Depreciation is calculated on a straight-line basis so as to write off the cost of the assets over their estimated useful lives. Cost includes expenditures that are directly attributable to the acquisition of assets. Cost associated with capital work-in-progress includes all expenditures that are attributable to bringing the asset to its state of use. Additions are depreciated from the date of purchase in the year of acquisition.

# BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

## Notes to Financial Statements

June 30, 2014

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### 3. Significant Accounting Policies, continued

#### (d) Property, Plant and Equipment, continued

The annual depreciation rates are as follows:

Leasehold improvements	2% - 5%
Furniture and fittings	10% - 20%
Computers	20%
Motor vehicles	10% - 20%
Irrigation equipment	6%
Machinery	5% - 20%

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

#### (e) Biological Assets

Biological assets are stated at fair value less estimated point-of-sale costs, with any resultant gain or loss recognized in the statement of comprehensive loss. Point-of-sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market.

#### (f) Taxation

Corporation tax in the statement of comprehensive loss for the year comprises current and deferred tax. Corporation tax is recognized in the statement of comprehensive loss except to the extent that it relates to items recognized directly in equity or in other comprehensive loss.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the date of the statement of financial position, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets and liabilities that affect neither the accounting nor taxable income. The amount of deferred tax provided is based on the expected manner of realization of settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the date of the statement of financial position.

The tax value of losses expected to be available for utilization against future taxable income is set off against the deferred tax liability within the legal unit and jurisdiction. The deferred tax asset arising from unused tax losses or tax credit is established to the extent that the Company has sufficient taxable profit against which the unused tax losses or unused tax credit can be utilized by the Company. Net deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is calculated on the basis of the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. The effect on the deferred tax of any changes in tax rates is charged to the statement of comprehensive loss, except to the extent that it relates to items previously charged or credited to equity.

#### (g) Foreign Currency Transactions

Foreign currency transactions completed during the year are recorded at actual rates of exchange prevailing at the dates of such transactions. Monetary assets and liabilities are translated into Barbados dollars at rates of exchange prevailing at the date of the statement of financial position. Resulting exchange differences are taken to the statement of comprehensive loss.



# BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

Notes to Financial Statements

June 30, 2014

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## 3. Significant Accounting Policies, continued

### (h) *Pension Expense and Obligation*

The Company maintains two (2) non-contributory defined benefit plans which cover its eligible employees and the employees of its parent BACT. The recognized amount in the statement of financial position is determined as the present value of the defined benefit obligation adjusted for the unrecognized actuarial gains or losses and less any past service costs not yet recognized and the fair value of any plan assets. Where this calculation results in a net surplus, the recognized asset does not exceed the net total of any unrecognized actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in the statement of comprehensive loss.

The present value of the defined benefit obligations and the related service costs are calculated by a qualified actuary using the projected unit credit method. The amount charged to the statement of comprehensive loss consists of current service cost, interest cost, the expected return on any plan assets and actuarial gains and losses. (See note 15)

### (i) *Government Grants*

Government grants are not recognized until there is reasonable assurance that the grants will be received and that the Company will comply with conditions applying to them. Grants are recognized upon reimbursement of the related cost for which the grants are intended to compensate.

### (j) *Impairment*

The carrying amounts of the Company's assets other than inventories are reviewed by management at each date of the statement of financial position to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

### (k) *Investments*

The Company's investments are accounted for in the accompanying financial statements at cost, as there is no quoted market price for these companies' shares.

### (l) *Cash and Cash Equivalents*

Cash and cash equivalents comprise cash balances with a maturity of less than three months. A bank overdraft that is repayable on demand and forms an integral part of the Company's cash management is included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

### (m) *Revenue Recognition*

The Company recognizes revenue when Sugar is shipped and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable.

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

# BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

## Notes to Financial Statements

June 30, 2014

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### 3. Significant Accounting Policies, continued

(n) *Functional Currency*

These financial statements are presented in Barbados dollars which is the Company's functional currency.

(o) *Provisions*

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability.

(p) *New Standards and Interpretations not yet Adopted*

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2014, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company, except for *IFRS 9 Financial Instruments*, which becomes mandatory for the Company's 2018 financial statements and could change the classification and measurement of financial assets. The Company does not plan to adopt this standard early and the extent of the impact has not been determined.

(q) *New Standards and Interpretations Adopted*

As a result of IAS 19 (2011), the Company has changed its accounting policy with respect to the basis for determining the income or expense related to its post-employment defined benefit plans.

Under IAS 19 (2011), the Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period, by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Consequently, the net interest on the net defined benefit liability (asset) now comprises: interest cost on the defined benefit obligation, interest income on plan assets, and interest on the effect on the asset ceiling. Previously, the Company determined interest income on plan assets based on their long-term rate of expected return.

As a result of IAS 19 (2011), the Company has also changed its accounting policy with respect to remeasurements.

Under IAS 19 (2011), all remeasurements are recognised directly in other comprehensive income. Previously, actuarial gains and losses were recognised in the statement of profit or loss on a deferred basis using the corridor method. Any unrecognised amounts were adjusted against the net defined benefit pension asset or liability recognised in the statement of financial position.

The change in accounting policy with respect to IAS 19 (2011) has been applied retrospectively.

# BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

## Notes to Financial Statements

June 30, 2014

### 3. Significant Accounting Policies, continued

#### (q) New Standards and Interpretations Adopted, continued

The following tables summarise the financial effects on the relevant line items as at July 1, 2012 and June 30, 2013 on implementation of the new accounting policy:

July 1, 2012

	<u>As previously reported</u>	<u>Adjustment</u>	<u>As restated</u>
<i>Statement of Financial Position</i>			
Employee benefits (asset)	\$ 2,364,506	630,045	2,994,551
<i>Statement of Changes in Shareholder's Deficiency</i>			
Other reserves	\$ -	630,045	630,045

June 30, 2013

	<u>As previously reported</u>	<u>Adjustment</u>	<u>As restated</u>
<i>Statement of Comprehensive Loss</i>			
Staff Costs	\$ 4,426,036	188,290	4,454,326
Remeasurements of defined benefit plan	-	(84,609)	(84,609)
<i>Statement of Financial Position</i>			
Employee benefits (liability)	1,199,623	(357,147)	842,476
<i>Statement of Changes in Shareholder's Deficiency</i>			
Other reserves	-	545,436	545,436
Retained earnings	(457,535,474)	(188,289)	(457,723,763)
<i>Statement of Cash Flows</i>			
Employee benefits	3,564,129	188,289	3,752,418

There were no other changes resulting from the adoption of these standards during the current financial year.

# BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

Notes to Financial Statements

June 30, 2014

## 4. Cash and Cash Equivalents

Cash and cash equivalents comprise:

	<u>2014</u>	<u>2013</u>
Bank overdraft	\$ -	(26,737,387)
Cash and bank balances	<u>1,392,706</u>	<u>187,808</u>
	\$ <u><u>1,392,706</u></u>	<u><u>(26,549,579)</u></u>

On 4 June 2014 the bank overdraft was converted to a term loan.

## 5. Accounts Receivable

Accounts receivable comprise:

	<u>2014</u>	<u>2013</u>
Trade	\$ 5,601,641	5,717,748
Other	<u>864,075</u>	<u>894,785</u>
	6,465,716	6,612,533
Allowance for doubtful accounts	<u>(1,834,188)</u>	<u>(1,825,026)</u>
	\$ <u><u>4,631,528</u></u>	<u><u>4,787,507</u></u>

## 6. Inventory

Inventory comprises the following:

	<u>2014</u>	<u>2013</u>
Sugar - Raw	\$ 15,538,575	17,071,095
Molasses	23,946	155,098
Stores stock	13,827,444	13,389,754
Goods in transit	<u>185,631</u>	<u>487,531</u>
	29,575,596	31,103,478
Less provision for obsolescence	<u>(5,411,163)</u>	<u>(3,756,144)</u>
	\$ <u><u>24,164,433</u></u>	<u><u>27,347,334</u></u>

During the year ended June 30, 2014, stock items of \$1,655,019 (2013: \$1,494,150) were provided for. The provision for obsolescence was reassessed as a result of the change in operations of the Company and is considered adequate.

# BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

Notes to Financial Statements

June 30, 2014

## 7. Investments

Investments comprise:

		<u>2014</u>	<u>2013</u>
(a)	Exclusive Cottons of the Caribbean Inc.	\$ 1	1
(b)	West Indies Sugar & Trading Company Limited	1	1
(c)	West Indies Sugar & Trading Company Caribbean Limited	<u>1</u>	<u>1</u>
		\$ <u>3</u>	<u>3</u>

### (a) Exclusive Cottons of the Caribbean Inc.

In 2005, the Company, in pursuit of its diversification efforts, purchased 100,000 common shares in Exclusive Cottons of the Caribbean Inc. at a cost of \$50,000. The investment represents approximately 7.2% of the issued capital of the Company. All cotton grown by the BAMC estates is purchased by Exclusive Cottons of the Caribbean Inc. At year-end, the amount due from Exclusive Cottons of the Caribbean Inc. was \$6,888(2013 - \$nil).

In 2012, the Company conducted an assessment of the carrying value of the investment and it was determined that the investment should be written down to \$1.

### (b) West Indies Sugar & Trading Company Limited

In 2006, the Company expended \$145,300 to acquire a 19.5% interest in the joint venture company, West Indies Sugar and Trading Company Limited (WISTCO). A further \$1,950 was expended by the Company in September 2007 to maintain its 19.5% interest. This business arrangement involves the Company supplying special sugars to the WISTCO UK subsidiary. In 2010, WISTCO restructured, resulting in the Company acquiring an additional 13,833 common shares, a 33.33% interest in the joint venture company.

At the time of the restructuring of WISTCO, the Company conducted an assessment of the carrying value of the investment and it was determined that the investment should be written down to \$1.

### (c) West Indies Sugar & Trading Company Caribbean Limited

In September 2012, the Company had acquired 3,333 Common Shares in the West Indies Sugar & Trading Company Caribbean Limited (WISTCO Caribbean) for the consideration of \$1.00, representing a total shareholding interest of 33.33% in WISTCO Caribbean.

June 30, 2014

## 8. Property, Plant and Equipment, net

Property, plant and equipment comprise:

