

Consolidated Financial Statements of

**BARBADOS AGRICULTURAL CREDIT TRUST LTD.**

June 30, 2011





## **BARBADOS AGRICULTURAL CREDIT TRUST LTD.**

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## AUDITORS' REPORT

### To the Shareholder of Barbados Agricultural Credit Trust Ltd.

We have audited the accompanying consolidated financial statements of the Barbados Agricultural Credit Trust Ltd. (the "Company"), which comprise the consolidated statement of financial position as at June 30, 2011, the consolidated statements of comprehensive loss, changes in equity and 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2011, 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 to the financial statements which describes that the Company has incurred a net loss before taxes of \$ 57,139,495 for the year ended June 30, 2011 and, as of that date, the Company's current liabilities exceeded its total current assets by \$57,283,177. These conditions, along with other matters described in Note 2, indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern.

**KPMG**

Chartered Accountants  
Bridgetown, Barbados  
December 14, 2011

# BARBADOS AGRICULTURAL CREDIT TRUST LTD.

## Consolidated Statement of Financial Position

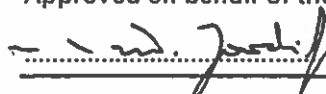
As at June 30, 2011  
with comparative figures for 2010

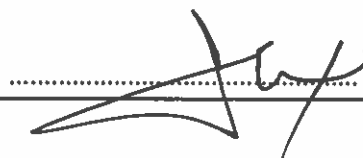
(Expressed in Barbados Dollars)

	<u>Notes</u>	<u>2011</u>	<u>2010</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	23	\$ 12,923,466	4,239,228
Accounts receivable	4	4,542,954	5,687,310
Loans receivable	5	3,247,249	3,178,742
Interest receivable		-	20,877
Other receivables	6	2,112,757	1,040,620
Inventory	7	12,050,015	13,381,354
Prepayments		851,894	866,314
VAT recoverable		<u>1,130,745</u>	<u>681,200</u>
<b>Total current assets</b>		<u>36,859,080</u>	<u>29,095,645</u>
Investments	8	2	2
Employee benefits	9	2,057,058	2,284,953
Capital works in progress		101,612	92,459
Property Development – Vineyard		106,408	13,784
Property, plant and equipment, net	10	<u>162,365,171</u>	<u>162,691,598</u>
<b>Total Assets</b>		<u>\$ 201,489,331</u>	<u>194,178,441</u>
<b>Liabilities and Shareholder's Equity</b>			
<b>Current Liabilities</b>			
Overdraft	24	\$ 47,722,295	45,490,986
Accounts payable and accrued liabilities	11	13,488,405	11,299,672
Short term debt	11	-	76,956,084
Current portion of long term debt	11	<u>32,931,557</u>	<u>5,485,871</u>
<b>Total current liabilities</b>		<u>94,142,257</u>	<u>139,232,613</u>
Due to Government of Barbados	12	843,516	843,516
Deferred tax liability	18	-	7,342
Bonds payable	13	147,507,533	89,829,324
Loans payable	14	<u>64,825,339</u>	<u>27,044,483</u>
<b>Total Liabilities</b>		<u>307,318,645</u>	<u>256,957,278</u>
<b>Shareholder's Equity</b>			
Share capital	15	113,186,483	113,186,483
Shares subscribed for and unissued	16	12,826,000	12,826,000
Revaluation reserves	10	109,049,976	94,968,300
Deficit		<u>(340,891,773)</u>	<u>(283,759,620)</u>
<b>Total shareholder's deficiency</b>		<u>(105,829,314)</u>	<u>(62,778,837)</u>
<b>Total Liabilities and Shareholder's Equity</b>		<u>\$ 201,489,331</u>	<u>194,178,441</u>

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

 Director

 Director

# BARBADOS AGRICULTURAL CREDIT TRUST LTD.

## Consolidated Statement of Comprehensive Loss

For the year ended June 30, 2011  
with comparative figures for 2010

(Expressed in Barbados Dollars)

	<u>Notes</u>	<u>2011</u>	<u>2010</u>
<b>Revenue</b>			
Sales - sugar		\$ 29,467,375	28,524,599
Sales - other		4,081,926	4,948,957
Interest on loans		245,857	514,456
Interest on fixed deposits		76,023	59,432
Gain on sale of equipment		569,919	-
Miscellaneous income		-	308,866
		<u>34,441,100</u>	<u>34,356,310</u>
<b>Expenses</b>			
Agriculture		29,863,462	30,518,175
Factory		25,347,042	22,568,153
Administration		19,395,297	20,996,174
		<u>74,605,801</u>	<u>74,082,502</u>
Operating expenses		<u>74,605,801</u>	<u>74,082,502</u>
Operating loss before the under mentioned items		(40,164,701)	(39,726,192)
Government grants	17	10,427,772	9,980,960
Other income		447,223	519,595
Foreign exchange loss		(326,337)	(28,272)
Loss on investment		-	(197,248)
Interest and finance charges		(12,565,299)	(11,347,740)
Depreciation and amortization		(14,958,153)	(12,155,712)
		<u>(16,974,794)</u>	<u>(13,228,417)</u>
Loss before corporation tax		(57,139,495)	(52,954,609)
Corporation tax	18	7,342	8,638
		<u>(57,132,153)</u>	<u>(52,945,971)</u>
Net loss for the year		\$ (57,132,153)	(52,945,971)
<b>Other comprehensive Income</b>			
Revaluation of plant and equipment		14,081,676	-
Other comprehensive income for the year		<u>14,081,676</u>	<u>-</u>
Total comprehensive loss for the year		\$ <u>(43,050,477)</u>	<u>(52,945,971)</u>

See accompanying notes to consolidated financial statements.

