

BARBADOS FARMS LIMITED

Annual
Report
2019



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Dodridge D Miller - Chairman
Dr M Patricia Downes-Grant - Deputy Chairman
Mr Martin A Brathwaite - Managing Director
Mr Patrick W Bethell, BSS, JP
Mr J Edward Clarke
Mr David O Wright

CORPORATE SECRETARY

Mr Andrew C Greaves, Attorney-at-Law

ASSISTANT CORPORATE SECRETARY

Mrs Althea C Hazzard, Attorney-at-Law

MANAGERS

Applewhaites and Buttals - Mr Wayne L Ward
Castle - Mr Anthony Deukett
Workshop - Mr Arnold C Bynoe

BANKERS

CIBC FirstCaribbean International Bank (Barbados) Ltd.

ATTORNEYS-AT-LAW

Carrington & Sealy

AUDITOR

PricewaterhouseCoopers SRL

REGISTERED OFFICE

Cecil F de Caires Building
Willey, St Michael, BB15096
Barbados

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

The 2019 harvest commenced on March 5, 2019, and harvesting concluded on May 23, 2019. The island's sugar cane production was 93,600 tonnes compared to 146,789 tonnes in 2018, a decrease of 53,189 tonnes or 36.24%. Sugar production was 7,800 tonnes compared to 11,542 tonnes in 2018, a decrease of 3,742 tonnes or 32.42% on 2018 production.

Barbados Farms Limited produced 19,981 tonnes in 2019 compared to 32,314 tonnes in 2018, a decrease of 12,333 tonnes or 38.17%.

The reduction in tonnage was mainly due to the following:

- Drought conditions experienced in 2018 during the growing period
- Poor regrowth of ratoons due to fires in 2018
- Late payment of agreed funding due from Government which further reduced the already strained financial flexibility of the farmers, resulting in the inadequate and untimely application of critical inputs.

Revenue from the sale of cultivated crops for 2019 and 2018 was as follows:

	2019	2018	Variance	%
	\$	\$	\$	
Cane Revenue	3,817,124	5,560,743	-1,743,619	-31.36%
Non Sugar Revenue	186,746	332,738	-145,992	-43.88%
Other Revenue	102,402	174,623	-72,221	41.35%
Total Revenue	4,106,272	6,068,104	-1,961,832	-32.33%

Total revenue for the 2019 financial year was 32.17% lower than 2018. Revenue from sugar decreased by 31.36% to reach \$3.8M, compared to \$5.5M for 2018 due the decline in production. The average price for 2019 was \$142.58/tonne based on sucrose content. Revenue from non-sugar agriculture decreased by \$146K. Total revenue for the 2019 financial year was \$4.1M or 32.17% less than 2018.

Other revenue which includes oil royalties and development land sales decreased by \$72K in 2019.

One lot was sold at Bulkeley Heights and one at Castle "A" during the financial year 2018/2019.

Overall the Company recorded a loss before tax of \$5,840,475 for the year ended June 30, 2019 compared to a profit of \$1,259,962 for the year ended June 30, 2018. The net loss after tax for 2019 was \$6,960,624, compared to a profit of \$1,279,090 in 2018. Our investment properties were revalued in line with accounting standards and an unrealised loss of \$2,459,000 was recorded. On the transfer of investment property to non-current assets held for sale, a write-down of \$749,970 was recognised. In addition, there was a reduction in the recognised deferred tax asset of \$1,121,826. These items represented 62% of the net loss incurred during the year ended June 30, 2019.

Our management team will continue to focus on improving sugar cane yields through implementing best practices where applicable, further reduce operational costs and continue to significantly improve the efficiency in our operations.

The future of the Barbados sugar cane industry depends largely on its ability to increase yield per acre and the efficiency of our operations across the industry. This is even more critical as government's policy targets increasing sugar production, a larger rum industry and using biogas to generate electricity.

The following pricing mechanism has been agreed by Government for five years (2020-2025):

A. Commercial Sugar Cane Price (2020-2025)

- (1) A first payment of \$100.00 per tonne of cane delivered to the factory by the farm. This payment will be disbursed one week after the delivery of sugarcane to the factory.
- (2) Disbursement of the final payment of \$50.00 per tonne at the end of the harvest (July 31) to reach the agreed price of \$150.00 per tonne of cane.

B. Climate Mitigation Subsidy

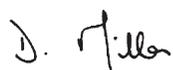
This subsidy will be introduced for a five-year period beginning 2020.

Its major objectives are:

- (1) Reduce direct price support as sugar cane yields and efficiency increase from good husbandry practice
- (2) Provide a direct but variable subsidy to mitigate against the negative impacts of climate change on sugar cane production.

An additional \$40.00 per tonne (maximum level of payment) will be used to achieve the above objectives as they are determined by final yield with mitigating climate change impact as a major factor. In 2020 the sugar cane growers will be paid the Climate Mitigation Subsidy at \$40.00 per tonne of harvested cane.

On behalf of the Board, I would like to express our thanks to Management and Staff for their continued dedication and commitment to the Company, and to you the Shareholders for your continued understanding and support as we continue to face the challenges in these difficult times.