Cost\Valuation	Machinery	Building at Fair Value	Building Chattels	Furniture and Fittings	Computers	Motor Vehicles	Irrigation Equipment	Land at Fair Value	Total
Balance at July 1, 2012	\$ 108,833,545	34,238,750	177,855	1,315,098	1,283,452	17,431,889	576,823	126,367,952	290,225,364
Additions	986,325	50,460	25,200	25,717	47,051	319,269	1,661	-	1,455,683
Revaluation - IAS 16	-	543,113	-	-	-	-	-	986,987	1,530,100
Disposals	(737,788)	-	-	-	-	(126,867)	-	-	(864,655)
Balance at June 30, 2013	\$ 109,082,082	34,832,323	203,055	1,340,815	1,330,503	17,624,291	578,484	127,354,939	292,346,492
Balance at July 1, 2013	\$ 109,082,082	34,832,323	203,055	1,340,815	1,330,503	17,624,291	578,484	127,354,939	292,346,492
Additions	8,421,676	-	44,699	64,602	21,978	337,140	15,927	-	8,906,022
Disposals	(518,891)	-	-	(5,767)	(48,640)	(191,830)	-	-	(765,128)
Balance at June 30, 2014	\$ 116,984,867	34,832,323	247,754	1,399,650	1,303,841	17,769,601	594,411	127,354,939	300,487,386
Accumulated Depreciation									
Balance at July 1, 2012	\$ 84,012,962	4,891,250	64,734	1,142,405	1,197,059	16,006,254	427,816	-	107,742,480
Expense	10,649,874	14,693,935	9,995	59,021	46,440	524,057	13,437	-	25,996,759
Disposals	(373,925)	-	-	-	-	(126,867)	-	-	(500,792)
Disposals - IAS 16 revaluation	-	(5,728,009)	-	-	-	-	-	-	(5,728,009)
Balance at June 30, 2013	\$ 94,288,911	13,857,176	74,729	1,201,426	1,243,499	16,403,444	441,253	-	127,510,438
Balance at July 1, 2013	\$ 94,288,911	13,857,176	74,729	1,201,426	1,243,499	16,403,444	441,253	-	127,510,438
Expense	10,725,886	20,975,147	12,004	51,038	36,232	413,035	12,577	-	32,225,919
Disposals	(431,929)	-	-	(5,219)	(48,562)	(181,648)	-	-	(667,358)
Balance at June 30, 2014	\$ 104,582,868	34,832,323	86,733	1,247,245	1,231,169	16,634,831	453,830	-	159,068,999
Net Book Value									
Balance at June 30, 2013	\$ 14,793,171	20,975,147	128,326	139,389	87,004	1,220,847	137,231	127,354,939	164,836,054
Balance at June 30, 2014	\$ 12,401,999	-	161,021	152,406	72,672	1,134,770	140,581	127,354,939	141,418,387

# BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

## Notes to Financial Statements

June 30, 2014

### 8. Property, Plant and Equipment, net, continued

The Company revalued its land and buildings at several locations as at June 2008, based on an independent appraisal done by the firm of Rolphe Alleyne and Associates.

A combination of the contractor's method and the comparison method was used in estimating the values, where having determined the replacement cost, it was compared to the amount that a prudent person would pay to acquire an equally desirable substitute. The excess of the appraised value of the properties over the carrying value in the amount of \$94,968,300 was recorded as revaluation reserves in Shareholder's Deficiency.

The Company revalued its plant and equipment as at June 2012, based on an independent appraisal done by the firm CASSE Engineering Inc. The fair market value of the assets was determined using a combination of the Market Data Approach and the Cost Approach. The excesses of the appraised value of the plant and equipment over the carrying value resulted in a further \$14,081,676 being added to the revaluation reserves in the Shareholder's Deficiency.

The Company re-valued the properties as at March 2012. The excess of the appraised value over the carrying value in the amount of \$41,278,508 was recorded as revaluation reserves in Shareholder's Deficiency.

Rolph Alleyne and Associates reassessed the properties at Andrews as at June 2013. The excess of the appraised value over the carrying value in the amount of \$7,258,109 was recorded as revaluation reserves in Shareholder's Deficiency.

### 9. Accounts Payable and Accrued Liabilities

(a) Accounts payable and accrued liabilities comprise:

	<u>2014</u>	<u>2013</u>
Trade	\$ 3,354,582	1,037,601
Cane	733,336	1,939,450
Other	<u>18,480,376</u>	<u>16,404,338</u>
	\$ <u>22,568,294</u>	<u>19,381,389</u>

(b) Current portion of long term debt comprise:

	<u>2014</u>	<u>2013</u>
Current portion of long term debt - Government of Barbados	\$ -	1,070,301
Current portion of long term debt - Bonds payable	16,634,255	35,696,300
Current portion of long term debt - Agricultural Development Fund	411,905	931,447
Current portion of long term debt - National Insurance Board	4,237,925	-
Current portion of long term debt - CIBC FCIB	1,903,559	-
Current portion of long term debt - Storage Solutions	<u>203,571</u>	<u>-</u>
	\$ <u>23,391,215</u>	<u>37,698,048</u>

# BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

## Notes to Financial Statements

June 30, 2014

### 9. Accounts Payable and Accrued Liabilities, continued

	<u>2014</u>	<u>2013</u>
(c) Short term debt comprises:		
Crop loan	\$ <u>10,250,000</u>	<u>9,968,750</u>

The Company received a loan from Consolidated Finance Co. Limited in March 2014 for Bds\$10.250 million to partly finance the operations of crop 2014. The effective interest rate was 6.5% per annum. The loan was secured by the sugar receivables, Letter of Comfort from Government of Barbados and assignment of insurance proceeds. The loan remained unpaid at year-end as a result of the delayed shipment of the bulk sugar at the request of the customer. Payment of US\$5.336 million was received on July 1, 2014 and the loan was liquidated on the same date.

### 10. Bonds Payable

	<u>2014</u>	<u>2013</u>
(i) Fixed Rate bonds 2004/2014	\$ -	19,961,323
(ii) Tranche 1 Fixed Rate bonds 2004/2016	3,750,000	5,000,000
(ii) Tranche 2 Fixed Rate bonds 2004/2016	6,250,002	8,333,335
(iii) Fixed Rate Non-Callable Bonds 2007/2022	50,000,000	50,000,000
(iv) Tranche 1 Series 1 Fixed Rate Bonds 2013/2016	60,000,000	50,000,000
(iv) Tranche 2 Fixed Rate Bonds 2013/2019	50,000,000	50,000,000
(iv) Tranche 1 Series 2 Fixed Rate Bonds 2013/2016	<u>23,481,495</u>	<u>35,546,089</u>
	193,481,497	218,840,747
Less current portion	<u>(16,634,255)</u>	<u>(35,696,300)</u>
	\$ <u>176,847,242</u>	<u>183,144,447</u>

#### (i) Fixed Rate Bonds 2004 – 2014

This represents an issue of \$20,000,000 discounted bonds which were redeemed by a single bullet payment at maturity date, May 2014. The bonds carried an interest rate of 5.75%.