# BARBADOS AGRICULTURAL CREDIT TRUST LTD.

## Consolidated Statement of Changes in Equity

For the year ended June 30, 2011  
with comparative figures for 2010

*(Expressed in Barbados Dollars)*

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	<u>Share Capital</u>	<u>Revaluation Reserves</u>	<u>Deficit</u>	<u>Total</u>
Balance at July 1, 2009	\$ 126,012,483	94,968,300	(230,813,649)	(9,832,866)
Net loss for 2010	<u>-</u>	<u>-</u>	<u>(52,945,971)</u>	<u>(52,945,971)</u>
Balance at June 30, 2010	\$ <u>126,012,483</u>	<u>94,968,300</u>	<u>(283,759,620)</u>	<u>(62,778,837)</u>
Balance at July 1, 2010	\$ 126,012,483	94,968,300	(283,759,620)	(62,778,837)
Other comprehensive income	-	14,081,676	-	14,081,676
Net loss for 2011	<u>-</u>	<u>-</u>	<u>(57,132,153)</u>	<u>(57,132,153)</u>
Balance at June 30, 2011	\$ <u>126,012,483</u>	<u>109,049,976</u>	<u>(340,891,773)</u>	<u>(105,829,314)</u>

*See accompanying notes to consolidated financial statements.*

# BARBADOS AGRICULTURAL CREDIT TRUST LTD.

## Consolidated Statement of Cash Flows

For the year ended June 30, 2011  
with comparative figures for 2010

*(Expressed in Barbados Dollars)*

	<u>2011</u>	<u>2010</u>
<b>Cash Flows from Operating Activities</b>		
Loss before taxation for the year	\$ (57,139,495)	(52,954,609)
Adjustment for:		
Depreciation and amortization	14,958,153	12,155,712
Foreign exchange loss	326,337	28,272
Gain on sale of equipment	(583,219)	(26,084)
Interest income	(433,409)	(619,946)
Interest expense and finance charges	12,565,299	11,308,855
Loss on investment	-	197,248
Government grant	<u>(10,427,772)</u>	<u>(9,980,960)</u>
Operating loss before working capital changes	(40,734,106)	(39,891,512)
Increase in other receivables	(1,072,137)	(276,580)
Decrease in accounts receivable	818,019	832,046
Increase (decrease) in employee benefits	227,895	(218,801)
Decrease in prepayments	14,420	811,548
Decrease in inventory	1,331,339	3,998,936
Increase (decrease) in accounts payable and accrued liabilities	2,403,574	(939,179)
(Increase) decrease in VAT recoverable	<u>(449,545)</u>	<u>104,282</u>
Cash used in operating activities	(37,460,541)	35,579,260
Interest paid	<u>(12,780,140)</u>	<u>(8,846,730)</u>
<b>Net cash used in operating activities</b>	<u>(50,240,681)</u>	<u>(44,425,990)</u>
<b>Cash Flows from Investing Activities</b>		
Loans receivable – net	(68,507)	207,626
Proceeds from sale of equipment	600,652	84,024
Net (expenditure) transfer on capital works in progress	(9,152)	1,617,975
Property development	(92,624)	-
Purchase of property, plant and equipment	(567,483)	(2,660,012)
Interest received	<u>454,286</u>	<u>204,694</u>
<b>Net cash used in investing activities</b>	<u>317,172</u>	<u>(545,693)</u>
<b>Cash Flows from Financing Activities</b>		
Government of Barbados	-	-
Proceeds of short term loans	21,931,250	19,937,500
Repayment of short-term loans	(21,931,250)	(19,937,500)
Proceeds of loan from Government of Barbados	27,058,449	1,647,197
Repayment of loan from Government of Barbados	(971,875)	-
Repayment of loan from CDB/GOB	(1,347,924)	(1,347,924)
Repayment of loan from ADF	(614,208)	(774,764)
(Settlement of) proceeds from short term finance	(35,956,084)	76,956,083
Proceeds from bonds payable	61,215,740	44,000
Repayment of bonds payable	(3,435,432)	(3,333,333)
Government grant	<u>10,427,772</u>	<u>9,980,960</u>
<b>Net cash from financing activities</b>	<u>56,376,438</u>	<u>83,172,219</u>
Increase in cash and cash equivalents during year	6,452,929	38,200,536
Cash and cash equivalents, beginning of year	<u>(41,251,758)</u>	<u>(79,452,294)</u>
Cash and cash equivalents, end of year	\$ <u>(34,798,829)</u>	<u>(41,251,758)</u>
Cash and cash equivalents are comprised of:		
Bank overdraft	\$ (47,722,295)	(45,490,986)
Cash and bank balances	<u>12,923,466</u>	<u>4,239,228</u>
	\$ <u>(34,798,829)</u>	<u>(41,251,758)</u>

See accompanying notes to consolidated financial statements.



# BARBADOS AGRICULTURAL CREDIT TRUST LTD.

## Notes to Consolidated Financial Statements

June 30, 2011

(Expressed in Barbados Dollars)

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### 1. General

Barbados Agricultural Credit Trust Ltd. (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. Sugar Manufacturers Ltd. to Barbados Agricultural Credit Trust Ltd. The Company commenced operations on July 01, 1993. The registered office of the Company is located at No. 2, 6<sup>th</sup> Avenue Belleville, St. Michael. The consolidated financial statements of the Company as at and for the year ended June 30, 2011 comprise the company and its wholly owned subsidiary, Barbados Agricultural Management Co. Ltd.

The Company is wholly owned by the Government of Barbados and its principal activity is the management of the debt of Barbados Sugar Industry Limited (BSIL) and the Heavily Indebted Plantations (HIPs) which was assumed from Barbados National Bank in the form of a portfolio transfer.

The consolidated financial statements were authorized for issue by the Board of Directors on December 14, 2011.

### 2. Going Concern

These financial statements have been prepared on a going concern basis. At June 30, 2011 the Company has a net loss of \$57,139,495 and an accumulated deficit of \$340,891,773. The ability of the Company to remain as a going concern is dependent upon the continued financial support of its Shareholder. The Shareholder has communicated to management its commitment to continue funding the activities of the Company into the foreseeable future.

### 3. Significant Accounting Policies

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

The preparation of consolidated 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 consolidated 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 consolidated 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 consolidated 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 and 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.

