

BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.



**TWENTIETH
ANNUAL REPORT
AND
ACCOUNTS
FOR THE YEAR ENDED 30TH JUNE, 2013**



BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

**TWENTIETH
ANNUAL REPORT**

AND

ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2013

BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

REPORT AND ACCOUNTS 2013

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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	Chairman
Anderson Morrison	Deputy Chairman
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	

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

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 just ended has been a difficult one and ought to be viewed in the context of severely challenging economic conditions that impacted adversely on the Industry. A major result of the conditions described is that cane production for the 2013 crop declined significantly. The crop 2013 produced 173,085 tonnes of cane, which was converted to 17,423 tonnes 96° of sugar - the lowest figures recorded by the Industry to date. This in turn translates to a 33.1% decline in cane production island-wide and a 29.0% decline in sugar output.

The Company's Agriculture Department recorded a 32% decline in its cane production that mirrors the island-wide trend. All farms experienced a significant reduction in rainfall during the months of September to November 2012, which also impacted negatively on cane production. Consequently, the two factories operated throughout the period at less than optimum capacity, recording approximately 1,260 out-of-cane hours. This created challenges for the factories but due to a robust maintenance programme carried out in 2012, both factories performed creditably and achieved a 5.7% improvement in sugar recovery, measured by tonnes cane processed to tonnes sugar produced (tc/ts); (2013: 9.93 compared to 2012: 10.54). This was not sufficient, however, to impact materially on the poor financial results arising from the significant decline in cane production as previously mentioned and in sugar output.

The Company incurred a net loss of \$61.2 million for the year ended June 2013 compared to \$52.1 million for the year ended June 2012. However, it is significant to note that this net loss includes an increase

of \$7.5M in depreciation (i.e. non-cash expense) in keeping with a previous decision that the value of certain specific assets would be written-off by 2014 to reflect their useful life and carrying value.

PRODUCTION

Harvesting of the 2013 crop commenced on 6 March 2013 and was completed on 5 June 2013. Total cane production was 173,085 tonnes, approximately 33.1% less than the 258,601 tonnes cane produced in 2012. The BAMC supplied 76,390 tonnes cane or 44.1% of the total cane milled, compared to 43.6% in 2012. Independent farmers produced 96,703 tonnes, some 49,259 tonnes (or 33.7%) less than the previous year. These results (as previously stated) record an island-wide decline in cane production of approximately 33.1% (or 85,516 tonnes cane less) compared to 2012.

Total acreage harvested for 2013 was 10,481 acres representing a reduction of 1,722 acres (or 14.1%) compared to the 12,203 acres harvested in 2012. Of the 10,481 acres, the BAMC harvested 4,790 acres (46% of the total), and the independent plantations and small farmers 5,691 acres (54% of the total). The average yield for the Industry was 16.51 tonnes cane per acre, which was effectively a 22.1% reduction in the national average yield compared with the previous year's 21.19. Weather conditions were favourable for most of the harvesting period, impacting favourably on juice quality as well as sugar recovery which improved by 5.7%.

The two (2) factories began milling on 6 March and grinding operations ceased on 23 May and 7 June 2013 at Andrews and Portvale Factories, respectively. Juice quality at Andrews proved to be good at the

BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

CHAIRMAN'S REPORT

start of the harvest. Portvale at the start of the harvest accepted several tonnes of burnt cane in an effort to avoid the possible loss in tonnage due to spoilage. This in turn adversely affected juice quality during the initial stages of the milling at Portvale Factory. Juice quality improved and peaked for both factories around the middle of April 2013. Cane quality was generally quite good compared to previous years.

Both factories suffered from a poor supply of cane during the crop, resulting in some 1,260 hours out-of-cane, which impacted negatively on overall factory operations. As a result of the poor delivery of cane, both factories were faced with operational challenges throughout the crop, resulting in cane being processed beyond its peak in terms of quality. This was also a factor that contributed to the low sugar production of 17,423 tonnes 96°.

FINANCIAL PERFORMANCE

The Company's recorded net loss of \$61.2M represents an increase in losses of \$9.1M compared to 2012. Operating loss for the year at \$46.6M was \$6.6M above that of the previous year, while operating expenses at \$55.0M was \$16.8M below that of the \$72.8M for 2012. Revenue recorded for the year amounted to \$8.4M compared to \$32.7M in 2012. This variance was however due to receipts for the export of raw bulk sugar being booked subsequent to 30 June 2013 - a direct result of changes in the terms of trade negotiated with T & L Sugars Limited for the 2013 crop.

Debt repayment for the year ended was financed by way of Government grants totalling \$26.9M that were applied towards repayment of existing Fixed Rate Bonds as they fell due. In addition, \$27.3M was

received from Government in support of operations. The Company's operations therefore continued to be reliant on Government financing without which material uncertainty exists, casting doubt on the Company's ability to continue as a going concern. The Government's continued support, to date, has tangibly indicated its commitment to the continuation of the Sugar Industry as an important sector of the island's economy.