#### (ii) Fixed Rate Guaranteed Bonds 2004 – 2016

##### Tranche 1

This represents an issue of \$15,000,000 bonds which are redeemable in twelve equal annual installments. The first redemption took place on 16 August 2005. The bonds carry an interest rate of 5.40%.

##### Tranche 2

This represents an issue of \$25,000,000 bonds which are redeemable in twelve equal annual installments. The first redemption took place on 30 August 2005. The bonds carry an interest rate of 5.40%.



# BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

## Notes to Financial Statements

June 30, 2014

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### 10. Bonds Payable, continued

#### (iii) Fixed Rate Non-Callable Guaranteed Bonds 2007 – 2022

This represents an issue of US\$25,000,000 fixed rate non-callable bonds that are redeemable by a single bullet payment at maturity date. The bonds carry a minimum interest rate of 7.10 % and the interest rate is presently 7.284%.

#### (iv) Fixed Rate Barbados Dollar and US Dollar Guaranteed Bonds

This represents a total issue of BDS\$161,000,000 fixed rate bonds comprising Tranche 1 – Series 1 and Series 2 of BDS\$50,000,000 and US\$30,500,000 respectively, and Tranche 2 of BDS\$50,000,000. Due to market conditions, US\$5,000,000 were converted and subscribed in BDS\$, increasing the face value of Tranche 1, Series2. The composition is now Tranche 1 – Series 1 and Series 2 of BDS\$60,000,000 and US\$25,500,000 respectively, and Tranche 2 of BDS\$50,000,000.

##### Tranche 1, Series 1: 2013 - 2016

This issue of BDS\$60,000,000 has a five year maturity date, carries a fixed interest rate of 6.00% and is redeemable by a single bullet payment at maturity date.

##### Tranche 1, Series 2: 2013 – 2016

This represents an issue of US\$25,500,000 bonds which are redeemable by quarterly payments of principal on each interest payment date. The bonds carry an interest rate of 6.00%. The first redemption took place on 1 June 2013.

##### Tranche 2: 2013 - 2019

This issue of BDS\$50,000,000 has an eight year maturity date, carries a fixed interest rate of 6.50% and is redeemable by a single bullet payment at maturity date.

All of the bonds are subject to the provisions of Barbados Agricultural Management Co. Ltd. (Sugar Bonds Guarantee) Act, Cap. 255. Payment of principal and interest is guaranteed by the Government of Barbados.

# **BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.**

Notes to Financial Statements

June 30, 2014

## **11. Loans Payable**

	<u>2014</u>	<u>2013</u>
(a) Loan Payable – Government of Barbados comprises:		
(i) Loan Payable - Government of Barbados	\$ 101,918,887	102,173,412
Less current portion	<u>-</u>	<u>-</u>
	<u>101,918,887</u>	<u>102,173,412</u>
(ii) Loan Payable - Government of Barbados/ Caribbean Development Bank #9/OR-BS	-	1,070,301
Less current portion	<u>-</u>	<u>(1,070,301)</u>
	<u>-</u>	<u>-</u>
(b) Loan payable - Agricultural Development Fund	779,869	1,298,452
Less current portion	<u>(411,905)</u>	<u>(931,447)</u>
	<u>367,964</u>	<u>367,005</u>
(c) Loan Payable - National Insurance Board	10,948,832	-
Less current portion	<u>(4,237,925)</u>	<u>-</u>
	<u>6,710,907</u>	<u>-</u>
(d) Loan Payable - CIBC FCIB	41,000,000	-
Less current portion	<u>(1,903,559)</u>	<u>-</u>
	<u>39,096,441</u>	<u>-</u>
(e) Lease Payable - Storage Solutions	8,274,018	-
Less current portion	<u>(203,571)</u>	<u>-</u>
	<u>8,070,447</u>	<u>-</u>
	\$ <u>156,164,646</u>	<u>102,540,417</u>

# BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

## Notes to Financial Statements

June 30, 2014

### 11. Loans Payable, continued

- (a) (i) This amount represents an advance by the Government of Barbados. The loan is interest free and has no specific terms of repayment. The balance of \$101,918,887 is not expected to be repaid within the next financial year.
- (ii) This amount represents draw downs with respect to a loan, (#9/OR-BS) from the Caribbean Development Bank to the Government of Barbados which was re-lent to the Company to be used for the Sugar Revitalization Project. The loan was being repaid in sixty (60) equal consecutive quarterly installments which commenced on June 30, 1999. Interest was at a rate of 6.25% per annum, payable quarterly and the final repayment was 1 April 2014.
- (b) The loan payable to the Agricultural Development Fund represents funds received for the upgrading of Andrews Sugar Factory in keeping with the policy statement on factory rationalization. The loan is repayable in 10 years 8 months inclusive of a moratorium of 9 months at 6.5% interest rate. The monthly payments of principal and interest are \$82,381.
- (c) The loan payable to the National Insurance Board (NIB) represents funds received to assist the Company in providing support and incentives to the independent plantations. The loan is repayable in three (3) years by semi-annual blended payments of principal and interest of \$2,335,542.57. The interest rate is 4.375% and it is secured by a Letter of Comfort from the Government of Barbados, which must be renewed every six (6) months.
- (d) The loan payable to CIBC FirstCaribbean International Bank represents the conversion of the overdraft facility. The loan is repayable in fifteen (15) years at an interest rate of 5.55%. The repayments are quarterly of principal and interest totaling \$1,011,364.91. It is secured by a Government Guarantee.
- (e) The lease payable to Storage Solutions Limited represents long-term lease for the construction of one pre-cast concrete Molasses Tank, identified as Tank A. The term of the lease is twenty (20) years for an annual lease amount of \$806,250.