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# BARBADOS AGRICULTURAL CREDIT TRUST LTD.

Notes to Consolidated Financial Statements

June 30, 2011

(Expressed in Barbados Dollars)

## 3. Significant Accounting Policies, continued

### (b) Use of Estimates and Judgments, continued

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 consolidated financial statements are described in the following note:

- Note 9 – measurement of defined benefit obligation
- Note 3(d) & 10 – Property, plant and equipment
- Note 3(n) – Allowance for loss on loans receivable

### (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 and buildings are carried at fair value based on a valuation done by an independent valuer. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment loss.

Increases arising from revaluations are credited to Revaluation Reserves in Shareholder's Equity. 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 assets to its state of use. Additions are depreciated from the date of purchase in the year of acquisition. The annual depreciation rates are as follows:

Buildings and 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-sales costs, with any resultant gain or loss recognized in the income statement. Point-of-sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market.

#### Standing Cane

The fair value of standing cane is based on the estimated market value of fully grown cane, less an appropriate allowance for realization costs and for the age, condition and sucrose content of the cane at the balance sheet date.

### (f) Taxation

Corporation tax in the statement of loss for the year comprises current and deferred tax. Corporation tax is recognized in the statement of loss except to the extent that it relates to items recognized directly to equity, in which case it is recognized in shareholder's deficit.

# BARBADOS AGRICULTURAL CREDIT TRUST LTD.

## Notes to Consolidated Financial Statements

June 30, 2011

(Expressed in Barbados Dollars)

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### 3. Significant Accounting Policies, continued

(f) *Taxation, continued*

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

Deferred tax is provided using the balance sheet liability method, providing 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 balance sheet date.

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 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 balance sheet date. Resulting exchange differences are taken into income.

(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 subsidiary. The recognized amount in the balance sheet 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.

The recognition of actuarial gains and losses is determined separately for each defined benefit plan. Unrecognized actuarial gains or losses are recognized in income over 5 years, following the year in which they arose.

Past service costs are recognized as an expense on a straight line basis over the average period until the benefits become vested. To the extent that the benefits are already vested following the introduction of, or changes to, a defined benefit plan, past service costs are recognized as an expense immediately.

# BARBADOS AGRICULTURAL CREDIT TRUST LTD.

## Notes to Consolidated Financial Statements

June 30, 2011

(Expressed in Barbados Dollars)

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### 3. Significant Accounting Policies, continued

(h) *Pension Expense and Obligation, continued*

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 income statement consists of current service cost, interest cost, the expected return on any plan assets and actuarial gains and losses. (See note 9)

(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) *Investments*

The Company's investments are accounted for in the accompanying consolidated financial statements at cost, as there is no quoted market price for these companies' shares and the companies are in an early stage of development.

(k) *Cash and Cash Equivalents*

Cash and cash equivalents comprise cash balances with a maturity of less than three months. Bank overdraft that is repayable on demand and form 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.

(l) *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.

(m) *Loans Receivable and Related Interest Income (see note 5)*

Loans receivable are recorded at estimated net realizable value. However due to the nature of the portfolio, interest is recognized as income only to the extent of cash received.

(n) *Allowance for Loss on Loans Receivable*

On October 1, 1993, as part of Government's restructuring plan of the Sugar Industry, the Sugar Industry Loan Portfolio, comprising Heavily Indebted Plantations (HIPs) and Barbados Sugar Industry Limited (BSIL), was transferred from the Barbados National Bank to the Company. The restructuring programme is ongoing and is expected to take some years to be effected.

During the year, management conducted a review of its loans in order to determine its course of action with respect to each delinquent loan and to estimate the value of such loans and the allowance for losses, which is likely to be incurred in collecting the loans. Estimating allowances for losses requires the use of assumptions as to the ability of borrowers to meet their obligations and estimates as to the values at which underlying security may be realised.

# BARBADOS AGRICULTURAL CREDIT TRUST LTD.

Notes to Consolidated Financial Statements

June 30, 2011

(Expressed in Barbados Dollars)

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## 3. Significant Accounting Policies, continued

### (n) Allowance for Loss on Loans Receivable, continued

This requires judgment as to the likely occurrence of events in the future and consequently allowances for losses are inherently imprecise. The difficulty in determining security values increases the risk of inaccuracies in the assumptions used and in estimates made.

Although management of the Company has established allowances for losses which it believes to be appropriate in the circumstances, it is possible that the losses ultimately incurred on realization of the loan portfolio could vary significantly, positively or negatively, from the allowances made in these financial statements.

### (o) Financial instruments

#### Non-derivative financial instruments

Non-derivative financial instruments comprise loans and other receivables, cash and cash equivalents, accounts payable and accrued liabilities.

Cash and cash equivalents comprise cash balances and term deposits.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Subsequent to initial recognition non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

### (p) Impairment

#### Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in that Companies share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

# BARBADOS AGRICULTURAL CREDIT TRUST LTD.

## Notes to Consolidated Financial Statements

June 30, 2011

(Expressed in Barbados Dollars)

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### 3. Significant Accounting Policies, continued

(p) *Impairment, continued*  
*Non-financial assets*

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

(q) *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, 2010, 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 2013 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.

# BARBADOS AGRICULTURAL CREDIT TRUST LTD.

## Notes to Consolidated Financial Statements

June 30, 2011

(Expressed in Barbados Dollars)

### 4. Accounts Receivable

Accounts receivable comprise:

		<u>2011</u>	<u>2010</u>
Trade	\$	5,137,655	5,778,649
Other		<u>928,111</u>	<u>1,436,673</u>
		6,065,766	7,215,322
Allowance for doubtful accounts		<u>(1,522,812)</u>	<u>(1,528,012)</u>
	\$	<u><u>4,542,954</u></u>	<u><u>5,687,310</u></u>

### 5. Loans Receivable

Loans receivable comprise:

		<u>Gross</u>	<u>Allowance For doubtful Accounts</u>	<u>Net 2011</u>	<u>Net 2010</u>
HIPs	\$	<u>19,256,283</u>	<u>16,009,034</u>	<u>3,247,249</u>	<u>3,178,742</u>

The loan portfolio comprises receivables from Heavily Indebted Plantations (HIPs) that were transferred to the Company as part of Government's restructuring plan for the sugar industry.