Dodridge D. Miller
Chairman

March 10, 2020

DIRECTORS' REPORT

Board of Directors



Dodridge Miller is the Chairman of the Board. With over 25 years' experience in financial services and insurance, he is a Fellow of the Association of Certified Chartered Accountants (United Kingdom), and obtained his MBA from the University of Wales and Manchester Business School, United Kingdom. He holds an LLM in Corporate and Commercial Law from the University of the West Indies and, in October 2008, he was conferred with an Honorary Doctorate of Laws by the University of the West Indies. He is the President and Chief Executive Officer of the Sagicor Group and a Director of Sagicor Financial Corporation. He is also a Director of a number of subsidiaries within the Sagicor Group, which he joined in 1989.

Dr Patricia Downes-Grant, CBE, is Deputy Chairman of the Board. She holds an MA in Economics, an MBA in Finance and a Doctorate in Business Administration. She recently retired from the position of President and Chief Executive Officer of Sagicor Life Inc, where she has held many senior positions since joining the Group in 1991. She was previously a Senior Manager in the Management, Consulting and Insolvency Division of Coopers and Lybrand (PricewaterhouseCoopers SRL). Dr Downes-Grant is also a Director of a number of subsidiaries within the Sagicor Group.



Martin Brathwaite is the Managing Director. With more than 40 years' experience in agriculture, he has held this position since 2006. He is a former Agricultural Manager of Barbados Agricultural Management Co Ltd, and has extensive experience managing and supervising farms in Barbados. Mr Brathwaite is a Director of a number of companies operating in the agricultural sector in Barbados.

Patrick Bethell, BSS, JP, is an independent non-executive Director. He holds a Diploma of Agriculture from McDonald College, McGill University. He has made a significant contribution to the development of agriculture in Barbados over the last 40 years. Mr Bethell has worked in the industry and has served on a number of advisory committees relating to agriculture in Barbados. He has also served as a Director of numerous agricultural companies, and has represented both public and private sector interests on various boards and committees.





Edward Clarke is Chief Operating Officer of Sagicor Life Inc. Prior to this he held the position of Group Chief Internal Auditor. He is a Fellow of the Association of Chartered Certified Accountants and is a Certified Internal Auditor with more than 25 years' experience in the field of auditing and finance. Mr Clarke began his accounting career at Pannell Fitzpatrick & Company Chartered Accountants. He later joined Texaco and served as a senior member of its finance team in Barbados, Nigeria and the USA. Prior to joining Sagicor, Mr Clarke was the Chief Finance Officer of Goddard Enterprises Limited and is a Council Member of the Barbados Chamber of Commerce, the National Non-Communicable Diseases Commission and the University of the West Indies Campus Council. He is also Director of several subsidiaries within the Sagicor Group of Companies.

David Wright is an independent non-executive Director. He is a UK-qualified accountant and Chief Executive Officer of the HBW Management Group. He has over 25 years' experience in the international financial services sector, providing services to international business companies, exempt insurance companies and offshore banks. His areas of expertise include insurance and investment management, financial risk management, trading in precious metals, corporate restructuring, tax planning, and information technology. Mr Wright is also a Director of a number of subsidiaries within the Sagicor Group.



Directors' Interests

Directors' interests as at June 30, 2019 and as at the record date, July 17, 2020, are as follows:

	Shares as at June 30, 2019		Shares as at July 17, 2020	
	Number	%	Number	%
Dodridge D Miller	0	Nil	0	Nil
Martin A Brathwaite	< 1	76	< 1	76
Patrick W Bethell	0	Nil	0	Nil
Dr M Patricia Downes-Grant	0	Nil	0	Nil
Edward Clarke	0	Nil	0	Nil
David Wright	0	Nil	0	Nil

Interest of Significant Shareholder

The following Shareholder held more than 5% of the issued share capital as at June 30, 2019 and as at the record date, July 17, 2020.

	Shares as at June 30, 2019		Shares as at July 17, 2020	
	Number	%	Number	%
Sagicor Life Inc	15,876,631	77	15,876,631	77

Corporate Governance Report - The Board of Directors

The maximum number of Directors permitted by the Articles of Continuance of the Company is ten, and the minimum is two. The Board of Directors presently consists of six Members, two of whom are independent non-executive Directors. The remaining are the Managing Director of the Company, and Executives of the Company's principal shareholder, Sagicor Life Inc, or the Company's ultimate parent, Sagicor Financial Company Ltd. Non- executive Directors' sole compensation comprises fees paid in cash. For the financial year under review the total cumulative fees paid to independent non-executive Directors was \$12,000. Executives of the Company, the Company's principal shareholder, Sagicor Life Inc, and the Company's ultimate parent, Sagicor Financial Company Ltd, who serve as directors on the Company's Board are not paid Directors' fees.

Directors retire by rotation. The number of Directors to be elected at the Meeting is two. Messrs. Dodridge D. Miller and Patrick W. Bethell will retire at the end of the Meeting and, being eligible, are seeking re-election.

The Board of Directors considers that the quality, skills and experience of each Director enhance the Board's effectiveness. The training, skills and competencies of the various members of the Board, particularly relevant to the Company's operations, have been identified in the Competency Matrix below.