The total future minimum lease payments and their present value are noted as follows:

		Future Minimum Lease Payments	Interest	Present Value of Minimum Lease Payments
Due in 1 year	\$	806,250	594,285	211,965
Due between 1 and 5 years		3,225,000	2,211,081	1,013,919
Due after more than 5 years		<u>11,403,784</u>	<u>4,355,650</u>	<u>7,048,134</u>
Total	\$	<u>15,435,034</u>	<u>7,161,016</u>	<u>8,274,018</u>

# BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

## Notes to Financial Statements

June 30, 2014

### 12. Government Grants

	<u>2014</u>	<u>2013</u>
\$	<u>55,097,751</u>	<u>26,858,114</u>

Government grants for 2014 represent funds received from the Government of Barbados for:

- (i) the payment of principal and interest on the Fixed Rate bonds 2004 – 2019 (\$49,773,953);
- (ii) research and development relative to a Moth Borer laboratory (\$27,200) and the Soil fertility project (\$78,000);
- (iii) repairs to Portvale Factory subsequent to a fire (\$2,500,000);
- (iv) the payment of principal and interest on the National Insurance Board Loan (\$718,598);
- (v) the payment of lease amount on Molasses Tank (\$2,000,000).

### 13. Due to Parent Company

The balance due to Barbados Agricultural Credit Trust Ltd. (BACT) is interest free and has no specific repayment terms. This amount is comprised as follows:

	<u>2014</u>	<u>2013</u>
Amount due to BACT	\$ 5,648,418	6,368,818
Amount due by BACT	<u>(519,256)</u>	<u>(484,056)</u>
Net amount due to BACT	\$ <u>5,129,162</u>	<u>5,884,762</u>

### 14. Share Capital

#### Authorized:

An unlimited number of common shares of one class designated as common shares.

#### Issued:

	<u>2014</u>	<u>2013</u>
115,113,480 (2013 – 115,113,480) shares	\$ <u>115,113,480</u>	<u>115,113,480</u>

# **BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.**

## Notes to Financial Statements

June 30, 2014

### **15. Employee Benefits**

The Barbados Agricultural Management Co. Ltd. and the Barbados Agricultural Credit Trust jointly maintain a non-contributory defined benefit Group Pension Plan with Sagicor Life Inc. Employees are not required to contribute, but they may make voluntary contributions. The Company contributes amounts recommended by the actuary to meet the cost of the benefits arising under the Plan.

At the year end, the net defined benefit liability (asset) can be specified as follows:

	<u>2014</u>	<u>2013</u> <b>Restated</b>
Present value of funded obligations	\$ 14,920,235	15,934,363
Fair value of plan assets	<u>(16,222,950)</u>	<u>(15,091,887)</u>
Net (asset) liability in the statement of financial position	\$ <u>(1,302,715)</u>	<u>842,476</u>

Movements in the net (asset) liability recognized in the statement of financial position are as follows:

	<u>2014</u>	<u>2013</u> <b>Restated</b>
Net liability (asset) at beginning of year	\$ 842,476	(2,994,551)
Net expense recognized in the statement of comprehensive loss	1,606,236	4,454,326
Re-measurement recognized in other comprehensive income	(2,534,046)	84,609
Contributions	<u>(1,217,381)</u>	<u>(701,908)</u>
Net (asset) liability in statement of financial position at year end	\$ <u>(1,302,715)</u>	<u>842,476</u>

The amounts recognized in the statement of comprehensive loss are as follows:

	<u>2014</u>	<u>2013</u> <b>Restated</b>
Current service cost	\$ 1,409,943	617,520
Interest on obligation	1,328,070	869,117
Expected return on plan assets	(1,200,681)	(1,080,536)
Past service cost	-	3,985,945
Administration and other non-plan investment management expenses	<u>68,904</u>	<u>62,280</u>
Total included in operating expenses	\$ <u>1,606,236</u>	<u>4,454,326</u>

Changes in the present value of the obligation for defined benefit pension plans were as follows:

	<u>2013</u>	<u>2012</u> <b>Restated</b>
Opening obligation	\$ 15,934,363	10,686,887
Interest cost	1,328,070	869,118
Current service cost	1,409,943	617,520
Employees' contributions	13,023	25,324
Benefits paid	(428,868)	(205,296)
Actuarial losses (gains)	(3,336,296)	(45,135)
Past service cost	<u>-</u>	<u>3,985,945</u>
Closing obligation	\$ <u>14,920,235</u>	<u>15,934,363</u>

# BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

## Notes to Financial Statements

June 30, 2014

### 15. Employee Benefits, continued

Changes in the fair value of the defined benefit pension plan assets were as follows:

	<u>2013</u>	<u>2012</u> <u>Restated</u>
Opening fair value of plan assets	\$ 15,091,887	13,681,438
Actual return	398,430	950,793
Employer's contributions	1,217,381	701,908
Employees' contributions	13,024	25,324
Benefits paid	(428,868)	(205,296)
Administrative expenses	<u>(68,904)</u>	<u>(62,280)</u>
Closing fair value of plan assets	\$ <u>16,222,950</u>	<u>15,091,887</u>

The assets of the plan are invested in segregated funds. The major categories underlying the plan assets are as follows:

	<u>2014</u>	<u>2013</u>
Mortgages	11%	11%
Bonds	31%	33%
Equities	45%	37%
Property	6%	8%
Other	6%	12%

Principal actuarial assumptions at the statement of financial position date are as follows:

	<u>2014</u>	<u>2013</u>
Discount rate at end of year	7.75%	7.75%
Future salary increases	2.50%	2.50%
Future inflationary salary increases	4.25%	4.25%
Future pension increases	0.75%	0.75%
Future changes in NIS Ceiling	4.25%	4.25%

Reasonably possible changes at the reporting date, June 30, 2014, to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

<u>Change in assumption</u>	<u>Defined Benefit Obligation</u>
Reduce discount rate by 1% pa	\$17,617,882
Increase discount rate by 1% pa	12,788,924
Reduce salary increase by 0.5% pa	14,088,324
Increase salary increase by 0.5% pa	15,870,064
Increase average life expectancy by 1 year	14,942,986

# BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

## Notes to Financial Statements

June 30, 2014

### 16. Corporation Tax

Reconciliation of taxes calculated at the applicable tax rate with tax expense

	<u>2014</u>	<u>2013</u> <u>Restated</u>
Accounting loss before corporation taxes	\$ <u>(35,531,678)</u>	<u>(61,393,283)</u>
Tax at 25%	\$ (8,882,920)	(15,348,321)
Tax effect of expenses not allowable for tax purposes	5,246,788	3,675,983
Tax effect of deductions allowed for tax purposes	(835,634)	(98,248)
Tax effect of income not subject to tax	-	-
Tax effect of not recognizing the deferred tax asset	<u>4,471,766</u>	<u>11,770,586</u>
Corporation tax expense	\$ <u>-</u>	<u>-</u>

Deferred tax assets have not been recognized in respect of the following items:

	<u>2014</u>	<u>2013</u> <u>Restated</u>
Deductible (taxable) temporary differences:		
Property, plant and equipment	\$ 102,435,606	99,495,388
Accounts receivable	1,834,188	1,825,026
Employee benefits	<u>(1,302,715)</u>	<u>842,476</u>
	102,967,079	102,162,890
Tax losses	<u>238,783,599</u>	<u>239,818,252</u>
	\$ <u>341,750,678</u>	<u>341,981,142</u>
Deferred tax asset not recognized	\$ <u>85,437,670</u>	<u>85,495,286</u>

The tax losses expire between 2015 and 2023. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profits will be available against which the Company can utilize the benefits therefrom.

# BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

## Notes to Financial Statements

June 30, 2014

### 17. Corporation Tax Losses

As at the date of the statement of financial position, the Company had the following estimated losses available for set off against future taxable income:

<u>Year of Income</u>	<u>Amount b/fwd</u>	<u>Utilized for Group relief</u>	<u>Losses Incurred</u>	<u>Losses Expired</u>	<u>Amount c/fwd</u>	<u>Expiry Date</u>
2005	\$ 6,802,022	-	-	(6,802,022)	-	2014
2006	2,249,899	-	-	-	2,249,899	2015
2007	25,556,286	-	-	-	25,556,286	2016
2008	23,262,563	-	-	-	23,262,563	2017
2009	34,276,347	-	-	-	34,276,347	2018
2010	40,656,423	-	-	-	40,656,423	2019
2011	42,100,364	-	-	-	42,100,364	2020
2012	33,858,274	-	-	-	33,858,274	2021
2013	31,056,074	-	-	-	31,056,074	2022
2014	-	-	5,767,369	-	5,767,369	2023
	<u>\$ 239,818,252</u>	<u>-</u>	<u>5,767,369</u>	<u>(6,802,022)</u>	<u>238,783,599</u>	

Losses for the periods 2006 – 2007 have been agreed by the Department of Inland Revenue. Losses for the periods 2008 – 2014 have not been agreed or contested by the Department of Inland Revenue. The tax benefit of these losses has not been recognized in these financial statements as the Company does not expect to earn sufficient future taxable profits against which the unused tax losses could be utilized.

### 18. Commitments

The following commitments were outstanding at the date of the statement of financial position:

#### (i) Leases

The leases with Highly Indebted Plantations (HIPs) and Independent Plantations which were extended for a period of six (6) years on 1 July 2005 terminated on 30 June 2011. It is the Company's intention to offer new for a period not exceeding twelve years. These leases provide for future annual lease payments as follows:

	<u>Lease Period</u>	<u>Annual Amount</u>
Highly Indebted Plantations	1 year	\$ 243,300
Independent Plantations	1 year	\$ 1,278,222



# BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

## Notes to Financial Statements

June 30, 2014

### 19. Related Parties

#### (a) Parent Company

During the year the following arm's length transactions occurred with the parent company, Barbados Agricultural Credit Trust.

	<u>2014</u>	<u>2013</u>
Pensions	\$ 6,117	9,174
Medical	6,728	6,728
Land tax	22,355	(13,889)
Land Lease	(243,300)	(247,400)
Building Lease	(36,300)	(36,300)
Loan	<u>1,000,000</u>	<u>1,000,000</u>
	<u>\$ 755,600</u>	<u>718,313</u>

#### (b) Transactions with Key Management Personnel

##### *Directors*

The Board of Directors of the Company is a policy Board. The directors are not covered by the pension plan; they are not shareholders of the Company and they do not possess voting shares.

##### *Key Management Personnel Compensation*

In addition to their salaries, the Company also provides non-cash benefits to executive officers and contributes to a post-employment defined benefit plan on their behalf. In accordance with the terms of the plan, the normal retirement age is 65 but officers may retire at age 55 and are entitled to receive equal monthly amounts throughout the lifetime of the retired officer.

The General Manager was employed on 1 October 2010 and a Human Resources Manager on 1 March 2011, both on fixed-term contracts. Neither participates in the Company's pension plan, but both receive a gratuity annually.