The receivables are shown at estimated net realizable value but, as disclosed in note 3(m), because of the nature of the portfolio, management believes that the ultimate realizable value of the portfolio could vary significantly, positively or negatively, from the amounts disclosed in the financial statements.

None of the loans are expected to mature in five years or less.

### 6. Other Receivables

Other receivables comprise:

		<u>2011</u>	<u>2010</u>
Amounts receivable from the sale of land	\$	625,207	731,249
Outstanding proceeds from the redemption of treasury bills		1,487,550	-
Refund of legal fees		-	308,866
Miscellaneous receivables		<u>-</u>	<u>505</u>
	\$	<u><u>2,112,757</u></u>	<u><u>1,040,620</u></u>

# BARBADOS AGRICULTURAL CREDIT TRUST LTD.

## Notes to Consolidated Financial Statements

June 30, 2011

(Expressed in Barbados Dollars)

### 7. Inventory

Inventory comprises the following:

	<u>2011</u>	<u>2010</u>
Sugar - Raw	\$ 1,750,325	3,078,764
Molasses	197,561	180,507
Stores stock	11,702,040	11,813,035
Goods in transit	<u>703,252</u>	<u>612,211</u>
	14,353,178	15,684,517
Less provision for obsolescence	<u>(2,303,163)</u>	<u>(2,303,163)</u>
	<u>\$ 12,050,015</u>	<u>13,381,354</u>

During the year ended June 30, 2011, no adjustment was made (2010: \$46,063) as the provision for obsolescence was considered adequate.

### 8. Investments

Investments comprise:

	<u>2011</u>	<u>2010</u>
(a) Exclusive Cottons of the Caribbean Inc.	\$ 1	1
(b) West Indies Sugar & Trading Company Limited	<u>1</u>	<u>1</u>
	<u>\$ 2</u>	<u>2</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 \$nil (2010 - \$nil).

In 2010, 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.



# BARBADOS AGRICULTURAL CREDIT TRUST LTD.

## Notes to Consolidated Financial Statements

June 30, 2011

(Expressed in Barbados Dollars)

### 9. Employees Benefits

The Barbados Agricultural Management Company Ltd and the Barbados Agricultural Credit Trust Ltd. jointly maintain a non-contributory defined benefit Group Pension Plan with Sagikor 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. The current amount paid by the Trust is 8.87% of employee pensionable earnings.

IAS 19 requires an enterprise to value its obligations under a defined benefit pension plan and recognise the result as a liability or asset subject to the specific requirements of the standard. A corresponding amount is recognised in the income statement as an expense or revenue.

An actuarial valuation of the pension plan was last conducted on June 30, 2011. This valuation indicated the following:

	<u>2011</u>	<u>2010</u>
Present value of funded obligations	\$ 10,410,297	9,966,541
Fair value of plan assets	<u>(13,337,859)</u>	<u>(12,013,174)</u>
	(2,927,562)	(2,046,633)
Unrecognised actuarial gain	<u>870,504</u>	<u>(238,320)</u>
Net asset in the balance sheet	\$ <u>(2,057,058)</u>	<u>(2,284,953)</u>

Movements in the net liability recognised in the balance sheet are as follows:

Net (asset) liability at beginning of year	\$ (2,284,953)	(2,066,152)
Net expense recognised in the income statement	938,926	478,221
Contributions	<u>(711,031)</u>	<u>(697,022)</u>
Net (asset) liability in balance sheet at year end	\$ <u>(2,057,058)</u>	<u>(2,284,953)</u>

The amounts recognised in the income statement are as follows:

	<u>2011</u>	<u>2010</u>
Current service cost	\$ 685,380	665,045
Interest on obligation	737,691	676,983
Expected return on plan assets	(857,829)	(819,787)
Past service cost	326,020	-
Net actuarial (gain) losses recognised in year	<u>(47,664)</u>	<u>(44,020)</u>
Total included in income statement - (salaries & related charges)	<u>843,598</u>	<u>478,221</u>
Actual return on plan assets	\$ <u>841,641</u>	<u>427,804</u>

# BARBADOS AGRICULTURAL CREDIT TRUST LTD.

## Notes to Consolidated Financial Statements

June 30, 2011

(Expressed in Barbados Dollars)

### 9. Employee Benefits, continued

Amounts for the current and previous periods are as follows:

	<u>2011</u>	<u>2010</u>
Defined benefit obligation	\$ 10,410,297	9,966,541
Plan assets	13,337,859	12,013,174
Surplus	2,297,562	2,046,633
Experience adjustments on plan liabilities	(1,064,405)	(179,233)
Experience adjustments on plan assets	(16,188)	(391,983)
Current year cost – Senior Executives	143,917	145,897

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

	<u>2011</u>	<u>2010</u>
Mortgages	11%	14%
Bonds	29%	29%
Equities	39%	36%
Property	9%	9%
Other	12%	12%

Principal actuarial assumptions at the balance sheet date are as follows:

	<u>2011</u>	<u>2010</u>
Discount rate at end of year	7.75%	7.00%
Expected return on plan assets at end of year	7.75%	7.00%
Future salary increases	2.50%	6.00%
Future changes in NIS Ceiling	4.25%	3.50%

## BARBADOS AGRICULTURAL CREDIT TRUST LTD.

Notes to Consolidated Financial Statements

June 30, 2011

(Expressed in Barbados Dollars)

