

BARBADOS AGRICULTURAL CREDIT TRUST LTD



**EIGHTEENTH
ANNUAL REPORT
AND
ACCOUNTS
FOR THE YEAR ENDED 30TH JUNE 2011**

THE BARBADOS AGRICULTURAL CREDIT TRUST LTD

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AND
ACCOUNTS
FOR THE YEAR ENDED 30TH JUNE 2011**

BARBADOS AGRICULTURAL CREDIT TRUST LTD

REPORT AND ACCOUNTS 2009

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BARBADOS AGRICULTURAL CREDIT TRUST LTD

Office	#5 Stafford House	Telephone	228-5565
	The Garrison	Fax:	426-0814
	St Michael		

Postal Address	#5 Stafford House
	The Garrison
	St Michael

BARBADOS AGRICULTURAL CREDIT TRUST LTD

DIRECTORS, OFFICERS, MANAGEMENT

Directors who served during the year were as follows:

Clenell Goodman
Christopher Skinner
Mark Goodridge
Andrew Campbell
Grantley Smith
Terrence A. Mahon
Francis A. Carl Talma

Executive Chairman

Manager
Finance Services

Daniel N Jordan
SOREN Inc

Auditors:

KPMG
Hastings
Christ Church

Bankers:

Barbados National Bank
Broad Street
Bridgetown

THE BARBADOS AGRICULTURAL CREDIT TRUST LTD
CHAIRMAN'S REPORT FOR THE YEAR ENDED 30, 2011

OVERVIEW

The year under review saw the Company achieving a turnaround in profitability to record a profit of just over Bds. \$100,000.00. However, the Balance Sheet and the general financial health of the Barbados Credit Trust Ltd (BACT) are continued to be impacted unfavorably by the substantial losses being incurred by the Subsidiary, the Barbados Agricultural Management Company Ltd (BAMC), as further evidenced in the June 30, 2011 Consolidated Financial Statements. Following a recommendation by the firm contracted to provide Accounting Services to the BACT, it became necessary for Management to re-evaluate the worth of the investment in the Subsidiary. After careful analysis and discussion with the External Auditors, Management agreed with the recommendation and concluded that any recovery or return from the investment is unlikely in the short-term. Consequently, the Board of Directors has accepted Management's recommendation and has agreed to write down the remaining

investment of \$25,352,651 to a nominal value of \$1.00. A similar assessment and write down of \$93,495,035 (impairment loss) was made in fiscal 2008. By the same measure, it was determined that the Intercompany Receivable of \$703,552 was unlikely to be collected and this amount was also written off during fiscal 2011.

The consequence of these actions has resulted in net assets of the Company being reduced to Bds\$10,828,000 from last year's total of \$\$36,704,773. There are, however, some valuable assets in the Barbados Agricultural Credit Trust Ltd for which a revaluation must be pursued during fiscal 2012. The net loss of \$25,955,420 recorded for the period reflects the further impairment loss of \$26,056,202 as a result of the aforementioned actions.

The Vineyard project has not advanced significantly during the period, as during the year it was discovered that while the

Company had powers to dispose of parts of the Plantation, there were some legal matters related to the ability to encumber or sell the entire holding. These legal encumbrances are being pursued and should shortly be addressed, clearing the way to seek the necessary permission to proceed with the project. We are hopeful that once this issue has been resolved, the Shareholder will be in a position to make a definitive assessment of the desirability of the project. In the interim, however, Management is continuing with preparations to make the plans a reality in 2012.

OPERATIONS

The Company ended the year with net income of \$100,782 before taxation on gross revenue of \$950,049 as compared to a loss of \$51,092 in fiscal 2010. While there was a turnaround from the previous year, the profit realized was less than projected due to the late receipt of \$500,000 from the sale of a portion of land from one of the Highly Indebted Plantations (HIPs).

The return from investments continues to be marginal due to the excess liquidity in the banking system which has accounted for the low rates being offered on deposits.

However, the decision to invest in Treasury Bills yielded interest of \$76,023, a slight increase of \$16,591 over the 2010 figure. Given the projected cash outflow expected from the pending Vineyard Development Project, the Company will continue to invest in Treasury Bills as a suitable option.