Directors' Skills and Experience	Dr Dodridge Miller	Dr M Patricia Downes-Grant	Martin Brathwaite	Patrick Bethell	Edward Clarke	David Wright
General Management						
Agricultural Operations						
Agronomics						
Finance/Accounting						
Property Management and Development						
Strategic Planning						
Human Resource Management						
Regulatory						
Asset Management						
Risk Management						
Other: Education/Training						

Board Responsibilities

The Board of Directors is collectively responsible for providing entrepreneurial leadership, guidance and oversight to the Company, within a framework of prudent and effective controls that enable risks to be assessed and managed, with a view to maximizing shareholder wealth within the bounds of law and community standards of ethical behaviour. The Board's main responsibilities, which it executes through decision-making and oversight, include the supervision of senior management, strategic planning, enterprise risk management, succession planning, stakeholder communications, public disclosures, internal controls and Corporate Governance. The Board presently does not have any sub-committees, but ensures that it devotes adequate time to the in-depth discussion of all matters relating to the operations and business of the Company.

Board Operations

During 2018/2019, Management engaged the Board of Directors (BOD) 3 times in formal meetings. A record of Director attendance appears below:

	BOD	Percentage Attendance
Dodridge Miller	3 of 3	100
Dr M Patricia Downes-Grant	3 of 3	100
Martin Brathwaite	3 of 3	100
Patrick Bethell	3 of 3	100
Edward Clarke	2 of 3	66.6
David Wright	3 of 3	100

Board Committees

There are currently no sub-committees of the Board of Directors. The Company's Constitutive documents do not mandate such establishment and given the small size of the Board, directors consider that the affairs of the Company are best administered when the entire Board of Directors, as opposed to a segment thereof, exercise direct oversight over all major aspects of the Company's operations including governance and audit matters.

External Auditor's Fees

PricewaterhouseCoopers SRL is the Company's External Auditor. Following is a statement of the fees charged by the External Auditor for audit and non-audit services during 2017, 2018 and 2019.

Services	Fees Charged BD\$ (excluding VAT)		
	2016/2017	2017/2018	2018/2019
Audit	75,700	77,800	80,000
Non-Audit	4,275	0	4,650

Barbados Stock Exchange Corporate Governance Recommendations

The Company is listed on the Barbados Stock Exchange (the Exchange). On January 1, 2014, the Exchange's Corporate Governance Recommendations for Listed Companies came into force. These Recommendations require that all Listed Companies comply with the requirements contained therein regarding their corporate governance structure and various disclosures those companies are encouraged to include in their Annual Reports. Companies whose Board of Directors consider it desirable and in their Companies' best interest to deviate from any particular Recommendation, are required to explain such deviation. The Board and Management of the Company are committed to continued efforts to enhance corporate governance practices within the Company consistent with the Recommendations.

By Order of the Board of Directors



Andrew C Greaves
Corporate Secretary



Independent auditor's report

To the Shareholders of Barbados Farms Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Barbados Farms Limited (the Company) as at June 30, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

Barbados Farms Limited's financial statements comprise:

- the statement of financial position as at June 30, 2019;
- the statement of changes in equity for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Overview



- Overall materiality: BDS\$1,102,900, which represents 1% of net assets
 - In addition to determining materiality, we also assessed, amongst other factors, the following in designing our audit:
 - the risk of material misstatement in the financial statements
 - significant accounting estimates
 - the risk of management override of internal controls
 - Valuation of the Company's real estate (land and buildings and investment property)
-

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall materiality	BDS\$1,102,900
How we determined it	1% of net assets
Rationale for the materiality benchmark applied	We chose net assets as the benchmark because, in our view, it is the principal indicator used by the entity's shareholders in making decisions. The Company is an asset-based entity with substantial holdings of land (much of which is agricultural land) and buildings, investment property and development property, therefore, whilst being a public company, net assets provide the most relevant benchmark to reflect the financial performance of the Company. We chose 1% which is within a range of acceptable benchmark thresholds.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above BDS\$55,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of the Company's real estate (land and buildings and investment property)</p> <p><i>Refer to notes 2 (c, d & e), 10 and 11 to the financial statements.</i></p> <p>Land and buildings, included within Property, plant and equipment, are carried at fair value of BDS\$75 million at June 30, 2019 (see note 10, Property, plant and equipment) and represent 58% of total assets of the Company.</p> <p>Investment property is carried at fair value of BDS\$36 million at June 30, 2019 (see note 11, Investment property) and represents 28% of total assets of the Company.</p> <p>These balances are material to the financial statements of the Company as a whole. Fair value in respect of these assets is by nature subjective. The significant judgement applied, and the existence of significant estimation uncertainty led us to direct specific audit focus and attention to this area.</p>	<p>We obtained the current year valuations of the investment property and the most recent valuations of the land and buildings performed by management's third-party expert. With the assistance of our own expert, we assessed the appropriateness of the appraiser's scope of work and assessed the experience, competence and objectivity of the appraiser. We determined that the appraiser was appropriately qualified and independent, confirming there was no affiliation to the Company.</p> <p>Evaluation of the appraisals provided by management's expert also involved challenging the significant assumptions made by performing an independent assessment of the underlying data and the key assumptions used in the valuations, including consideration of any contrary evidence.</p>

The Company used an independent qualified property appraiser to value its investment property in the current year. Land and buildings were last independently valued as part of the triennial valuation cycle in 2017 and were assessed for any changes in the current year by management. Appraisals are performed using the market value approach which establishes the value of the property in comparison to historic sales involving similar properties.