10. Property, Plant and Equipment, net	Machinery	Building at Fair Value	Building and Fittings	Computers	Motor Vehicles	Irrigation Equipment	Land at Fair Value	Land	Total
Property, plant and equipment comprise:									
Cost/Valuation									
Balance at July 1, 2009	\$ 93,514,267	31,098,671	1,444,174	1,175,822	17,365,370	567,604	98,202,538	3,495,095	246,986,796
Additions	1,091,927	1,237,526	34,130	72,057	188,096	1,492	-	-	2,646,228
Revaluation	-	-	(15,275)	-	(336,796)	-	-	-	-
Disposals	(2,500)	-	-	-	-	-	-	-	(354,571)
Balance at June 30, 2010	<u>94,603,694</u>	<u>32,336,197</u>	<u>1,463,029</u>	<u>1,247,879</u>	<u>17,216,670</u>	<u>569,096</u>	<u>98,202,538</u>	<u>3,495,095</u>	<u>249,278,453</u>
Balance at July 1, 2010	94,603,694	32,336,197	1,463,029	1,247,879	17,216,670	569,096	98,202,538	3,495,095	249,278,453
Additions	15,549	99,242	49,361	10,529	385,075	7,727	-	-	567,483
Revaluation	13,933,570	-	-	-	148,106	-	-	(17,433)	14,081,676
Disposals	-	-	(2,087)	-	(100,239)	-	-	-	(119,759)
Balance at June 30, 2011	<u>108,552,813</u>	<u>32,435,439</u>	<u>1,510,303</u>	<u>1,258,408</u>	<u>17,649,612</u>	<u>576,823</u>	<u>98,202,538</u>	<u>3,477,662</u>	<u>263,807,853</u>
Accumulated Depreciation									
Balance at July 1, 2009	54,292,605	3,310,863	1,076,848	943,436	14,722,930	337,321	-	-	74,727,774
Expense	8,072,894	3,065,746	96,233	102,441	778,698	33,168	-	-	12,155,712
Disposals	(2,500)	-	(14,956)	-	(279,175)	-	-	-	(296,631)
Balance at June 30, 2010	<u>62,362,999</u>	<u>6,376,609</u>	<u>1,158,125</u>	<u>1,045,877</u>	<u>15,222,453</u>	<u>370,489</u>	<u>-</u>	<u>-</u>	<u>86,586,855</u>
Balance at July 1, 2010	62,362,999	6,376,609	1,158,125	1,045,877	15,222,453	370,489	-	-	86,586,855
Expense	10,907,303	3,117,675	98,440	96,934	698,604	31,984	-	-	14,958,153
Disposals	-	-	(2,087)	-	(100,239)	-	-	-	(102,326)
Balance at June 30, 2011	<u>73,270,302</u>	<u>9,494,284</u>	<u>1,254,478</u>	<u>1,142,811</u>	<u>15,820,818</u>	<u>402,473</u>	<u>-</u>	<u>-</u>	<u>101,442,682</u>
Net Book Value									
Balance at June 30, 2010	<u>\$ 32,240,695</u>	<u>25,959,588</u>	<u>304,904</u>	<u>202,002</u>	<u>1,994,217</u>	<u>198,607</u>	<u>98,202,538</u>	<u>3,495,095</u>	<u>162,691,598</u>
Balance at June 30, 2011	<u>\$ 35,282,511</u>	<u>22,941,155</u>	<u>255,825</u>	<u>115,597</u>	<u>1,828,794</u>	<u>174,350</u>	<u>98,202,538</u>	<u>3,477,662</u>	<u>162,365,171</u>

# BARBADOS AGRICULTURAL CREDIT TRUST LTD.

## Notes to Consolidated Financial Statements

June 30, 2011

(Expressed in Barbados Dollars)

### 10. 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 at November 2007 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.

During the year, the Company revalued its plant and equipment as at June 2011, 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.

### 11. Accounts payable and Accrued Liabilities

(a) Accounts payable and accrued liabilities comprise:

	<u>2011</u>	<u>2010</u>
Trade	\$ 1,680,828	1,199,199
Cane	265,347	770,516
Other	<u>11,542,230</u>	<u>9,329,957</u>
	<u>\$ 13,488,405</u>	<u>11,299,672</u>

(b) Short-term debt comprises:

(i) Government of Barbados	\$ -	41,000,000
(ii) Citicorp Merchant Bank Limited	-	16,094,000
(ii) BNB Finance & Trust Corporation	<u>-</u>	<u>19,862,084</u>
	<u>\$ -</u>	<u>76,956,084</u>

(i) The Company received an additional loan from the Government of Barbados for \$25.5 million, of which \$16.4 was used to repay the Commercial Paper arranged by Citicorp Merchant Bank Limited (\$16.1 plus interest). \$9.1 million was used to finance operating expenses. \$27.3 million was repaid from the issue of bonds of \$161.0 million. The loan is interest free and the unpaid balance \$39.2 million was reclassified as long-term.

(ii) \$16.1 million was received under a Commercial Paper issue arranged by Citicorp Merchant Bank Limited and carries a fixed interest rate of 4.30%. The Commercial Paper, principal and interest, was repaid in full in October 2010.

(iii) \$19.9 million was received under a Commercial Paper issue arranged by the BNB Finance & Trust Corporation. The interest rate is floating at 1.50% above the three-month Government of Barbados Treasury Bill rate, and the effective rate is presently 4.80%. The Commercial Paper was repaid in March 2011 from the issue of bonds of \$161.0 million.

# BARBADOS AGRICULTURAL CREDIT TRUST LTD.

## Notes to Consolidated Financial Statements

June 30, 2011

(Expressed in Barbados Dollars)

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

(c) Current portion of long term debt comprise:

	<u>2011</u>	<u>2010</u>
Current portion of long term debt		
– Government of Barbados	\$ 1,321,349	1,321,349
Current portion of long term debt		
– Government of Barbados	27,301,864	-
Current portion of long term debt		
– Bonds payable	3,435,432	3,333,333
Current portion of long term debt		
– Agricultural Development Fund	<u>872,912</u>	<u>831,189</u>
	<u>\$ 32,931,557</u>	<u>5,485,871</u>

### 12. Due to Government of Barbados

This amount of \$843,516 (2010: \$843,516) represents funds payable to the Government of Barbados. The amount bears interest at a rate of 4.5% with no specific repayment terms.