Export revenue results recorded this year, are anomalous, in that the bulk sugar was not shipped and paid for by the financial year end (i.e. 30 June 2013) as is customary. Under this year's arrangements for the sale and export of raw bulk sugar, it was agreed with the purchaser (T & L Sugars Ltd.) to store its order for bulk sugar until the month of October 2013, and to receive payment against a Warehouse Receipt. Due to administrative delays at the purchaser's end, payment was received in July 2013 and will be booked to revenue for 2014.

Bulk sugar represented approximately 88% of the sugar produced. The Company successfully negotiated a premium for bulk shipments of approximately €85 per tonne or 25% above the basic price of €335.20. This was €40 above the €380 earned in 2012. Bulk sugar earnings will therefore be approximately €5.6M. The average exchange rate earned was pegged at B\$2.5272 (2012: average B\$2.5622/€1.00). In this regard, the Company entered into one currency hedge contract in order to provide a level of certainty in revenue and to avoid possible foreign exchange losses. Export revenue was affected with only \$782K being recorded for the sale of Special sugars compared to the \$23.7M earned in 2012. Special sugars (bagged) fetched an average price of \$1,908 per tonne.

BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

CHAIRMAN'S REPORT

Costs

Operating costs were \$55.0M, lower than the 2012 level of \$72.8M. These reduced costs reflect the retention of bulk stocks (if adjusted, operating costs would be approximately \$71.3M). In this regard, it should therefore be noted, that in spite of the difficult circumstances, the Company was able to successfully contain costs, with Agricultural expenses being reduced by approx. \$1.6M, and Factory expenses remaining relatively stable.

A net loss for the year of \$61.2M was incurred compared to that of \$52.1M in 2012. As earlier indicated, this net loss includes for the first time, an increase of \$7.5M in depreciation (i.e. non-cash expense) in keeping with a previous decision that the value of certain specific assets would be written-off by 2014 to reflect their useful life and carrying value. Interest and finance charges for the year are on par with last year, and represent Bonds interest coupled with the continued need to utilize an overdraft facility.

Independent plantations and small farmers supplied a total of 96,703 tonnes cane and were paid a total of \$6.5M, an average price of \$65.60 per tonne of cane purchased, compared to the \$58.87 paid in 2012. This represented an increase of \$6.70 (11%) above the \$58.87 paid in 2012. This cost, when expressed on a per tonne sugar basis, reflected a significant increase over 2012 (\$6,157 per tonne sugar compared with \$4,148 in 2012), due to the drastic reduction in sugar production. Much of the Company's costs in this regard is fixed and is reflected in an increase in unit cost.

It can therefore be argued, that the Company's performance has remained relatively stable once the following factors

are taken into consideration amongst the others previously mentioned:

1. The booking of raw-bulk revenue to the financial year 2014 and not 2013 for reasons previously cited which resulted in a significant reduction in revenue for the year 2013.
2. The drastic reduction in cane production, which affected the efficiency of factory operations as most of the factory costs are fixed. Thereby spiking an increase in the unit cost of sugar produced.

LOOKING AHEAD

The future of the Industry continues to rest on the outcome of the Cane Industry Restructuring Project (CIRP) and a number of initiatives have been undertaken, of which we highlight but a few.

NIB Loan

On 12 July 2013, the Company (under the aegis of the Ministry of Agriculture Food, Fisheries and Water Resources Management (MAFFW) obtained a loan of \$13M from the National Insurance Board (NIB) to assist in providing support and incentives to cane growers. The objective of the financing is to halt the decline in acreage under sugar cane cultivation and to sustain the Industry pending the continuing work on the restructuring of the Industry.

ANSA Merchant Bond

Under a mandate from the MAFFW, the Company signed an Engagement Agreement with Ansa Merchant Bank Limited to provide financing in support of the CIRP. The financing proposed is to be by way of a fixed rate non-callable bond issue, with a

BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

CHAIRMAN'S REPORT

face value of up to BDS\$72.5M. The term of maturity of the bond will be seven (7) years from the date of disbursement and is to be secured by a Government of Barbados guarantee. The beneficiary of the bond proceeds will be the Barbados Cane Industry Corporation (BCIC) and the funds are to be utilised in support of CIRP.

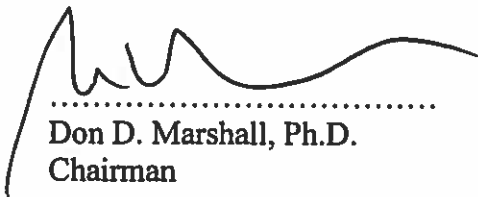
Andrews Factory

The decision was taken to cease operations at Andrews at the end of the 2013 crop. The decision was taken to facilitate commencement on the construction and commissioning of a multi-purpose factory at Andrews. In the interim, Portvale Factory will be expected to carry the crop over the next two (2) years.

All of the above underscores Government's commitment and its recognition of the urgency required to make the value-added move from a Sugar Industry to a Sugar Cane Industry, in order to permit the Industry to resume its role as a sector capable of contributing significantly to the Island's economy.

APPRECIATION

Appreciation is expressed on behalf of the Directors to the management and staff for their contribution during the year. Appreciation is also expressed to the Ministry of Agriculture, Food, Fisheries and Water Resources Management and the Ministry of Finance, as without their continued support, the operations of the Company would not have been possible; appreciation is also expressed to all farmers, cane suppliers and the trade unions, namely, the Barbados Workers' Union and the Sugar Industries Staff Association.