The market value approach takes into consideration various assumptions and factors, the most significant of which are:

- location of properties
- physical features including size and landscaping
- age and condition of buildings
- quality of the facilities at the property
- demand for properties

A change in any of these assumptions and factors could have a significant impact on the valuation of the Company's land and buildings and investment property.

We determined that the methodology and assumptions used by management's appraiser were appropriate and the work performed was consistent with accepted professional practices.

We evaluated management's assessment that there had been no significant changes since the last independent appraisal of the Company's land and buildings that would impact the amounts recorded in the financial statements.

As a result of the above audit procedures, the evidence we obtained corroborated that the carrying value of land and buildings and investment property as determined by management was within an acceptable range.

Other information

Management is responsible for the other information. The other information comprises the information presented in the Annual Report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matter

This report is made solely to the Company's shareholders, as a body, in accordance with Section 147 of the Companies Act of Barbados. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

The engagement leader on the audit resulting in this independent auditor's report is Yonnette Murray Brewster.

PricewaterhouseCoopers SRH

Bridgetown, Barbados
March 27, 2020

BARBADOS FARMS LIMITED
STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2019

(EXPRESSED IN BARBADOS DOLLARS)

	2019	2018
	\$	\$
Assets		
Current assets		
Cash and cash equivalents (note 5)	2,097,959	2,409,880
Trade and other receivables (note 6)	2,416,989	4,980,229
Corporation tax recoverable	176,014	175,717
Biological assets (note 7)	421,520	647,904
Inventory (note 8)	435,572	465,273
Non-current assets held for sale (note 9)	2,941,885	–
	8,489,939	8,679,003
Non-current assets		
Property, plant and equipment (note 10)	74,950,988	76,327,393
Investment property (note 11)	36,489,000	41,558,000
Development property (note 12)	8,691,422	8,925,505
Trade and other receivables (note 6)	893,226	–
	121,024,636	126,810,898
Total assets	129,514,575	135,489,901

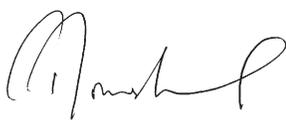
BARBADOS FARMS LIMITED
STATEMENT OF FINANCIAL POSITION (continued)

AS AT JUNE 30, 2019

(EXPRESSED IN BARBADOS DOLLARS)

	2019	2018
	\$	\$
Liabilities and equity		
Current liabilities		
Trade and other payables (note 13)	868,167	1,482,261
Due to ultimate parent company (note 14)	7,363	7,363
Due to parent company (note 14)	8,977,493	8,206,158
Dividend payable	135,050	135,050
	<u>9,988,073</u>	<u>9,830,832</u>
Non-current liabilities		
Retirement benefit obligations (note 15)	3,876,259	4,020,721
Loan (note 16)	5,360,256	5,360,256
	<u>9,236,515</u>	<u>9,380,977</u>
Total liabilities	<u>19,224,588</u>	<u>19,211,809</u>
Equity		
Share capital (note 17)	2,060,729	2,060,729
Revaluation surplus	111,206,244	110,380,232
(Deficit)/retained earnings	(2,976,986)	3,837,131
Total equity	<u>110,289,987</u>	<u>116,278,092</u>
Total liabilities and equity	<u>129,514,575</u>	<u>135,489,901</u>

The accompanying notes are an integral part of these financial statements.
 Approved by the Board of Directors on March 2, 2020


 Director


 Director

BARBADOS FARMS LIMITED
STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2019

(EXPRESSED IN BARBADOS DOLLARS)

	Share capital \$	Revaluation surplus \$	(Deficit) Retained earnings \$	Total \$
Balance at June 30, 2017	2,060,729	110,543,185	2,343,954	114,947,868
Comprehensive income:				
Net income for the year	–	–	1,279,090	1,279,090
Other comprehensive income	–	–	51,134	51,134
Total comprehensive income	–	–	1,330,224	1,330,224
Transfer on disposal of land	–	(162,953)	162,953	–
Balance at June 30, 2018	2,060,729	110,380,232	3,837,131	116,278,092
Comprehensive income:				
Net loss for the year	–	–	(6,960,624)	(6,960,624)
Other comprehensive income	–	947,124	25,395	972,519
Total comprehensive income	–	947,124	(6,935,229)	(5,988,105)
Transfer on disposal of land	–	(121,112)	121,112	–
Balance at June 30, 2019	2,060,729	111,206,244	(2,976,986)	110,289,987

The accompanying notes are an integral part of these financial statements.