Management was able to control expenses in line with projections and prudently reduced expenses to \$849,267 as against \$992,096 the previous year, a decrease of \$142,829. Notable positive changes were realized in the following areas:

- Other Professional fees : \$80,733
- Stationery and Office Expenses : \$35,379
- Salaries and related Charges : \$37,267.

The saving realized on salaries resulted from a reduction in staff complement and the decision to contract out the Accounting Services.

OUTLOOK

The BACT is constrained in its efforts to collect the debt of the HIPs Plantations as many of them are under lease to the Subsidiary, and Clause 6:1 of the Lease Agreement precludes active enforcement

action except where rab land could be identified. However, the outlook for the Company remains favorable as it possesses a valuable asset in Vineyard Plantation, and efforts are being undertaken to generate income by developing portions of rab land at the plantation in accordance with the expanded mandate. In the meantime, Management is continuing to liaise with the Shareholder in order to formulate a medium and long-term strategy.

CONCLUSION

I take this opportunity to thank all members of the Board and staff of the BACT as well as the Ministers and staff of the Ministry of Finance and Economic Affairs and the Ministry of Agriculture, Food, Fisheries, and Water Resource Management for the assistance and support provided during the year and look forward to continued clarity of direction during fiscal 2012.



Clenell H Goodman
Executive Chairman

Financial Statements of

BARBADOS AGRICULTURAL CREDIT TRUST LTD.
(Non-Consolidated)

June 30, 2011



BARBADOS AGRICULTURAL CREDIT TRUST LTD.
(Non-Consolidated)

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KPMG
Hastings
Christ Church, BB15154
Barbados

Telephone (246) 434-3900
Fax (246) 427-7123
e-Mail info@kpmg.bb

P.O. Box 690C
Bridgetown, Barbados

Auditors' Report

To the Shareholder of Barbados Agricultural Credit Trust Ltd.

We have audited the accompanying non-consolidated financial statements of Barbados Agricultural Credit Trust Ltd. ("the Company"), which comprise the non-consolidated statement of financial position as at June 30, 2011, the non-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 non-consolidated financial statements accordance with the International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of 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 non-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 non-consolidated financial statements are free of 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 non-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 non-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 non-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 the International Financial Reporting Standards.

Chartered Accountants
Bridgetown, Barbados
December 14, 2011

BARBADOS AGRICULTURAL CREDIT TRUST LTD.

(Non-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>
Assets			
Cash and cash equivalents	4	\$ 1,949,471	3,190,342
Loans receivable	5	3,247,249	3,178,742
Interest receivable		-	20,877
Other receivables	8	2,112,757	1,040,620
Prepaid expenses		11,095	8,365
Due from subsidiary	7	-	477,861
Investment in subsidiary	9	1	25,352,651
Property and equipment - net	10	3,328,731	3,378,429
Pension asset	12	72,402	43,102
Property Development - Vineyard		<u>106,408</u>	<u>13,784</u>
Total Assets		\$ <u>10,828,114</u>	<u>36,704,773</u>

BARBADOS AGRICULTURAL CREDIT TRUST LTD.

(Non-Consolidated)

Statement of Financial Position

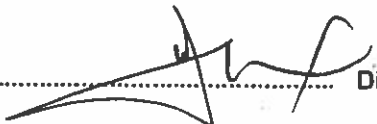
As at June 30, 2011
with comparative figures for 2010


(Expressed in Barbados Dollars)

	<u>Notes</u>	<u>2011</u>	<u>2010</u>
Liabilities and Shareholder's Equity			
Liabilities			
Due to Government of Barbados	6	\$ 843,516	843,516
Accounts payable and accrued liabilities		225,834	147,073
Deferred tax liability		<u>-</u>	<u>7,342</u>
Total liabilities		<u>1,069,350</u>	<u>997,931</u>
Shareholder's Equity			
Share capital	13	113,186,483	113,186,483
Subscribed for and unissued	14	12,826,000	12,826,000
Deficit		<u>(116,253,719)</u>	<u>(90,305,641)</u>
Total shareholder's equity		<u>9,758,764</u>	<u>35,706,842</u>
Total Liabilities and Shareholder's Equity		\$ <u>10,828,114</u>	<u>36,704,773</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:


..... Director


..... Director

BARBADOS AGRICULTURAL CREDIT TRUST LTD.