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

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 2013.

RESULTS

Net Loss for the year was \$ 61,204,994.

Total comprehensive loss for the year was \$ 53,946,885.

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 29 day of October 2013,
in accordance with a resolution
passed by the Board of Directors.



CHAIRMAN

DIRECTOR



Financial Statements of

BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

June 30, 2013

BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

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Bridgetown, Barbados

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, 2013, the statement of comprehensive loss, statement of changes in shareholder's deficiency and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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, 2013, 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 \$61,204,994 for the year ended June 30, 2013 and, as of that date, the Company's current liabilities exceeded its total current assets by \$58,339,813.

These conditions, along with other matters 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
October 29, 2013

BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

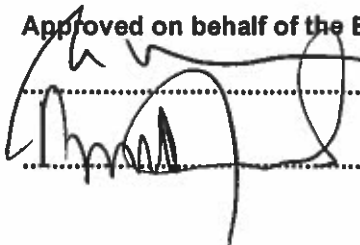
Statement of Financial Position


As at June 30, 2013
with comparative figures for 2012

	<u>Notes</u>	<u>2013</u>	<u>2012</u>
Assets			
Current Assets			
Cash and bank	4	\$ 187,808	405,741
Accounts receivable	5	4,787,507	7,079,325
Inventory	6	27,347,334	14,328,918
Prepayments		1,709,307	691,780
VAT recoverable		<u>2,613,428</u>	<u>1,713,068</u>
Total current assets		<u>36,645,384</u>	<u>24,218,832</u>
Investments	7	3	3
Employee benefits	15	-	2,364,506
Capital works in progress		237,981	112,773
Property, plant and equipment, net	8	<u>164,836,054</u>	<u>182,482,884</u>
Total Assets		\$ <u>201,719,422</u>	<u>209,178,998</u>
Liabilities and Shareholder's Deficiency			
Current Liabilities			
Overdraft	4	\$ 26,737,387	29,100,219
Employee benefits	15	1,199,623	-
Accounts payable and accrued liabilities	9	19,381,389	17,376,281
Short term debt	9	9,968,750	-
Current portion of long term debt	9	<u>37,698,048</u>	<u>13,417,737</u>
Total current liabilities		<u>94,985,197</u>	<u>59,894,237</u>
Bonds payable	10	183,144,447	196,995,897
Loans payable	11	102,540,417	76,574,304
Due to parent company	13	<u>5,884,762</u>	<u>6,603,076</u>
Total Liabilities		<u>386,554,823</u>	<u>340,067,514</u>
Shareholder's Deficiency			
Share capital	14	115,113,480	115,113,480
Revaluation reserves	8	157,586,593	150,328,484
Deficit		<u>(457,535,474)</u>	<u>(396,330,480)</u>
Total shareholder's deficiency		<u>(184,835,401)</u>	<u>(130,888,516)</u>
Commitments	18	-	-
Total Liabilities and Shareholder's Deficiency		\$ <u>201,719,422</u>	<u>209,178,998</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, 2013
with comparative figures for 2012

	<u>Notes</u>	<u>2013</u>	<u>2012</u>
Revenue			
Sales - sugar		\$ 5,601,135	29,583,316
Sales - other		<u>2,831,778</u>	<u>3,163,831</u>
Total revenue		<u>8,432,913</u>	<u>32,747,147</u>
Expenses			
Agriculture		28,378,598	30,749,480
Factory		25,676,707	25,989,805
Administration		12,164,551	11,476,664
Stock Movement		<u>(11,208,953)</u>	<u>4,534,455</u>
Operating expenses		<u>55,010,903</u>	<u>72,750,404</u>
Operating loss before the under mentioned items		(46,577,990)	(40,003,257)
Government grants	12	26,858,114	21,762,429
Other income		797,877	646,697
Foreign exchange gain (loss)		-	5,411
Interest and finance charges		(16,286,236)	(16,072,380)
Depreciation and amortization		<u>(25,996,759)</u>	<u>(18,478,841)</u>
		<u>(14,627,004)</u>	<u>(12,136,684)</u>
Loss before corporation tax		(61,204,994)	(52,139,941)
Corporation tax	16	<u>-</u>	<u>-</u>
Net loss for the year		<u>(61,204,994)</u>	<u>(52,139,941)</u>
Other Comprehensive Income			
Revaluation of plant and equipment		<u>7,258,109</u>	<u>41,278,508</u>
Other comprehensive income for the year		<u>7,258,109</u>	<u>41,278,508</u>
Total comprehensive loss for the year		\$ <u>(53,946,885)</u>	<u>(10,861,433)</u>

See accompanying notes to financial statements.

BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

Statement of Changes in Shareholder's Deficiency

For the year ended June 30, 2013
with comparative figures for 2012

	<u>Notes</u>	<u>Share Capital</u>	<u>Revaluation Reserves</u>	<u>Deficit</u>	<u>Total</u>
Balance at June 30, 2011		\$ 115,113,480	109,049,976	(344,190,539)	(120,027,083)
Net loss for the year		-	-	(52,139,941)	(52,139,941)
Other comprehensive income	8	<u>-</u>	<u>41,278,508</u>	<u>-</u>	<u>41,278,508</u>
Balance at June 30, 2012		115,113,480	150,328,484	(396,330,480)	(130,888,516)
Net loss for the year		-	-	(61,204,994)	(61,204,994)
Other comprehensive income	8	<u>-</u>	<u>7,258,109</u>	<u>-</u>	<u>7,258,109</u>
Balance at June 30, 2013		\$ <u>115,113,480</u>	<u>157,586,593</u>	<u>(457,535,474)</u>	<u>(184,835,401)</u>

See accompanying notes to financial statements.

BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

Statement of Cash Flows

For the year ended June 30, 2013
with comparative figures for 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities		
Net loss for the year	\$ (61,204,994)	(52,139,941)
Adjustment for:		
Depreciation and amortization	25,996,759	18,478,841
Foreign exchange gain	-	(5,411)
Gain on sale of equipment	(50,041)	(22,739)
Interest income	(20,233)	(101,078)
Interest expense and finance charges	16,286,236	16,072,380
Employee benefits	3,564,129	(379,850)
Government grant	<u>(26,858,114)</u>	<u>(21,762,429)</u>
Operating loss before working capital changes	(42,286,258)	(39,860,227)
Decrease (increase) in accounts receivable	2,291,818	(2,530,960)
(Increase) decrease in prepayments	(1,017,527)	149,019
Increase in inventory	(13,018,416)	(2,278,903)
(Decrease) increase in accounts payable and accrued liabilities	(317,080)	1,469,228
Increase in VAT recoverable	<u>(900,360)</u>	<u>(582,323)</u>
Cash used in operating activities	(55,247,823)	(43,634,166)
Interest paid	<u>(13,964,048)</u>	<u>(13,492,194)</u>
Net cash used in operating activities	<u>(69,211,871)</u>	<u>(57,126,360)</u>
Cash Flows from Investing Activities		
Proceeds from sale of equipment	413,904	22,773
Net expenditure on capital works in progress	(125,208)	(11,161)
Purchase of plant and equipment	(1,455,683)	(646,811)
Acquisition of investment	-	(1)
Interest received	<u>20,233</u>	<u>101,078</u>
Net cash used in investing activities	<u>(1,146,754)</u>	<u>(534,122)</u>
Cash Flows from Financing Activities		
Proceeds of short-term loans	9,968,750	11,962,500
Repayment of short-term loans	-	(11,962,500)
Proceeds of loan from Government of Barbados	27,426,064	17,950,069
Repayment of loan from CDB/GOB	(1,340,608)	(1,342,440)
Repayment of loan from Government of Barbados	-	(31,611,638)
Due to parent company	(718,314)	2,228,366
Repayment of loan from ADF	(296,265)	(564,485)
Proceeds from short-term financing	-	-
Proceeds from bonds payable	23,600,000	66,243,512
Repayment of bonds payable	(12,994,217)	(8,951,509)
Government grant	<u>26,858,114</u>	<u>21,762,429</u>
Net cash from financing activities	<u>72,503,524</u>	<u>65,714,304</u>
Increase in cash and cash equivalents during year	2,144,899	8,053,822
Cash and cash equivalents, beginning of year	<u>(28,694,478)</u>	<u>(36,748,300)</u>
Cash and cash equivalents, end of year	\$ <u>(26,549,579)</u>	\$ <u>(28,694,478)</u>
Cash and cash equivalents are comprised of:		
Bank overdraft	\$ (26,737,387)	(29,100,219)
Cash and bank balances	<u>187,808</u>	<u>405,741</u>
	\$ <u>(26,549,579)</u>	\$ <u>(28,694,478)</u>

See accompanying notes to financial statements.

BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

Notes to Financial Statements

June 30, 2013

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's principal activity is the management of the sugar industry's assets, which comprise sugar cane lands, sugar factories, sugar and molasses terminals, a sugar and variety testing station and other related facilities.

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 October 29, 2013.

2. Going Concern

These financial statements have been prepared on a going concern basis. At June 30, 2013, the Company has a net loss of \$61,204,994 and an accumulated deficit of \$457,535,474. 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 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.

BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

Notes to Financial Statements

June 30, 2013

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 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. 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.

BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

Notes to Financial Statements

June 30, 2013

3. Significant Accounting Policies, continued

(f) *Taxation, continued*

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.

(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.

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.

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.

BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

Notes to Financial Statements

June 30, 2013

3. Significant Accounting Policies, continued

(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. 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. 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.

(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, 2012, 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 2015 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 MANAGEMENT CO. LTD.

Notes to Financial Statements

June 30, 2013

4. Cash and Cash Equivalents

Cash and cash equivalents comprise:

	<u>2013</u>	<u>2012</u>
Bank overdraft	\$ (26,737,387)	(29,100,219)
Cash and bank balances	<u>187,808</u>	<u>405,741</u>
	<u>\$ (26,549,579)</u>	<u>(28,694,478)</u>

The bank overdraft is secured by a Letter of Comfort from the Government of Barbados.