Key management personnel compensation is comprised of:

	<u>2014</u>	<u>2013</u>
Short-term employee benefits	\$ <u>1,308,091</u>	<u>1,312,721</u>

##### *Other*

The General Manager is the designate Director of Exclusive Cottons of the Caribbean Inc., West Indies Sugar & Trading Company Limited and West Indies Sugar & Trading Company Caribbean Ltd.

# BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

## Notes to Financial Statements

June 30, 2014

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### 20. Financial Risk Management

#### Overview

The Company has exposure to the following risks from its use of financial instruments.

- (a) credit risk
- (b) liquidity risk
- (c) market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to the limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through the implementation of constructive controls together with training, standards and procedures, aims to develop a disciplined environment in which all employees understand their roles and obligations.

#### (a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet contractual obligations and arises principally from the Company's receivables from customers.

#### *Trade and other receivables*

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. Approximately 70 percent of the Company's revenue is attributable to sales transactions with a single international customer who has been transacting business with the Company for twenty years and within the sugar industry for longer. The trade agreement for the industry, has established terms under which payment is made to suppliers and this has had the effect of practically eliminating credit risk from this customer. The Company's domestic wholesale customers have also been transacting business with the Company for twenty years and have established a good record of payment. It is the Company's policy within the end-user customer category, to extend credit to State-owned entities only. The Company also trades in non-sugar commodities, approximately 40 percent of which is sold to one customer on a credit basis. All other non-sugar trade is done on a cash basis.

# BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

## Notes to Financial Statements

June 30, 2014

### 20. Financial Risk Management, continued

#### (a) Credit risk, continued

The Company has established an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main component of this allowance is specific to a customer who is no longer in business. The remainder of the loss allowance is determined based on historical data of payment statistics of the other customers.

#### (b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The liquidity position is monitored on a weekly basis to ensure that cash flows are maintained within the budgeted requirements.

#### (c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company seeks to apply hedge principles in order to manage market risks. All such transactions are carried out within the guidelines set by the Board.

#### (i) Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency of the Company. The currencies in which these transactions primarily are denominated are Euro (€), US Dollar (USD), Sterling (£).

At any point in time, the Company may hedge up to 75 percent of its estimated foreign currency exposure in respect of forecast sales over the subsequent four to six months. The Company uses forward exchange contracts to hedge its currency risk, most with a maturity date of less than six months from reporting date.

The Company takes out a USD bank loan to fund its crop operations. The loan is secured by the proceeds of the international sales denominated in Euro, partially hedged sometimes using Euro/USD forward contracts that mature on or around the same date that the loan is due for repayment.

#### (ii) Interest rate risk

The Company is exposed to some risks associated with the effects of fluctuations in interest rates. Short-term debt or the overdraft carries a variable interest rate, which is tied to the Prime rate of the bank. The interest rates, most of which are fixed, and terms of repayment of long-term debt are disclosed in Notes 10 and 11 to the financial statements.

#### (iii) Capital management

The Company's sole shareholder is the Government of Barbados which guarantees the repayment of long-term and short-term debt instruments. The Company is economically dependent on the Government of Barbados for its continued operations.

There was no change in the Company's approach to capital management during the year.

# BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

## Notes to Financial Statements

June 30, 2014

### 21. Financial Instruments

#### (a) Credit risk

##### *Exposure to credit risk*

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	<u>2014</u>	<u>2013</u>
Accounts receivable, net	\$ 4,631,528	4,787,507
Cash and bank	1,392,706	187,808

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	<u>2014</u>	<u>2013</u>
International customers	\$ 954,201	1,873,781
Wholesale customers (molasses)	804,295	1,052,652
End-user customers (local & imported sugar)	8,960	26,045
Other	<u>3,834,185</u>	<u>2,765,269</u>
	<u>\$ 5,601,641</u>	<u>5,717,747</u>

The Company's most significant customer, a European wholesaler, accounts for \$954,201 of the trade receivables carrying amount at 30 June 2014 (2013: \$1,873,781).

##### *Impairment losses*

The aging of trade receivables at the reporting date was:

	<u>2014</u>	<u>2013</u>
Not past due	\$ 629,507	1,415,543
Past due 0-30 days	1,320,050	1,874,337
Past due 31-90 days	330,822	504,889
More than 90 days	<u>3,321,262</u>	<u>1,922,979</u>
	<u>\$ 5,601,641</u>	<u>5,717,747</u>

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	<u>2014</u>	<u>2013</u>
Balance at 1 July	\$ 1,825,026	1,837,360
Impairment loss (recovered)/recognized	<u>9,162</u>	<u>(12,334)</u>
Balance at 30 June	<u>\$ 1,834,188</u>	<u>1,825,026</u>

The impairment loss at 30 June 2014 includes an amount of \$716,053 (2013: \$716,053) which relates to an institution which was formerly responsible for the trading of all seed cotton produced in Barbados. This represents 39% (2013: 39%) of the total impairment losses at year end.

Based on historic default rates, the Company believes that no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 30 days; some 35 percent of the balance, which includes the amount owed by the Company's most significant customer (see above), relates to customers that have a good track record with the Company.