### 13. Bonds Payable

	<u>2011</u>	<u>2010</u>
(i) Fixed Rate bonds 2004/2014	\$ 19,873,323	19,829,323
(ii) Tranche 1 Fixed Rate bonds 2004/2016	7,500,000	8,750,000
(ii) Tranche 2 Fixed Rate bonds 2004/2016	12,500,001	14,583,334
(iii) Fixed Rate Non Callable Bonds	50,000,000	50,000,000
(iv) Tranche 1 Series 1 Fixed Rate Bonds 2011/2016	46,870,000	-
(iv) Tranche 2 Fixed Rate Bonds 2011/2019	11,303,424	-
(iv) Tranche 1 Series 2 Fixed Rate Bonds 2011/2016 (US Dollars)	<u>2,896,217</u>	<u>-</u>
	150,942,965	93,162,657
Less current portion	<u>(3,435,432)</u>	<u>(3,333,333)</u>
	<u>\$ 147,507,533</u>	<u>89,829,324</u>

#### (i) Fixed Rate Bonds 2004 – 2014

This represents an issue of \$20,000,000 discounted bonds which are redeemable by a single bullet payment at maturity date. The bonds carry an interest rate of 5.75%.

# BARBADOS AGRICULTURAL CREDIT TRUST LTD.

Notes to Consolidated Financial Statements

June 30, 2011

*(Expressed in Barbados Dollars)*

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## 13. Bonds Payable, continued

### (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 instalments. 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 instalments. The first redemption took place on 30 August 2005. The bonds carry an interest rate of 5.40%.

### (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.

#### Tranche 1, Series 1: 2011 - 2016

This issue of BDS\$50,000,000 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: 2011 – 2016

This represents an issue of US\$30,500,000 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 2011.

#### Tranche 2: 2011 - 2019

This issue of BDS\$50,000,000 has a 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 CREDIT TRUST LTD.

Notes to Consolidated Financial Statements

June 30, 2011

(Expressed in Barbados Dollars)

## 14. Loans Payable

	<u>2011</u>	<u>2010</u>
(a) Loan Payable – Government of Barbados comprises:		
(i) Loan Payable - Government of Barbados	\$ 88,408,916	21,322,341
Less current portion	<u>(27,301,864)</u>	<u>-</u>
	<u>61,107,052</u>	<u>21,322,341</u>
(ii) Loan Payable - Government of Barbados/ Caribbean Development Bank #9/OR-BS	3,753,346	5,101,270
Less current portion	<u>(1,321,349)</u>	<u>(1,321,349)</u>
	<u>2,431,997</u>	<u>3,779,921</u>
(b) Loan payable – Agricultural Development Fund	2,159,202	2,773,410
Less current portion	<u>(872,912)</u>	<u>(831,189)</u>
	<u>1,286,290</u>	<u>1,942,221</u>
	\$ <u>64,825,339</u>	<u>27,044,483</u>

- (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 \$61,107,052 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 relented to the Company to be used for the Sugar Revitalization Project. The loan is being repaid in sixty (60) equal consecutive quarterly installments which commenced on June 30, 1999. Interest is at a rate of 6.25% per annum, payable quarterly.
- (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.

# BARBADOS AGRICULTURAL CREDIT TRUST LTD.

Notes to Consolidated Financial Statements

June 30, 2011

(Expressed in Barbados Dollars)

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## 15. Share Capital

*Authorized:*

An unlimited number of ordinary shares of no par value

	<u>2011</u>	<u>2010</u>
<i>Issued:</i>		
1,000,000 shares - stated value	\$ <u>113,186,483</u>	<u>113,186,483</u>

## 16. Shares Subscribed for and Unissued

This amount represents shares subscribed for by the Government of Barbados, but not issued.

## 17. Government Grants

	<u>2011</u>	<u>2010</u>
	\$ <u>10,427,772</u>	<u>9,980,960</u>

Government grants for 2011 represent funds received from the Government of Barbados for:

- (i) the payment of principal and interest on the Fixed Rate bonds 2004 – 2016.



# BARBADOS AGRICULTURAL CREDIT TRUST LTD.

Notes to Consolidated Financial Statements

June 30, 2011

(Expressed in Barbados Dollars)

## 18. Corporation Tax

Corporation tax expense comprises:

	<u>2011</u>	<u>2010</u>
Change in deferred taxes	\$ (116,188)	(8,638)
Under accrual of previous year's deferred tax asset	(109,104)	-
Deferred tax asset not recognised	<u>217,950</u>	<u>-</u>
Corporation tax expense	\$ <u><u>(7,342)</u></u>	<u><u>(8,638)</u></u>

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

Accounting loss before corporation taxes	\$ <u><u>(57,139,495)</u></u>	<u><u>(52,954,609)</u></u>
Tax at 25%	(14,284,873)	(13,238,652)
Tax effect of expenses not allowable for tax purposes	782,104	951,263
Tax effect of deductions allowed for tax purposes	(1,555)	(108,489)
Tax effect of income not subject to tax	(145,806)	(6,521)
Tax effect of deductible temporary differences not recognized	13,751,892	12,393,761
Under accrual of previous year's deferred tax asset	<u>(109,104)</u>	<u>-</u>
Corporation tax expense	\$ <u><u>(7,342)</u></u>	<u><u>(8,638)</u></u>

### Deferred Tax Liability

The deferred tax liability of \$7,342 at as June 30, 2010 was attributable to the net deductible temporary differences arising from furniture and equipment, the pension asset and tax losses. As at June 30, 2011 the net position has reversed but the net deferred tax asset has not been recognized.