5. Accounts Receivable

Accounts receivable comprise:

	<u>2013</u>	<u>2012</u>
Trade	\$ 5,717,748	8,035,565
Other	<u>894,785</u>	<u>881,120</u>
	6,612,533	8,916,685
Allowance for doubtful accounts	<u>(1,825,026)</u>	<u>(1,837,360)</u>
	<u>\$ 4,787,507</u>	<u>7,079,325</u>

6. Inventory

Inventory comprises the following:

	<u>2013</u>	<u>2012</u>
Sugar - Raw	\$ 17,071,095	2,222,286
Molasses	155,098	294,294
Stores stock	13,389,754	13,440,077
Goods in transit	<u>487,531</u>	<u>634,255</u>
	31,103,478	16,590,912
Less provision for obsolescence	<u>(3,756,144)</u>	<u>(2,261,994)</u>
	<u>\$ 27,347,334</u>	<u>14,328,918</u>

During the year ended June 30, 2013, stock items of \$1,494,150 (2012: \$41,169) 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, 2013

7. Investments

Investments comprise:

	<u>2013</u>	<u>2012</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 nil (2012 - \$91,500).

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

As at 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. This represents a total shareholding interest of 33.33% in WISTCO Caribbean.

BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

Notes to Financial Statements

June 30, 2013

8. Property, Plant and Equipment, net

Property, plant and equipment comprise:

		Building at Fair Value	Building Chateaus	Furniture and Fittings	Computers	Motor Vehicles	Irrigation Equipment	Land at Fair Value	Total
Cost/Valuation	Machinery								
Balance at July 1, 2011	\$ 108,552,813	32,435,439	144,255	1,281,997	1,258,408	17,469,715	576,823	98,472,538	260,191,988
Additions	319,766	-	33,600	33,101	26,049	234,295	-	-	646,811
Revaluation - IAS16	-	3,080,583	-	-	-	-	-	27,919,014	30,999,597
Disposals	(39,034)	-	-	-	(1,005)	(272,121)	-	-	(312,160)
Disposals - IAS16	-	(1,277,272)	-	-	-	-	-	(23,600)	(1,300,872)
Balance at June 30, 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
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 - IAS16	-	543,113	-	-	-	-	-	986,987	1,530,100
Disposals	(737,788)	-	-	-	-	(126,867)	-	-	(864,655)
Disposals - IAS16	-	-	-	-	-	-	-	-	-
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
Accumulated Depreciation									
Balance at July 1, 2011	\$ 73,270,302	9,494,284	57,516	1,067,572	1,142,811	15,720,590	402,473	-	101,155,548
Expense	10,781,660	6,976,749	7,218	74,833	55,253	557,785	25,343	-	18,478,841
Disposals	(39,000)	-	-	-	(1,005)	(272,121)	-	-	(312,126)
Disposals - IAS 16 revaluation	-	(11,579,783)	-	-	-	-	-	-	(11,579,783)
Balance at June 30, 2012	\$ 84,012,962	4,891,250	64,734	1,142,405	1,197,059	16,006,254	427,816	-	107,742,480
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
Net Book Value									
Balance at June 30, 2012	\$ 24,820,583	29,347,500	113,121	172,693	86,393	1,425,635	149,007	126,367,952	182,482,884
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

BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

Notes to Financial Statements

June 30, 2013

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.

During the current year, Rolphe 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>2013</u>	<u>2012</u>
Trade	\$ 1,037,601	1,147,134
Cane	1,939,450	2,003,838
Other	<u>16,404,338</u>	<u>14,225,309</u>
	<u>\$ 19,381,389</u>	<u>17,376,281</u>

(b) Current portion of long term debt comprise:

	<u>2013</u>	<u>2012</u>
Current portion of long term debt - Government of Barbados	\$ 1,070,301	1,340,606
Current portion of long term debt - Bonds payable	35,696,300	11,239,071
Current portion of long term debt - Agricultural Development Fund	<u>931,447</u>	<u>838,060</u>
	<u>\$ 37,698,048</u>	<u>13,417,737</u>

BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

Notes to Financial Statements

June 30, 2013

9. Accounts Payable and Accrued Liabilities, continued

	<u>2013</u>	<u>2012</u>
(c) Short term debt comprises:		
Citicorp crop loan	\$ <u>9,968,750</u>	<u>-</u>

The Company received a loan from Citicorp Merchant Bank in April 2013 for US\$5 million to partly finance the operations of crop 2013. The effective interest rate was 3.02710% (3-month US\$ LIBOR plus 2.75% per annum). The loan was secured by the sugar receivables. 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 €5.56 million was received on July 8, 2013 and the loan was liquidated on July 9, 2013.