(Non-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>
Revenue:			
Interest on loans	2(b)	\$ 245,857	514,456
Interest on investment instruments		76,023	59,432
Lease income	16(c)	58,250	58,250
Gain on sale of fixed asset		569,919	-
Miscellaneous income		<u>-</u>	<u>308,866</u>
Total income		<u>950,049</u>	<u>941,004</u>
Expenses:			
Computer expense		13,695	9,837
Depreciation		49,856	40,848
Directors' fees		35,560	33,000
Interest and bank charges		39,065	38,885
Land taxes		2,919	2,467
Other professional fees		107,894	188,627
Insurance		17,363	15,564
Rent	15	60,300	61,750
Salaries and related charges		483,350	520,617
Pension		(18,893)	(14,449)
Stationery and office expenses		57,908	93,287
Other expenses		<u>250</u>	<u>1,663</u>
Total expenses		<u>849,267</u>	<u>992,096</u>
Income (loss) before taxation and impairment losses		100,782	(51,092)
Impairment loss	19	<u>(26,056,202)</u>	<u>-</u>
Loss before taxation		(25,955,420)	(51,092)
Corporation tax expense	11	<u>7,342</u>	<u>8,638</u>
Net loss being comprehensive loss for the year		\$ <u>(25,948,078)</u>	<u>(42,454)</u>

See accompanying notes to financial statements.

BARBADOS AGRICULTURAL CREDIT TRUST LTD.

(Non-Consolidated)

Statement of Changes in Equity

(Expressed in Barbados Dollars)

		Share Capital	Shares Subscribed for and Unissued	(Deficit)/ Retained Earnings	Total
Balance at July 1, 2009	\$	113,186,483	12,826,000	(90,263,187)	35,749,296
Net loss for 2010		<u>-</u>	<u>-</u>	<u>(42,454)</u>	<u>(42,454)</u>
Balance at June 30, 2010	\$	<u>113,186,483</u>	<u>12,826,000</u>	<u>(90,305,641)</u>	<u>35,706,842</u>
Balance at July 1, 2010	\$	113,186,483	12,826,000	(90,305,641)	35,706,842
Net loss for 2011		<u>-</u>	<u>-</u>	<u>(25,948,078)</u>	<u>(25,948,078)</u>
Balance at June 30, 2011	\$	<u>113,186,483</u>	<u>12,826,000</u>	<u>(116,253,719)</u>	<u>9,758,764</u>

See accompanying notes to financial statements.

BARBADOS AGRICULTURAL CREDIT TRUST LTD.

(Non-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>
Cash flows from operating activities		
Loss before taxation	\$ (25,955,420)	(51,092)
Adjustments for:		
Depreciation	49,856	40,848
Interest income	(321,880)	(573,888)
Impairment Loss	26,056,202	-
Gain on sale of property, plant and equipment	<u>(569,919)</u>	<u>-</u>
Operating loss before working capital changes	(741,161)	(584,132)
Increase in other receivables	(1,072,137)	(276,580)
(Increase) decrease in prepaid expenses	(2,730)	900
Increase in pension asset	(29,300)	(28,874)
Increase in accounts payable and accrued liabilities	<u>78,761</u>	<u>27,932</u>
Net cash used in operating activities	<u>(1,766,567)</u>	<u>(860,754)</u>
Cash flows from investing activities		
Loans receivable - net	(68,507)	207,626
Due from subsidiary	(225,691)	(226,337)
Purchase of property, plant and equipment	(17,591)	(29,002)
Property development	(92,624)	-
Proceeds from sale of fixed asset	587,352	-
Interest received	<u>342,757</u>	<u>158,636</u>
Net cash from investing activities	<u>525,696</u>	<u>110,923</u>
Net decrease in cash and cash equivalents	(1,240,871)	(749,831)
Cash and cash equivalents at beginning of year	<u>3,190,342</u>	<u>3,940,173</u>
Cash and cash equivalents at end of year	\$ <u>1,949,471</u>	\$ <u>3,190,342</u>
Cash and cash equivalents are comprised of:		
Cash and bank balances	\$ 461,921	215,842
Fixed deposits	<u>1,487,550</u>	<u>2,974,500</u>
	\$ <u>1,949,471</u>	\$ <u>3,190,342</u>

See accompanying notes to financial statements.