BARBADOS FARMS LIMITED
STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2019

(EXPRESSED IN BARBADOS DOLLARS)

	2019	2018
	\$	\$
Sale of cultivated crops	4,003,869	5,893,481
Cost of cultivation	(4,218,586)	(4,297,529)
Gross (loss)/profit	(214,717)	1,595,952
General and administrative expenses (note 19)	(1,517,800)	(1,755,268)
Other (expenses)/income (note 20)	(3,332,952)	2,135,585
(Loss)/income from operations	(5,065,469)	1,976,269
Finance costs	(775,006)	(716,307)
(Loss)/income before taxation	(5,840,475)	1,259,962
Taxation (note 22)	(1,120,149)	19,128
Net (loss)/income for the year	(6,960,624)	1,279,090
Other comprehensive income:		
<i>Items net of tax that will not be reclassified subsequently to income:</i>		
Actuarial gains on retirement benefit obligations	25,395	51,134
Write-down on transfer from property, plant and equipment to assets held for sale	(176,180)	–
Deferred tax release on revaluation surplus on development property	1,123,304	–
Other comprehensive income for the year	972,519	51,134
Total comprehensive (loss)/income for the year	(5,988,105)	1,330,224
(Loss)/earnings per share - basic and diluted (note 23)	(33.78)¢	6.21¢

The accompanying notes are an integral part of these financial statements.

BARBADOS FARMS LIMITED
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2019

(EXPRESSED IN BARBADOS DOLLARS)

	2019 \$	2018 \$
Cash flows from operating activities		
(Loss)/income before taxation	(5,840,475)	1,259,962
Adjustments for:		
Depreciation	127,687	128,449
Loss in fair value of biological assets (net)	226,384	30,038
Write-down on transfer from investment property to assets held for sale (note 9)	749,970	–
Unrealised loss/(gain) in fair value of investment property (note 11)	2,459,000	(1,991,000)
Gain on sale of development property	(41,102)	(110,557)
Finance costs	775,006	716,307
Pension plan expense	276,083	301,245
Post-retirement medical benefit expense	33,706	33,949
Operating (loss)/profit before changes in non-cash working capital balances	(1,233,741)	368,393
Decrease/(increase) in trade and other receivables	1,670,014	(190,304)
Decrease/(increase) in inventory	29,701	(30,475)
(Decrease)/increase in trade and other payables	(681,249)	201,870
Increase in amount due to ultimate parent company	–	4,729
Increase in amount due to parent company	433,476	2,467,519
Cash generated from operations	218,201	2,821,732
Tax rebate	1,380	–
Finance costs paid	(369,992)	(436,163)
Pension contributions paid	(404,452)	(554,224)
Post-retirement medical benefits contribution paid	(22,925)	(21,073)
Net cash (used in)/generated from operating activities	(577,788)	1,810,272
Cash flows from investing activities		
Purchase of property, plant and equipment	(9,318)	(11,570)
Development property costs incurred	(30,782)	(14,978)
Proceeds from sale of development property	305,967	455,961
Net cash generated from investing activities	265,867	429,413
Carried forward	(311,921)	2,239,685

BARBADOS FARMS LIMITED
STATEMENT OF CASH FLOWS (continued)

FOR THE YEAR ENDED JUNE 30, 2019

(EXPRESSED IN BARBADOS DOLLARS)

	2019	2018
	\$	\$
Brought forward	<u>(311,921)</u>	<u>2,239,685</u>
(Decrease)/increase in cash and cash equivalents	(311,921)	2,239,685
Cash and cash equivalents - beginning of year	<u>2,409,880</u>	<u>170,195</u>
Cash and cash equivalents - end of year	<u>2,097,959</u>	<u>2,409,880</u>

The accompanying notes are an integral part of these financial statements.

BARBADOS FARMS LIMITED
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(EXPRESSED IN BARBADOS DOLLARS)

1 General information

Historically, the principal activity of Barbados Farms Limited (the “Company”) has been the operation of sugar farms and the cultivation of various crops. The Company also develops parcels of its own land for sale as residential lots. The Company is a subsidiary of Sagicor Life Inc. and its ultimate parent company is Sagicor Financial Corporation Limited, a company listed on the Barbados, Trinidad & Tobago and London stock exchanges. (Subsequent to year end the ultimate parent company is Sagicor Financial Company Ltd, a company listed on the Toronto Stock Exchange). Sagicor Life Inc. holds 77% of the share capital of the Company. The Company is a limited liability company incorporated and domiciled under the Laws of Barbados and is listed on the Barbados Stock Exchange. Its registered office is located at the Cecil F. de Caires Building, Wildey, St. Michael.

2 Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention, except for land and buildings included in property, plant and equipment, biological assets and investment property which are measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

i) *New standards, interpretations and amendments to existing standards that have been adopted by the Company in the current financial year*

IFRS 9: ‘Financial Instruments’. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities. It also includes an expected credit losses model that replaces the current incurred loss impairment model.

The adoption of this standard has not had a material effect on the financial performance or position of the Company and has not resulted in any additional disclosures.

IFRS 15: ‘Revenue from contracts with customers’. The IASB has issued a new standard for the recognition of revenue. This standard replaces IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risk and reward.

The adoption of this standard has not had a material effect on the financial performance or position of the Company and has not resulted in any additional disclosures.