# **BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.**

## Notes to Financial Statements

June 30, 2014

### **21. Financial Instruments, continued**

#### (b) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments:

#### **30 June 2014**

	<u>Carrying Amount</u>	<u>Contractual Cash Flows</u>	<u>6 - 12 Months</u>	<u>1 - 2 Years</u>	<u>More than 2 Years</u>
<b>Financial Liabilities</b>					
Bank overdraft	\$ -	-	-	-	-
Accounts payable and accrued liabilities	22,568,294	22,568,294	733,336	21,834,958	-
Bonds payable	193,481,497	252,049,691	28,470,778	90,774,424	132,804,489
Loans payable	162,921,606	198,797,994	10,325,700	126,910,495	61,561,799
Due to parent company	<u>5,129,162</u>	<u>5,129,162</u>	<u>-</u>	<u>-</u>	<u>5,129,162</u>
<b>Total</b>	<b>\$ <u>384,100,559</u></b>	<b><u>478,545,141</u></b>	<b><u>39,529,814</u></b>	<b><u>239,519,877</u></b>	<b><u>199,495,450</u></b>

#### **30 June 2013**

	<u>Carrying Amount</u>	<u>Contractual Cash Flows</u>	<u>6 - 12 Months</u>	<u>1 - 2 Years</u>	<u>More than 2 Years</u>
<b>Financial Liabilities</b>					
Bank overdraft	\$ 26,737,387	30,669,650	30,669,650	-	-
Accounts payable and accrued liabilities	19,381,389	19,381,389	1,939,450	17,441,939	-
Bonds payable	218,840,747	229,232,238	57,079,568	51,927,712	120,224,958
Loans payable	104,542,165	105,262,254	988,578	104,273,676	-
Due to parent company	<u>5,884,762</u>	<u>5,884,762</u>	<u>-</u>	<u>-</u>	<u>5,884,762</u>
<b>Total</b>	<b>\$ <u>375,386,450</u></b>	<b><u>390,430,293</u></b>	<b><u>90,677,246</u></b>	<b><u>173,643,327</u></b>	<b><u>126,109,720</u></b>

# **BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.**

## Notes to Financial Statements

June 30, 2014

### **21. Financial Instruments, continued**

#### (b) Market risk

##### (i) Currency risk

The Company's exposure to foreign currency risk was as follows:

<u>\$'000</u>	<u>30 June 2014</u>				<u>30 June 2013</u>			
	Bds\$	Euro	USD	GBP	Bds\$	Euro	USD	GBP
Trade receivables	1,320	-	477	-	1,874	-	937	-
Gross exposure on the statement of financial position	1,320	-	477	-	1,874	-	937	-
Estimated forecast sales	22,982	7,728	677	-	13,000	4,351	634	-

The following significant exchange rates applied during the year:

<i>Bds\$</i>	<b>Reporting date</b>			
	<b>Average Rate</b>		<b>Spot Rate</b>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Bds\$/Euro 1	2.7520	2.5272	2.7316	2.6160
Bds\$/USD 1	2.0769	1.9938	1.9938	1.9938

#### **Sensitivity analysis**

A 10 percent strengthening of the Euro against the USD at 30 June would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2013.

<i>Effect in thousands of Bds\$</i>	<b>Equity</b>	<b>Profit or loss</b>
<b>30 June 2014</b>		
Bds\$	952	952
<b>30 June 2013</b>		
Bds\$	(542)	(542)

# BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

## Notes to Financial Statements

June 30, 2014

### 21. Financial Instruments, continued

(c) Market risk, continued

(i) Currency risk, continued

A 10 percent weakening of the Euro against the above currencies at 30 June 2014 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(ii) Interest rate risk

At the reporting date, the interest rate profile of the Company's interest-bearing financial instruments was:

	<b>Carrying amount</b>	
	<b><u>2014</u></b>	<b><u>2013</u></b>
<b>Fixed rate instruments</b>		
Financial liabilities	\$ 193,481,497	218,840,747
<b>Variable rate instruments</b>		
Financial liabilities	-	26,737,387

#### Fair values

The Company does not account for any fixed rate financial liabilities at fair value through profit or loss, therefore, a change in interest rates at reporting date would not affect profit or loss.

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	<b><u>2014</u></b>		<b><u>2013</u></b>	
	<b><u>Carrying Amount</u></b>	<b><u>Fair Value</u></b>	<b><u>Carrying Amount</u></b>	<b><u>Fair Value</u></b>
Cash and bank	\$ 1,392,706	1,392,706	187,808	187,808
Accounts receivable	4,631,528	4,631,528	4,787,507	4,787,507
Bonds payable	193,481,497	193,481,497	218,840,747	218,840,747
Accounts payable and accrued liabilities	22,568,294	22,568,294	19,381,389	19,381,389
Bank overdraft	-	-	26,737,387	26,737,387
Loans payable	162,921,606	162,921,606	104,542,165	104,542,165
Due to parent company	5,129,162	5,129,162	5,884,762	5,884,762

# BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

## Notes to Financial Statements

June 30, 2014

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### 22. Bulkeley Sugar Factory Operations

Commencing July 15, 2002, the cane yard at Bulkeley operated as a cane trans-loading station.

The Ministry of Agriculture indicated its intention to engage expertise to determine if the Bulkeley factory plant could be transformed into a revenue-generating asset. As at June 2014, this process had not yet commenced. However, due to some deterioration of the plant, accelerated depreciation was taken on the machinery and equipment components of the asset.

As at the date of the statement of financial position, the assets at Bulkeley have a carrying value of \$0.05 million (2013: \$1.95 million).

### 23. Subsequent Events

The following represents non-adjusting events which occurred subsequent to the reporting date:

(i) *Bond Financing*

On September 2, 2014, the Company signed a revised Engagement Agreement with Ansa Merchant Bank Limited to provide financing for Sugar Industry Support. The proposed financing is to be provided through a fixed rate non-callable bond issue of up to Bds\$73 million (or USD equivalent). The face amount of Series "A" is Bds\$32 million and Series "B" is Bds\$41 million. The term of maturity of Series "A" is three (3) years from disbursement and of Series "B" is six (6) years from disbursement. The bonds are to be secured by a Government of Barbados guarantee.

The proceeds of Series "A" are to be used to provide working capital support to the Company, whilst Series "B" is to provide funding for Sugar Industry Support. The timing and date of the issue are pending.