BARBADOS AGRICULTURAL CREDIT TRUST LTD.

(Non-Consolidated)

Notes to Financial Statements

June 30, 2011

(Expressed in Barbados Dollars)

1. General

Barbados Agricultural Credit Trust Ltd. (the "Company") was incorporated under the Companies Act of Barbados on June 10, 1992. On March 8, 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 1, 1993. The registered office of the Company is located at No. 5, Stafford House, The Garrison, St. Michael.

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

2. Significant Accounting Policies

These non-consolidated financial statements have been prepared in Barbados dollars on a historical cost basis and have been prepared for tax return filing and management purposes in accordance with the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The preparation of financial statements require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during that period. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) *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. The Company determines cash on hand, demand deposits and short term highly liquid investments that are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value, as cash and cash equivalents.

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.

BARBADOS AGRICULTURAL CREDIT TRUST LTD.

(Non-Consolidated)

Notes to Financial Statements

June 30, 2011

(Expressed in Barbados Dollars)

2. Significant Accounting Policies, continued

(b) *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 recognised as income only to the extent of cash received.

(c) *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. 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.

(d) *Investment in subsidiary*

Because these non-consolidated financial statements have been prepared for tax filing and management purposes only, the Company's investment in its subsidiary company is accounted for in the accompanying financial statements by the cost method, less amounts written off to recognise other than temporary declines in the value of the investment. As these non-consolidated financial statements have not been prepared for general purposes, some users may require further information.

Consolidated financial statements have been prepared for distribution to the shareholder.

(e) *Property, motor vehicles and equipment*

Property, motor vehicles and equipment are recorded at cost, less accumulated depreciation. Depreciation is provided on the straight line basis at the following annual rates:

Furniture and Office Equipment	–	10%
Computers	–	20%
Motor vehicles	–	20%

BARBADOS AGRICULTURAL CREDIT TRUST LTD.

(Non-Consolidated)

Notes to Financial Statements

June 30, 2011

(Expressed in Barbados Dollars)

2. Significant Accounting Policies, continued

(f) Corporation tax

Income tax on the income statement for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to the deficit, in which case it is recognised in shareholder's deficit.

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

Deferred tax is provided using the statement of financial position 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 realisation of settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the statement of financial position date.

The tax value of losses expected to be available for utilisation 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 utilised 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 realised.

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

(g) Pension expense and obligation

The Company jointly maintains a non-contributory defined benefit plan (the "Group Pension Plan"), which covers its eligible employees. The pension plan provides benefits based on length of service and the final three years' average earnings. Pension costs related to current service are charged to earnings in the current period. Pension costs related to past service in respect of the Group Pension Plan are actuarially determined and are amortized to earnings over a seven year period.

The Group Pension Plan is funded through payments made to a trust fund held by an independent trustee. The Group Pension Plan is funded by monthly contributions by the Company. (See note 12)

(h) Revenue

Lease income

Lease income is recognised in the income statement on a straight line basis over the term of the lease.

Interest income

Interest income is recognized as revenue only when cash is received. Interest not taken to income in the current year is deferred and recognized in subsequent years based on cash inflows.

BARBADOS AGRICULTURAL CREDIT TRUST LTD.

(Non-Consolidated)

Notes to Financial Statements

June 30, 2011

(Expressed in Barbados Dollars)

2. Significant Accounting Policies, continued

(i) 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 the 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.

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 recognised.

BARBADOS AGRICULTURAL CREDIT TRUST LTD.

(Non-Consolidated)

Notes to Financial Statements

June 30, 2011

(Expressed in Barbados Dollars)

2. Significant Accounting Policies, continued

(i) *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.

3. Determination of Fair Values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Loans and other receivables

The fair value of loans and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Defined benefit pension plan

The fair value of plan assets of the defined benefit pension plan is determined by an actuary using the projected unit credit method. Measurement inputs include the expected return on plan assets, future salary increases and future changes in NIS ceiling and mortality rates.