10. Bonds Payable

	<u>2013</u>	<u>2012</u>
(i) Fixed Rate bonds 2004/2014	\$ 19,961,323	19,917,323
(ii) Tranche 1 Fixed Rate bonds 2004/2016	5,000,000	6,250,000
(ii) Tranche 2 Fixed Rate bonds 2004/2016	8,333,335	10,416,668
(iii) Fixed Rate Non Callable Bonds	50,000,000	50,000,000
(iv) Tranche 1 Series 1 Fixed Rate Bonds 2012/2016	50,000,000	50,000,000
(iv) Tranche 2 Fixed Rate Bonds 2012/2019	50,000,000	42,415,000
(iv) Tranche 1 Series 2 Fixed Rate Bonds 2012/2016 (US Dollars)	<u>35,546,089</u>	<u>29,235,977</u>
	218,840,747	208,234,968
Less current portion	<u>(35,696,300)</u>	<u>(11,239,071)</u>
	\$ <u>183,144,447</u>	<u>196,995,897</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, May 2014. The bonds carry 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%.

(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%.

BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

Notes to Financial Statements

June 30, 2013

10. Bonds Payable, continued

(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: 2012 - 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: 2012 – 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 2012.

Tranche 2: 2012 - 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, 2013

11. Loans Payable

	<u>2013</u>	<u>2012</u>
(a) Loan Payable – Government of Barbados comprises:		
(i) Loan Payable - Government of Barbados	\$ 102,173,412	74,747,347
Less current portion	<u>-</u>	<u>-</u>
	<u>102,173,412</u>	<u>74,747,347</u>
(ii) Loan Payable - Government of Barbados/ Caribbean Development Bank #9/OR-BS	1,070,301	2,410,906
Less current portion	<u>(1,070,301)</u>	<u>(1,340,606)</u>
	<u>-</u>	<u>1,070,300</u>
(b) Loan payable – Agricultural Development Fund	1,298,452	1,594,717
Less current portion	<u>(931,447)</u>	<u>(838,060)</u>
	<u>367,005</u>	<u>756,657</u>
	\$ <u>102,540,417</u>	<u>76,574,304</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 \$102,173,412 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 is being repaid in sixty (60) equal consecutive quarterly installments which commenced on June 30, 1999. The final repayment is 1 April 2014. 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 MANAGEMENT CO. LTD.

Notes to Financial Statements

June 30, 2013

12. Government Grants

	<u>2013</u>	<u>2012</u>
\$	<u>26,858,114</u>	<u>21,762,429</u>

Government grants for 2013 represent funds received from the Government of Barbados for:

- (i) the payment of principal and interest on the Fixed Rate bonds 2004 – 2016 (\$26,839,214);
- (ii) training from Technical & Vocational Education Training Council (\$18,900).

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>2013</u>	<u>2012</u>
Amount due to BACT	\$ 6,368,818	7,085,118
Amount due by BACT	<u>(484,056)</u>	<u>(482,042)</u>
Net amount due to BACT	\$ <u>5,884,762</u>	<u>6,603,076</u>

14. Share Capital

Authorized:

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

	<u>2013</u>	<u>2012</u>
<i>Issued:</i>		
115,113,480 (2012 – 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, 2013

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 Sagcor 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>2013</u>	<u>2012</u>
Present value of funded obligations	\$ 15,934,363	10,686,887
Fair value of plan assets	<u>(15,091,887)</u>	<u>(13,681,438)</u>
	842,476	(2,994,551)
Unrecognized actuarial gains	<u>357,147</u>	<u>630,045</u>
Net liability (asset) in the statement of financial position	\$ <u>1,199,623</u>	<u>(2,364,506)</u>

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

	<u>2013</u>	<u>2012</u>
Net asset at beginning of year	\$ (2,364,506)	(1,984,656)
Net expense recognized in the statement of comprehensive loss	4,266,036	298,405
Contributions	<u>(701,907)</u>	<u>(678,255)</u>
Net liability (asset) in statement of financial position at year end	\$ <u>1,199,623</u>	<u>(2,364,506)</u>

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

	<u>2013</u>	<u>2012</u>
Current service cost	\$ 617,520	647,252
Interest on obligation	869,118	844,030
Expected return on plan assets	(1,080,537)	(1,035,100)
Past service cost	3,985,945	-
Net actuarial (gains) losses recognized in year	<u>(126,009)</u>	<u>(157,777)</u>
Total included in operating expenses	\$ <u>4,266,037</u>	<u>298,405</u>
Actual return on plan assets	\$ <u>888,513</u>	<u>106,793</u>

BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

Notes to Financial Statements

June 30, 2013

15. Employee Benefits, continued

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

	<u>2013</u>	<u>2012</u>
Discount rate at end of year	7.75%	7.75%
Expected return on plan assets at end of year	7.75%	7.75%
Future salary increases	2.50%	2.50%
Future pension increases	0.75%	0.75%
Future changes in NIS Ceiling (0% for the 1 st 5 years)	4.25%	4.25%