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

	<u>2011</u>	<u>2010</u>
Deductible (taxable) temporary differences:		
Property, plant and equipment	\$ 77,462,387	79,921,196
Accounts receivable	1,522,812	1,528,012
Employee benefit	<u>(2,057,058)</u>	<u>(2,241,851)</u>
	76,928,141	79,207,357
Tax losses	<u>197,579,882</u>	<u>175,143,297</u>
	\$ <u><u>274,508,023</u></u>	<u><u>254,350,654</u></u>
Deferred tax asset not recognized	\$ <u><u>68,627,005</u></u>	<u><u>63,587,663</u></u>

# BARBADOS AGRICULTURAL CREDIT TRUST LTD.

## Notes to Consolidated Financial Statements

June 30, 2011

(Expressed in Barbados Dollars)

### 18. Corporation Tax, continued

The tax losses expire between 2012 and 2020. 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 tax profit will be available against which the Company can utilize the benefits therefrom.

As at the balance sheet date, 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>
2002	\$ 20,768,515	-	-	(20,768,515)	-	2011
2003	14,042,064	-	-	-	14,042,064	2012
2004	7,529,178	-	-	-	7,529,178	2013
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	34,444,644	-	-	-	34,444,644	2018
2010	41,017,043	-	-	-	41,017,043	2019
2011	-	-	<u>42,676,183</u>	-	<u>42,676,183</u>	2020
	<u>\$ 175,672,214</u>	<u>-</u>	<u>42,676,183</u>	<u>(20,768,515)</u>	<u>197,579,882</u>	

Losses for the periods 2001 – 2007 have been agreed by the Department of Inland Revenue. Losses for the periods 2008 – 2011 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.

### 19. 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 a new lease effective 1 July 2011 for a period of 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	\$ 249,650
Independent Plantations	1 year	\$ 1,303,704

# BARBADOS AGRICULTURAL CREDIT TRUST LTD.

Notes to Consolidated Financial Statements

June 30, 2011

(Expressed in Barbados Dollars)

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## 20. 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>2011</u>	<u>2010</u>
Short-term employee benefits	\$ <u>1,578,134</u>	<u>1,466,166</u>

### *Other*

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

# BARBADOS AGRICULTURAL CREDIT TRUST LTD.

Notes to Consolidated Financial Statements

June 30, 2011

(Expressed in Barbados Dollars)

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## 21. Financial Risk Management

### *Overview*

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

- (a) credit risk;
- (b) liquidity risk; and
- (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.

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.

### *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 82 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 fifteen 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 fifteen 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.

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.

# BARBADOS AGRICULTURAL CREDIT TRUST LTD.

Notes to Consolidated Financial Statements

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## 21. Financial Risk Management, continued

### (a) Credit risk, continued

#### Loans 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 in which customers operate, has less of an influence on credit risk. During the year, the company examined its portfolio to determine what action, if any, should be undertaken. The examination identified individual accounts to which the company has recognized specific exposures however, estimating allowances for losses requires the use of assumptions as to the ability of borrowers to meet their obligations and estimates as to the values at which underlying security may be realized. This requires judgment as to the likely occurrence of events in the future and consequently allowances for losses are inherently imprecise. The difficulty in determining security values increases the risk of inaccuracies in the assumptions used and in estimates made. Although management of the Company has established allowances for losses which it believes to be appropriate in the circumstances, it is possible that the losses ultimately incurred on realization of the loan portfolio could vary significantly, positively or negatively, from the allowances made in these financial statements.

### (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. The Company maintains an overdraft facility, the limit of which was \$55 million at the end of the period under review.

### (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.

# BARBADOS AGRICULTURAL CREDIT TRUST LTD.

Notes to Consolidated Financial Statements

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(Expressed in Barbados Dollars)

## 21. Financial Risk Management, continued

### 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 11, 12 and 13 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 and 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.

## 22. 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>2011</u>	<u>2010</u>
Accounts receivable, net	\$ 4,542,954	5,687,310
Cash and bank balances	12,923,466	4,239,228
Loans receivable, net	3,247,249	3,178,742
Interest and other receivables	2,112,757	1,061,497

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

	<u>2011</u>	<u>2010</u>
International customers	\$ 2,052,341	3,395,784
Wholesale customers (molasses)	1,196,147	1,282,947
End-user customers (local & imported sugar)	7,881	6,899
Other	<u>1,881,286</u>	<u>1,093,019</u>
	<u>\$ 5,137,655</u>	<u>5,778,649</u>

The Company's most significant customer, a European wholesaler, accounts for \$1,401,270 of the trade receivables carrying amount at 30 June 2011 (2010: \$3,322,058).

#### Impairment losses

The aging of trade receivables at the reporting date was:

	<u>2011</u>	<u>2010</u>
Not past due	\$ 1,034,213	771,058
Past due 0-30 days	2,006,136	3,567,369
Past due 31-90 days	17,304	198,684
More than 90 days	<u>2,080,002</u>	<u>1,241,538</u>
	<u>\$ 5,137,655</u>	<u>5,778,649</u>

# BARBADOS AGRICULTURAL CREDIT TRUST LTD.

## Notes to Consolidated Financial Statements

June 30, 2011

(Expressed in Barbados Dollars)

### 22. Financial Instruments, continued

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

	<u>2011</u>	<u>2010</u>
Balance at 1 July	\$ 1,528,012	943,296
Impairment loss (recovered)/recognised	<u>(5,200)</u>	<u>584,716</u>
Balance at 30 June	\$ <u>1,522,812</u>	<u>1,528,012</u>

The impairment loss at 30 June 2011 includes an amount of \$716,053 which relates to an institution which was formerly responsible for the trading of all seed cotton produced in Barbados. This represents 47% 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 59 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.

#### *Loan Receivables*

The aging of loan receivables at the reporting date was estimated as follows:

	<u>2011</u>	<u>2010</u>
Past due 1 - 30 days	\$ 243,834	154,260
Past due 31 - 60 days	(3,025)	102,823
Past due 61 - 90 days	103,329	95,992
Over 90 days	<u>31,341,702</u>	<u>30,233,849</u>
	31,685,840	30,586,924
Deferred Income	(12,429,557)	(11,399,148)
Impairment allowance	<u>(16,009,034)</u>	<u>(16,009,034)</u>
	\$ <u>3,247,249</u>	<u>3,178,742</u>

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

	<u>2011</u>	<u>2010</u>
Balance at July 1	\$ 16,009,034	16,009,034
Change in impairment allowance	<u>-</u>	<u>-</u>
Balance at June 30	\$ <u>16,009,034</u>	<u>16,009,034</u>

Any reduction in the allowance for impairment is due to the settlement of loan receivable accounts during the year. Based on historic default rates, the Company believes that no further impairment allowance is necessary in respect of loan receivables.