4. Cash and Cash Equivalents

	<u>2011</u>	<u>2010</u>
Bank balances	\$ 461,921	215,842
Fixed deposits	<u>1,487,550</u>	<u>2,974,500</u>
	<u>\$ 1,949,471</u>	<u>3,190,342</u>

BARBADOS AGRICULTURAL CREDIT TRUST LTD.

(Non-Consolidated)

Notes to Financial Statements

June 30, 2011

(Expressed in Barbados Dollars)

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 2(c), 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. Due to Government of Barbados

This amount of \$ 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.

7. Due from Subsidiary

This amount of \$ 703,552 (2010: \$477,861) due from Barbados Agricultural Management Co. Ltd. (BAMC) is interest free and has no specific repayment terms. During 2001, \$34,370,696 of the balance due from subsidiary was converted into an equity investment via the receipt of 34,370,696 common shares from the subsidiary for a stated value of \$34,370,696. In 2002, the Ministry of Finance granted approval to the Company for the balance due from subsidiary of \$81,829,404 to be converted into an equity investment via the issuance by the subsidiary of common shares. During that year, \$80,742,784 of the amount due from subsidiary was converted to common shares. Subsequent to 2002 no further amounts due from subsidiary were converted to common shares. As at June 30, 2011 the Company had written off all amounts due from subsidiary.

	<u>2011</u>	<u>2010</u>
Opening balance	\$ 477,861	251,523
Current period transactions	225,691	226,338
Less: Impairment loss recognized	<u>(703,552)</u>	<u>-</u>
Closing balance	\$ <u>-</u>	<u>477,861</u>

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8. 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	-	505
	<u>\$ 2,112,757</u>	<u>1,040,620</u>

9. Investment in Subsidiary

This amount represents the cost of the Company's investment in 115,113,480 ordinary shares of the Company's wholly owned subsidiary, Barbados Agricultural Management Co. Ltd, a company incorporated in Barbados. In 2002, the Company converted \$80,742,784 of the balance due from the subsidiary into an equity investment in the subsidiary and received 80,742,784 common shares in the subsidiary as consideration for the conversion.

In 2008, based on an assessment of BAMC's financial performance at the statement of financial position date, management made a decision to write down its investment in the subsidiary to reflect an other than temporary impairment loss of \$89,760,829.

As at June 30, 2011 based on an assessment of BAMC's financial performance at the statement of financial position date, management made a decision to further write down its investment in the subsidiary to reflect an other than temporary impairment loss of \$25,352,650.

	<u>2011</u>	<u>2010</u>
Opening balance	\$ 25,352,651	25,352,651
Impairment loss recognized	<u>(25,352,650)</u>	<u>-</u>
Closing balance	<u>\$ 1</u>	<u>25,352,651</u>

Condensed financial information of the subsidiary at the statement of financial position date is as follows:

	<u>2011</u>	<u>2010</u>
Total assets	\$ 190,661,218	183,304,180
Shareholder's deficiency	(120,027,083)	(76,867,234)
Total revenue	33,549,301	33,473,556
Net loss	(57,241,525)	(52,903,517)

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10. Property and Equipment - net