Historical information

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Present value of the defined benefit obligation	\$ (15,934,363)	(10,686,887)	(10,364,081)	(9,923,718)	(8,713,539)
Fair value of plan assets	<u>15,091,887</u>	<u>13,681,438</u>	<u>13,137,620</u>	<u>11,835,962</u>	<u>10,872,177</u>
Surplus/(deficit) in the plan	<u>(842,476)</u>	<u>2,994,551</u>	<u>2,773,539</u>	<u>1,912,244</u>	<u>2,158,638</u>
Experience adjustments on plan liabilities	(826,147)	(927,246)	(1,055,308)	(171,465)	111,555
Impact of assumption changes (gain) loss	<u>781,012</u>	<u>-</u>	<u>(13,299)</u>	<u>200,868</u>	<u>342,609</u>
Actuarial gain (loss) on obligation	\$ <u>(45,135)</u>	<u>(927,246)</u>	<u>(1,068,607)</u>	<u>29,403</u>	<u>454,164</u>
Experience adjustments on plan assets	\$ (192,023)	(928,308)	(16,040)	(385,574)	(1,073,626)
Impact of assumption changes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Actuarial (loss) gain on plan assets	\$ <u>(192,023)</u>	<u>(928,308)</u>	<u>(16,040)</u>	<u>(385,574)</u>	<u>(1,073,626)</u>

BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

Notes to Financial Statements

June 30, 2013

16. Corporation Tax

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

	<u>2013</u>	<u>2012</u>
Accounting loss before corporation taxes	\$ <u>(61,204,994)</u>	<u>(52,139,941)</u>
Tax at 25%	\$ (15,301,249)	(13,034,985)
Tax effect of expenses not allowable for tax purposes	3,675,983	1,745,992
Tax effect of deductions allowed for tax purposes	(98,248)	(27,274)
Tax effect of income not subject to tax	-	(5,693)
Tax effect of not recognizing the deferred tax asset	<u>11,723,514</u>	<u>11,321,960</u>
Corporation tax expense	\$ <u>-</u>	<u>-</u>

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

	<u>2013</u>	<u>2012</u>
Deductible (taxable) temporary differences:		
Property, plant and equipment	\$ 99,495,388	88,703,352
Accounts receivable	1,825,026	1,837,360
Employee benefits	<u>1,199,623</u>	<u>(2,364,506)</u>
	102,520,037	88,176,206
Tax losses	<u>239,818,252</u>	<u>216,291,356</u>
	\$ <u>342,338,289</u>	<u>304,467,562</u>
Deferred tax asset not recognized	\$ <u>85,584,572</u>	<u>76,116,891</u>

The tax losses expire between 2013 and 2021. 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 there from.

BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

Notes to Financial Statements

June 30, 2013

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>
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	34,276,347	-	-	-	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
	<u>\$ 216,291,356</u>	<u>-</u>	<u>31,056,074</u>	<u>(7,529,178)</u>	<u>239,818,252</u>	

Losses for the periods 2004 – 2007 have been agreed by the Department of Inland Revenue. Losses for the periods 2008 – 2013 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 2012. It is the Company's intention to offer a new lease effective 1 July 2013 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	\$ 247,404
Independent Plantations	1 year	\$ 1,293,972

BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

Notes to Financial Statements

June 30, 2013

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>2013</u>	<u>2012</u>
Pensions	\$ 9,174	9,159
Medical	6,728	6,728
Land tax	(13,889)	39,447
Land Lease	(247,400)	(247,400)
Building Lease	(36,300)	(36,300)
Loan	<u>1,000,000</u>	<u>(2,000,000)</u>
	<u>\$ 718,313</u>	<u>(2,228,366)</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>2013</u>	<u>2012</u>
Short-term employee benefits	\$ <u>1,312,721</u>	<u>1,255,431</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, 2013

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 71 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 nineteen 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 nineteen 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, 2013

20. Financial Risk Management, 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. The Company maintains an overdraft facility, the limit of which was \$40 million as at June 30, 2013.

(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, 2013

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>2013</u>	<u>2012</u>
Accounts receivable, net	\$ 4,787,507	7,079,325
Cash and bank	187,808	405,741

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

	<u>2013</u>	<u>2012</u>
International customers	\$ 1,873,781	4,444,047
Wholesale customers (molasses)	1,052,652	750,476
End-user customers (local & imported sugar)	26,046	9,488
Other	<u>2,765,269</u>	<u>2,831,554</u>
	\$ <u>5,717,748</u>	<u>8,035,565</u>

The Company's most significant customer, a European wholesaler, accounts for \$1,873,781 of the trade receivables carrying amount at 30 June 2013 (2012: \$3,635,267).

Impairment losses

The aging of trade receivables at the reporting date was:

	<u>2013</u>	<u>2012</u>
Not past due	\$ 1,415,543	1,193,935
Past due 0 - 30 days	1,874,337	4,568,592
Past due 31 - 90 days	504,889	258,510
More than 90 days	<u>1,922,979</u>	<u>2,014,528</u>
	\$ <u>5,717,748</u>	<u>8,035,565</u>

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

	<u>2013</u>	<u>2012</u>
Balance at 1 July	\$ 1,837,360	1,522,812
Impairment loss (recovered)/recognized	<u>(12,334)</u>	<u>314,548</u>
Balance at 30 June	\$ <u>1,825,026</u>	<u>1,837,360</u>

The impairment loss at 30 June 2013 includes an amount of \$716,053 (2012: \$716,053) which relates to an institution which was formerly responsible for the trading of all seed cotton produced in Barbados. This represents 39% (2012: 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 58 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, 2013