2 Significant accounting policies (continued)

a) Basis of preparation (continued)

i) *New standards, interpretations and amendments to existing standards that have been adopted by the Company in the current financial year (continued)*

IAS 40: 'Investment Property' (Amendment). This amendment limits the circumstances under which an entity can transfer a property to, or from, investment property. A property can only be transferred when there is evidence of a change in use. A change of use occurs the property meets, or ceases to meet, the definition of investment property. The standard further states that a change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

ii) *New standards, amendments and interpretations issued but not effective for the financial year beginning July 1, 2018 and not early adopted*

Management has reviewed the new standards, amendments and interpretations to existing standards that are not yet effective and have determined that the following are relevant to the Company's operations. The Company has not early adopted the new standards and amendments.

IFRS 16: 'Leases' IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead all leases are treated in a similar way to finance leases applying IAS 17. Leases are 'capitalised' by recognising the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments. The most significant effect of the new requirements will be an increase in lease assets and financial liabilities. Mandatory adoption is expected for fiscal years beginning January 1, 2019.

Annual improvements 2015 - 2017 Cycle (effective January 1, 2019). These amendments include minor changes to: IAS 12, 'Income taxes'. A company accounts for all income tax consequences of dividend payments in the same way.

Amendments to IAS 19, 'Employee benefits' on plan amendments, curtailments or settlements (effective January 1, 2019). These amendments require an entity to: use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

IFRIC 23, 'Uncertainty over income tax treatments' (effective January 1, 2019). This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for

2 Significant accounting policies (continued)

a) Basis of preparation (continued)

ii) *New standards, amendments and interpretations issued but not effective for the financial year beginning July 1, 2019 and not early adopted (continued)*

a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

b) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity in another entity. Financial assets and liabilities are recognised when the Company becomes a party to the contractual provision of the instrument

Financial assets

IFRS 9 introduces a principles-based approach to the classification of financial assets. Debt instruments are measured at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") or amortised cost based on the nature of the cash flows of these assets and the Company's business model. These categories replace the existing IAS 39 classifications of fair value through income, available for sale, loans and receivables and held-to-maturity.

Financial assets are measured on initial recognition at fair value and are classified and subsequently measured either at amortised cost, at FVTPL or at FVOCI. The Company measures trade and other receivables at amortised cost.

Refer to note 2(i) for the impairment policy on trade and other receivables.

Financial liabilities

The Company's financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method. Financial liabilities are derecognised when they are extinguished (i.e., when the obligation specified in the contract is discharged, cancelled or expires).

At the reporting date, the following items were classified as financial liabilities: trade and other payables, due to ultimate parent, due to parent company and loan.

c) Real estate

The Company's real estate is classified as follows:

- Property, plant and equipment
- Investment property
- Development property

The accounting policies for these real estate classifications are set out in notes 2(d), 2(e) and 2(f).

BARBADOS FARMS LIMITED
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(EXPRESSED IN BARBADOS DOLLARS)

2 Significant accounting policies (continued)

d) Property, plant and equipment

Real estate within property, plant and equipment comprises land and buildings which are currently utilised in the Company's operations. These freehold land and buildings are carried at valuations performed every three years by independent valuers, less subsequent depreciation on buildings plus subsequent additions.

All other property, plant and equipment are stated at historical cost less accumulated depreciation. Subsequent expenditure is capitalised when it will result in future economic benefits to the Company. Repairs and maintenance expenses are charged to the statement of comprehensive income during the financial period in which they are incurred. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are included in other income/expenses in the statement of comprehensive income.

Depreciation is computed on the straight line method at rates considered adequate to write off the cost or valuation of depreciable property, plant and equipment, less salvage, over their useful lives.

The estimated useful lives are as follows:

Freehold buildings	50 years
Agricultural equipment	5 to 20 years
Computer equipment	5 years

The assets' residual values and useful lives are reviewed annually, and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Increases in the carrying amount arising on revaluation of assets are credited to other comprehensive income and shown as revaluation surplus in equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against revaluation surplus directly in equity; all other decreases are charged against net profit for the year.

On disposal of land and buildings, the amount included in the revaluation surplus is transferred to retained earnings.

e) Investment property

Investment properties comprise land and buildings owned but not occupied by the Company and held to earn rental income or held for capital appreciation with possible future development potential.

Investment properties are recorded initially at cost and are subsequently carried at fair value, representing open market value determined annually by independent qualified external valuers. Any appreciation or depreciation in value is taken to the statement of comprehensive income as a fair value gain or loss.

Transfers to or from investment property are recorded when there is a change in use of the property. If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its deemed cost for subsequent accounting

BARBADOS FARMS LIMITED
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(EXPRESSED IN BARBADOS DOLLARS)

2 Significant accounting policies (continued)

e) Investment property (continued)

purposes. If any actions are taken to develop or sell investment property, it is reclassified as development property, and its fair value at the date of reclassification also becomes its deemed cost for subsequent accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference arising between the carrying amount and the fair value of this item at the date of transfer is recognised in the same way as a revaluation in accordance with IAS 16.

f) Development property

Development property is classified and stated at the lower of carrying value and fair value less cost to sell. In the case of transfers from investment property or property, plant and equipment, the cost is deemed to be the carrying value at the date of the transfer.