	<u>Office Furniture</u>	<u>Equipment</u>	<u>Land</u>	<u>Motor Vehicles</u>	<u>Total</u>
Cost					
Balance at July 1, 2009	\$ 76,520	127,194	3,225,095	171,680	3,600,489
Additions	6,642	359	-	8,217	15,218
Disposals	-	-	-	-	-
Balance at June 30, 2010	<u>83,162</u>	<u>127,553</u>	<u>3,225,095</u>	<u>179,897</u>	<u>3,615,707</u>
Balance at July 1, 2010	83,162	127,553	3,225,095	179,897	3,615,707
Additions	-	17,591	-	-	17,591
Disposals	-	-	(17,433)	-	(17,433)
Balance at June 30, 2011	<u>83,162</u>	<u>145,144</u>	<u>3,207,662</u>	<u>179,897</u>	<u>3,615,865</u>
Accumulated Depreciation					
Balance at July 1, 2009	59,876	102,522	-	34,032	196,430
Charge for year	2,470	8,162	-	30,216	40,848
Disposals	-	-	-	-	-
Balance at June 30, 2010	<u>62,346</u>	<u>110,684</u>	<u>-</u>	<u>64,248</u>	<u>237,278</u>
Balance at July 1, 2010	62,346	110,684	-	64,248	237,278
Charge for year	2,637	11,239	-	35,980	49,856
Disposals	-	-	-	-	-
Balance at June 30, 2011	<u>64,983</u>	<u>121,923</u>	<u>-</u>	<u>100,228</u>	<u>287,134</u>
Net Book Value					
Balance at July 1, 2009	\$ <u>16,644</u>	<u>24,672</u>	<u>3,225,095</u>	<u>137,648</u>	<u>3,404,059</u>
Balance a June 30, 2010	\$ <u>20,816</u>	<u>16,869</u>	<u>3,225,095</u>	<u>115,649</u>	<u>3,378,429</u>
Balance a July 1, 2010	\$ <u>20,816</u>	<u>16,869</u>	<u>3,225,095</u>	<u>115,649</u>	<u>3,378,429</u>
Balance a June 30, 2011	\$ <u>18,179</u>	<u>23,221</u>	<u>3,207,662</u>	<u>79,669</u>	<u>3,328,731</u>

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11. 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>(7,342)</u>	<u>(8,638)</u>

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

	<u>2011</u>	<u>2010</u>
Accounting loss before corporation taxes	\$ <u>(25,955,420)</u>	<u>(51,092)</u>
Tax at 25% (2010: 25%)	\$ (6,488,855)	(12,773)
Tax effect of expenses not allowed	6,515,148	4,135
Gain on sale of fixed assets	(142,481)	-
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>(7,342)</u>	<u>(8,638)</u>

Deferred Tax Asset (Liability)

Deferred tax asset not recognised at June 30, 2011 is attributable to the items detailed in the table below:

	<u>2011</u>	<u>2010</u>
Furniture and equipment	\$ (14,552)	(17,893)
Tax losses	250,603	21,327
Pension asset	<u>(18,101)</u>	<u>(10,776)</u>
Total	\$ <u>217,950</u>	<u>(7,342)</u>

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12. Employees Benefits

The Barbados Agricultural Management Company Ltd and the Barbados Agricultural Credit Trust 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	\$ 46,216	42,823
Fair value of plan assets	<u>(200,239)</u>	<u>(177,211)</u>
	(154,023)	(134,388)
Unrecognised actuarial gain	<u>81,621</u>	<u>91,286</u>
Net (asset) liability in the statement of financial position	\$ <u><u>(72,402)</u></u>	<u><u>(43,102)</u></u>

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

Net liability at beginning of year as previously reported	\$ (43,102)	(14,228)
Net expense recognised in the income statement	(18,893)	(14,449)
Contributions	<u>(10,407)</u>	<u>(14,425)</u>
Net (asset) liability in statement of financial position at year end	\$ <u><u>(72,402)</u></u>	<u><u>(43,102)</u></u>

The amounts recognised in the income statement are as follows:

	<u>2011</u>	<u>2010</u>
Current service cost	\$ 7,537	16,786
Interest on obligation	3,561	3,367
Expected return on plan assets	(12,769)	(11,925)
Net actuarial gains recognised in year	(18,257)	(22,677)
Past service cost – vested benefits	<u>1,035</u>	<u>-</u>
Total included in income statement - (salaries & related charges)	<u>(18,893)</u>	<u>(14,449)</u>
Actual return on plan assets	\$ <u><u>12,621</u></u>	<u><u>5,516</u></u>

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12. Employee Benefits, continued

Amounts for the current and previous periods are as follows:

	<u>2011</u>	<u>2010</u>
Defined benefit obligation	\$ 46,216	42,823
Plan assets	200,239	177,211
Surplus	154,023	134,388
Experience adjustments on plan liabilities	(9,097)	(7,768)
Experience adjustments on plan assets	<u>356</u>	<u>782</u>
	<u>\$ (8,741)</u>	<u>(6,986)</u>
Current year cost – Senior Executive	<u>\$ -</u>	<u>-</u>

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	11%	12%

Principal actuarial assumptions at the statement of financial position 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	6.75%	6.00%
Future changes in NIS Ceiling	4.25%	3.50%

The Company expects \$9,159 to be paid into its defined benefit plan in the coming year.