# BARBADOS AGRICULTURAL CREDIT TRUST LTD.

## Notes to Consolidated Financial Statements

June 30, 2011

(Expressed in Barbados Dollars)

### 22. Financial Instruments, continued

(b) Liquidity risk

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

June 30, 2011

	Carrying Amount	Contractual Cash Flows	6 Months or Less	6 - 12 Months	1 - 2 Years	More than 5 Years
Bank overdraft	\$ 47,722,295	50,315,133	-	50,315,133	-	-
Secured bond issues	150,942,965	251,601,013	-	32,797,322	65,054,642	153,749,049
Loans payable	94,321,464	94,459,685	-	988,578	93,471,107	-
Trade and other payables	13,488,405	13,488,405	125,075	301,811	13,061,519	-
Due to the Government of Barbados	<u>843,516</u>	<u>843,516</u>	<u>843,516</u>	<u>-</u>	<u>-</u>	<u>-</u>
	\$ <u>307,318,645</u>	<u>410,707,752</u>	<u>968,591</u>	<u>84,402,844</u>	<u>171,587,268</u>	<u>153,749,049</u>

June 30, 2010

	Carrying Amount	Contractual Cash Flows	6 Months or Less	6 - 12 Months	1 - 2 Years	More than 5 Years
<b>Financial Liabilities</b>						
Bank overdraft	\$ 45,490,986	(48,782,242)	-	(48,782,242)	-	-
Trade and other payables	11,299,672	11,299,672	(136,723)	(705,626)	(10,457,323)	-
Short term debt	76,956,084	(78,589,568)	-	(78,589,568)	-	-
Secured bond issues	93,162,657	(149,380,378)	-	(9,455,897)	(18,371,794)	(121,552,687)
Loans payable	29,197,021	(35,952,538)	-	(2,641,475)	(5,063,678)	(28,247,385)
Due to Government of Barbados	<u>843,516</u>	<u>(843,516)</u>	<u>(843,516)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>256,949,936</u>	<u>(324,847,914)</u>	<u>(980,239)</u>	<u>(140,174,808)</u>	<u>(33,892,795)</u>	<u>(149,800,072)</u>



# BARBADOS AGRICULTURAL CREDIT TRUST LTD.

## Notes to Consolidated Financial Statements

June 30, 2011

(Expressed in Barbados Dollars)

### 22. Financial Instruments, continued

#### (c) Currency risk

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

<u>\$'000</u>	<u>30 June 2011</u>				<u>30 June 2010</u>			
	<u>Bds\$</u>	<u>Euro</u>	<u>USD</u>	<u>GBP</u>	<u>Bds\$</u>	<u>Euro</u>	<u>USD</u>	<u>GBP</u>
Trade receivables	2,052	743	31	-	3,396	1,274	-	-
Gross exposure on the statement of financial position	2,052	743	31	-	3,396	1,274	-	-
Estimated forecast sales	27,311	9,939	735	-	29,538	11,815	-	-

The following significant exchange rates applied during the year:

<u>Bds\$</u>	<u>Reporting date</u>			
	<u>Average Rate</u>		<u>Spot Rate</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Bds\$/Euro 1	2.6778	2.6653	2.8728	2.4542
Bds\$/USD 1	1.9938	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 2010.

<i>Effect in thousands of Bds\$</i>	<b>Equity</b>	<b>Profit or loss</b>
<b>30 June 2011</b>		
Bds\$	1,216	1,216
<b>30 June 2010</b>		
Bds\$	1,094	1,094

# BARBADOS AGRICULTURAL CREDIT TRUST LTD.

## Notes to Consolidated Financial Statements

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(Expressed in Barbados Dollars)

### 22. Financial Instruments, continued

A 10 percent weakening of the Euro against the above currencies at 30 June 2011 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.

#### (d) Interest rate risk

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

	<b>Carrying amount</b>	
	<u>2011</u>	<u>2010</u>
<b>Fixed rate instruments</b>		
Financial liabilities	150,942,965	93,162,657
<b>Variable rate instruments</b>		
Financial liabilities	47,722,295	45,490,986

#### 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 balance sheet, are as follows:

	<u>2011</u>		<u>2010</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 12,923,466	12,923,466	4,239,228	4,239,228
Accounts receivables	4,542,954	4,542,954	5,687,310	5,687,310
Loans receivable	3,247,249	3,247,249	3,178,742	3,178,742
Interest receivable	-	-	20,877	20,877
Other receivables	2,112,757	2,112,757	1,040,620	1,040,620
Bank overdraft	(47,722,295)	(47,722,295)	(45,490,986)	(45,490,986)
Trade and other payables	(13,488,405)	(13,488,405)	(11,299,672)	(11,299,672)
Due to Government of Barbados	(843,516)	(843,516)	(843,516)	(843,516)
Secured bond issues	(150,942,965)	(150,942,965)	(93,162,657)	(93,162,657)
Loans payable	(94,321,464)	(94,321,464)	(29,197,021)	(29,197,021)

# BARBADOS AGRICULTURAL CREDIT TRUST LTD.

## Notes to Consolidated Financial Statements

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*(Expressed in Barbados Dollars)*

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### 23. 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 2011, 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 \$5.04 million (2010: \$5.67 million).

### 24. Cash and Cash Equivalents

	<u>2011</u>	<u>2010</u>
Bank balances	\$ 11,435,916	1,264,728
Fixed deposits	<u>1,487,550</u>	<u>2,974,500</u>
	12,923,466	4,239,228
Bank overdraft	<u>(47,722,295)</u>	<u>(45,490,986)</u>
Net cash and cash equivalents	\$ <u>(34,798,829)</u>	<u>(41,251,758)</u>