21. Financial Instruments, continued

(b) Liquidity risk

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

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 5 Years</u>
Financial Liabilities					
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>
Total	\$ <u>375,386,450</u>	<u>390,430,293</u>	<u>90,677,246</u>	<u>173,643,327</u>	<u>126,109,720</u>

30 June 2012

	<u>Carrying Amount</u>	<u>Contractual Cash Flows</u>	<u>6 - 12 Months</u>	<u>1 - 2 Years</u>	<u>More than 5 Years</u>
Financial Liabilities					
Bank overdraft	\$ 29,100,219	30,798,713	30,798,713	-	-
Accounts payable and accrued liabilities	17,376,281	17,376,281	2,003,838	15,372,443	-
Bonds payable	208,234,968	231,990,119	32,417,163	63,144,326	136,428,630
Loans payable	78,752,970	79,573,636	988,578	78,585,058	-
Due to parent company	<u>6,603,076</u>	<u>6,603,076</u>	<u>-</u>	<u>-</u>	<u>6,603,076</u>
Total	\$ <u>340,067,514</u>	<u>366,341,825</u>	<u>66,208,292</u>	<u>157,101,827</u>	<u>143,031,706</u>

BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

Notes to Financial Statements

June 30, 2013

21. Financial Instruments, continued

(c) Currency risk

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

<u>\$'000</u>	<u>30 June 2013</u>				<u>30 June 2012</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	1,874	-	937	-	4,444	937	1,022	-
Gross exposure on the statement of financial position	1,874	-	937	-	4,444	937	1,022	-
Estimated forecast sales	13,000	4,351	634	-	22,023	8,056	1,224	-

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>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Bds\$/Euro 1	2.5272	2.5622	2.6160	2.5180
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 2012.

<i>Effect in thousands of Bds\$</i>	Equity	Profit or loss
30 June 2013		
Bds\$	(542)	(542)
30 June 2012		
Bds\$	1,340	1,340

BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

Notes to Financial Statements

June 30, 2013

21. Financial Instruments, continued

A 10 percent weakening of the Euro against the above currencies at 30 June 2013 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:

	Carrying amount	
	<u>2013</u>	<u>2012</u>
Fixed rate instruments		
Financial liabilities	\$ 218,840,747	208,234,968
Variable rate instruments		
Financial liabilities	26,737,387	29,100,219

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:

	2013		2012	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and bank	\$ 187,808	187,808	405,741	405,741
Accounts receivable	4,787,507	4,787,507	7,079,325	7,079,325
Bonds payable	218,840,747	218,840,747	208,234,968	208,234,968
Accounts payable and accrued liabilities	19,381,389	19,381,389	17,376,281	17,376,281
Bank overdraft	26,737,387	26,737,387	29,100,219	29,100,219
Loans payable	104,542,165	104,542,165	78,752,970	78,752,970
Due to parent company	5,884,762	5,884,762	6,603,076	6,603,076

BARBADOS AGRICULTURAL MANAGEMENT CO. LTD.

Notes to Financial Statements

June 30, 2013

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 2013, 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 \$1.95 million (2012: \$3.85 million).

23. Subsequent Events

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

(i) *Loan Financing*

On July 12, 2013, the Company received a loan of \$13 million from the National Insurance Scheme (NIS) to assist the Company in providing support and incentives to the independent plantations and to halt the decline in acreage under sugar cane cultivation in order to sustain the industry pending it being restructured. Funds received were disbursed in full.

The term of the facility is three (3) years and the principal sum plus interest is to be repaid over the term of the facility by semi-annual blended payments of principal and interest of \$2,335,542.57. The loan is secured by a Letter of Comfort dated July 2, 2013 from the Government of Barbados, pending receipt of a Guarantee of the Government to be approved by the Parliament of Barbados.

(ii) *Closure of Andrews Factory*

On June 14th 2013, the Board of Directors approved the closure of the Andrews factory to allow for its conversion to a multi-purpose facility. To facilitate the proposed project, indications are that the Company will be required to vacate the factory to permit its transfer as a non-operational site to another entity. However, subsequent to June 30, 2013 the factory closure was not fully effected.

This has necessitated a review of inventory and equipment to determine obsolescence, together with a revaluation of the Land and Plant as at June 2013. Arrangements for the form of the transfer/disposal of the assets are yet to be fully determined and agreed. As at June 30, 2013 assets at Andrews Factory include land (\$21.8 million), buildings (\$10.1 million) and equipment (\$5.2 million).

As a result of the cessation of operations at Andrews Factory the Company has entered into consultations in accordance with the Employment Rights Act, 2012-9. As at the date of issuance of the financial statements consultations were not finalized and the exact financial impact was not known.

(iii) *Bond Financing*

On August 19, 2013, the Company signed an Engagement Agreement with Ansa Merchant Bank to provide financing for Barbados Cane Industry Support. The proposed financing is to be provided through a fixed rate non-callable bond issue with a face amount of up to BDS\$72.5 million with net proceeds of BDS\$70 million. The term of maturity is seven (7) years from disbursement and is to be secured by a Government of Barbados guarantee. The timing and date of the issue are pending.