The average number of pensionable persons employed by the Company during 2011 was 2 (2010: 2).

13. 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>

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14. Subscribed for and Unissued

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

15. Operating Lease

On November 1 2009, the Company entered into a lease agreement for a twenty-four month term. The Company has possession and use of the premises for the sum of \$4,650 per month payable in advance for each monthly period.

16. Related Party Transactions

The Company has engaged in the following transactions with related parties:

(a) Subsidiary Company

During the year the following arm's length transactions occurred with its subsidiary company, Barbados Agricultural Management Company Ltd.

	<u>2011</u>	<u>2010</u>
Pensions	\$ (10,407)	(14,558)
Medical Insurance	(6,634)	(6,166)
Land lease	249,650	249,650
Building lease	36,300	36,300
Land tax	<u>(43,218)</u>	<u>(38,889)</u>
	\$ <u>225,691</u>	<u>226,337</u>

(b) Key management personnel compensation paid during the year was as follows:

	<u>2011</u>	<u>2010</u>
Salaries and short term benefits	\$ <u>291,776</u>	<u>287,031</u>

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16. Related Party Transactions, continued

(c) Lease revenue

Lease revenue of \$58,250 (2010: \$58,250) was earned from the Company's 100% subsidiary, the Barbados Agricultural Management Company Ltd. The future minimum lease payments under the terms of the lease are as follows:-

		<u>2011</u>	<u>2010</u>
Less than one year	\$	58,250	58,250
Between one and five years		280,000	280,000

17. 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.

The Company's Directors oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

(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.

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18. 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 monthly basis to ensure that cash flows are maintained within the budgeted requirements. Liquidity risk is limited as cash and fixed deposits are held with reputable banks.

(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's exposure to market risks is limited to its investment in Fixed Deposits. Therefore, risk is minimized given the short term nature of these investments.

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18. 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:

	Carrying Amount	
	<u>2011</u>	<u>2010</u>
Interest and other receivables	\$ 2,112,757	1,061,497
Loan receivable, net	3,247,249	3,178,742
Cash and Fixed Deposits	1,949,471	3,190,342
Due from Subsidiary	-	477,861
	<u>\$ 7,309,477</u>	<u>7,908,442</u>

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	-	-
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.

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18. Financial Instruments, continued

(b) Liquidity risk

The following are the contractual maturities of financial liabilities

June 30, 2011

	Carrying Amount	Contractual Cash Flows	6 Months or Less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
Due to the Government of Barbados	\$ 843,516	843,516	(843,516)	-	-	-	-
Accounts payable and accrued liabilities	<u>225,834</u>	<u>225,834</u>	<u>(125,075)</u>	<u>(100,759)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,069,350</u>	<u>1,069,350</u>	<u>(968,591)</u>	<u>(100,759)</u>	<u>-</u>	<u>-</u>	<u>-</u>

June 30, 2010

	Carrying Amount	Contractual Cash Flows	6 Months or Less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
Due to the Government of Barbados	\$ 843,516	843,516	(843,516)	-	-	-	-
Accounts payable and accrued liabilities	<u>147,073</u>	<u>147,073</u>	<u>(136,723)</u>	<u>(10,350)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 990,589</u>	<u>990,589</u>	<u>(980,239)</u>	<u>(10,350)</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

	<u>2011</u>		<u>2010</u>	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Interest and other receivables	\$ 2,112,757	2,112,757	1,061,497	1,061,497
Cash and fixed deposits	1,949,471	1,949,471	3,190,342	3,190,342
Loan receivable	3,247,249	3,247,249	3,178,742	3,178,742
Due from subsidiary	-	-	477,861	477,861
Due to Government of Barbados	(843,516)	(843,516)	(843,516)	(843,516)
Account payable and accrued liabilities	(225,834)	(225,834)	(147,073)	(147,073)

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19. Impairment Loss

Impairment loss comprises:

	<u>2011</u>	<u>2010</u>
Write off of balance due from subsidiary	\$ 703,552	-
Write-down of investment in subsidiary	<u>25,352,650</u>	<u>-</u>
	\$ <u>26,056,202</u>	<u>-</u>