Land under development or held for sale is classified as development property when actions are taken to either develop or sell the land. Development property includes all land acquisition and development costs included prior to sale. Gains and losses realised on the sale of development property are included in other income/expenses in the statement of comprehensive income at the time of sale.

In the case of development property that was transferred from property, plant and equipment, the related revaluation surplus is transferred to retained earnings when the property is sold. Sale is recognised upon execution of the conveyance.

g) Non-current assets held for sale

Non-current assets held for sale are measured at the lower of carrying value and fair value less costs to sell at the time of the reclassification.

h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first in, first out basis. Cost of cultivation comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

i) Biological assets

Biological assets are cultivated crops produced by the Company and are measured at their fair value less estimated point-of-sale costs. The fair value is determined based on a percentage of the average price currently paid in the local market and the estimated stage of maturity. The determination of this fair value requires the use of a degree of judgement and assumptions regarding the estimated stage of maturity of crops. The Company has determined that there are no significant point-of-sale costs for its cultivated crops.

2 Significant accounting policies (continued)

j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less expected credit losses.

The measurement of the expected credit losses (“ECL”) reflects:

- An unbiased and probability weighted amount that is determined by evaluating the range of possible outcomes
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions

The Company has applied the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

k) Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, and short term deposits with an original maturity of three months or less.

l) Taxation

Taxation expense in the statement of comprehensive income comprises current and deferred tax charges.

Current tax charges are based on taxable income for the year, which differ from the income before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The Company’s liability for current tax is calculated at tax rates that have been enacted at reporting date.

The Company follows the liability method of accounting for deferred income tax whereby all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes are provided for at the corporation tax rates which are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are only recognised when it is probable that taxable income will be available against which the assets may be utilised.

2 Significant accounting policies (continued)

m) Employee benefits

i) Pension obligation

The Company participates in a defined benefit pension plan for its employees, which is managed by its parent. The assets of the plan are held in a separate fund administered by a Trustee. The scheme is generally funded through payments from the employees and the Company, and determined by periodic, independent actuarial calculations.

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds for the maturity dates of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income and retained earnings in the period in which they arise. Past service costs are recognised immediately in income.

ii) Other retirement benefits

The Company also provides post-retirement healthcare benefits to its employees, pensioners and their registered dependents. These benefits are funded by contributions from the Company. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined pension plans.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income and retained earnings in the period in which they arise. This obligation is valued by independent qualified actuaries.

iii) Profit-sharing bonus plan

The Company recognises a liability and an expense for bonuses and profit-sharing, based on various profit and other objectives. An accrual is recognised where there are contractual obligations or where past practice has created a constructive obligation.

2 Significant accounting policies (continued)

n) Foreign currency translation

i) *Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Barbados dollars, which is the Company's functional and presentation currency.

ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

o) Dividend distribution

Dividend distributions on the Company's shares are recorded in the period during which the dividend declaration has been approved by the directors.

p) Revenue recognition

Revenue from the sale of cultivated crops represents the fair value of consideration received or receivable on delivery of the crops to the buyer. The change over the accounting period in the fair value less estimated point-of-sale costs of biological assets is recognised in revenue.

The Company sells its sugar cane crop to the Barbados Agricultural Management Company (BAMC) which is an agency of government. Sugar cane sales are recognised on the delivery of canes to the BAMC. Government price support is generally received some months after the end of the crop and is recognised at that time or when there is reasonable assurance of receipt.

Interest income is recognised on the accrual basis using the effective yield method.

Gains and losses realised on the sale of land are included in other income upon execution of the conveyance. Rental income from leased lands is recognised on an accruals basis. Royalties arising from oil extracted from certain leased lands is recognised when received, as the Company does not possess the information necessary to accrue a reliable estimate.

2 Significant accounting policies (continued)

q) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less cost to sell and the value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

r) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Chief Executive Officer who makes strategic decisions. He is also the Chairman of the Board of Directors. The Company currently does not disaggregate its reporting on a segment basis.

3 Critical accounting estimates and judgements

a) Real estate

Except for development property, the Company's real estate is carried at fair values determined by independent valuers. The determination of fair value of the Company's land involves a significant degree of judgment. The valuation of a parcel of land reflects an assessment of the current use of the land, the potential future use of the land, and government policy regarding the future use of the land.

The impact of an across-the-board adjustment of 10% increase to the fair value of real estate on total comprehensive income is an increase of \$11,140,696 (2018 - \$11,785,300) and a 10% decrease to the fair value of real estate on total comprehensive income is a decrease of \$11,140,696 (2018 - \$11,785,300).

b) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with future tax planning strategies.

3 Critical accounting estimates and judgements (continued)

c) Employee retirement benefits

The cost of the defined benefit pension plan and other post employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future pension increases, future salary increases, proportion of employees opting for early retirement, future changes in the NIS ceiling and inflation. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Assumptions used are disclosed in note 14.

4 Financial risk management

The Company's activities potentially expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

a) Market risk

i) Foreign exchange risk

The Company has limited transactions in foreign currencies and if any arise it is mainly for purchases of supplies. These transactions are denominated mainly in United States dollars. Since there are fixed exchange rates between the Barbados dollar and United States dollar there is no significant exposure to foreign exchange risk.

ii) Interest rate risk

The loans from the related companies bear interest at a fixed rate of 7.50% per annum and are repayable within three (3) years or on demand. The Company therefore is not exposed to significant interest rate risk.

iii) Price risk

The Company is not exposed to price risk as it does not hold any listed equity investments.

b) Credit risk

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

Credit limits are defined for each customer. The approval process is undertaken on an individual basis before management provides credit to customers. The Company evaluates the financial institutions with which it places cash and cash equivalents. Only reputable financial institutions with high credit ratings are considered.

BARBADOS FARMS LIMITED
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(EXPRESSED IN BARBADOS DOLLARS)

4 Financial risk management (continued)

b) Credit risk (continued)

The maximum credit risk exposure is as follows:

	2019	2018
	\$	\$
Cash and cash equivalents	2,097,959	2,409,880
Trade and other receivables	3,310,215	4,980,229
	<u>5,408,174</u>	<u>7,390,109</u>

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities to meet reasonable expectations of short-term obligations.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year \$	More than 1 year \$	Total \$
At June 30, 2019			
Trade and other payables	801,012	–	801,012
Due to ultimate parent company	7,363	–	7,363
Due to parent company	8,977,493	–	8,977,493
Loan	–	5,427,411	5,427,411
	<u>9,785,868</u>	<u>5,427,411</u>	<u>15,213,279</u>
At June 30, 2018			
Trade and other payables	1,482,261	–	1,482,261
Due to ultimate parent company	7,363	–	7,363
Due to parent company	8,206,158	–	8,206,158
Loan	–	5,360,256	5,360,256
	<u>9,695,782</u>	<u>5,360,256</u>	<u>15,056,038</u>

BARBADOS FARMS LIMITED
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(EXPRESSED IN BARBADOS DOLLARS)

4 Financial risk management (continued)

d) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide adequate returns to shareholders. The principal capital resources of the Company are as follows:

	2019	2018
	\$	\$
Total equity	110,289,987	116,278,092
Loan	5,427,411	5,360,256
	115,717,398	121,638,348

The loan has been entered into to assist in the financing of costs incurred in connection with the readying of development property for sale. It is anticipated that the loan will be repaid from the sale proceeds from development property.

e) Fair value of financial assets and liabilities

The fair values of financial assets and liabilities are not considered to be materially different from their carrying amounts.

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates. Non-financial instruments such as corporation tax recoverable are excluded from fair value disclosure. Thus the total fair value amounts cannot be aggregated to determine the underlying economic value of the Company.

f) Fair value of property

Investment property and owner-occupied property are carried at fair value as determined by independent valuations using internationally recognised valuation techniques. Direct sales comparisons, when such data is available, and income capitalisation methods, when appropriate, are included in the assessment of fair values. The highest and best use of a property is considered in determining its fair value.

Some tracts of land are currently used for farming operations, are un-developed, or are leased to third parties. In determining the fair value of all lands, their potential for development within a reasonable period is assessed, and if such potential exist, the fair value reflects that potential.

BARBADOS FARMS LIMITED
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(EXPRESSED IN BARBADOS DOLLARS)

4 Financial risk management (continued)

f) Fair value of property (continued)

The fair value hierarchy has been applied to the valuations of the Company's property. The different levels of hierarchy are as follows:

- Level 1 - fair value is determined by quoted, unadjusted prices in active markets for identical assets;
- Level 2 - fair value is determined by inputs other than quoted prices in active markets that are observable for the asset either directly or indirectly; and
- Level 3 - fair value is determined from inputs that are not based on observable market data.

The results of applying the fair value hierarchy to the Company's property are as follows:

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
2019				
Freehold buildings	–	–	5,145,600	5,145,600
Freehold land	–	–	69,772,365	69,772,365
Investment property	–	–	36,489,000	36,489,000
	–	–	111,406,965	111,406,965
2018				
Freehold buildings	–	–	5,831,000	5,831,000
Freehold land	–	–	70,464,000	70,464,000
Investment property	–	–	41,558,000	41,558,000
	–	–	117,853,000	117,853,000

BARBADOS FARMS LIMITED
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(EXPRESSED IN BARBADOS DOLLARS)

4 Financial risk management (continued)

f) Fair value of property (continued)

For Level 3 investment property, reasonable changes in fair value would affect net income. For Level 3 freehold property, reasonable changes in fair value would affect other comprehensive income. The following table represents the movements in Level 3 property for the current year.

	Investment Property \$	Freehold Land \$	Freehold Buildings \$	Total \$
Balance, beginning of year	41,558,000	70,464,000	5,831,000	117,853,000
Depreciation charge	–	–	(119,000)	(119,000)
Depreciation transfer/disposal	23,600	–	–	23,600
Unrealised loss in fair value of investment property	(2,459,000)	–	–	(2,459,000)
Transfer to assets held for sale	(2,610,000)	(691,635)	(590,000)	(3,891,635)
Balance, end of year	36,489,000	69,772,365	5,145,600	111,406,965

5 Cash and cash equivalents

	2019 \$	2018 \$
Cash in hand	30,349	33,986
Cash at bank	2,067,610	2,375,894
	2,097,959	2,409,880

Significant concentration of cash is as follows:

	2019 \$	2018 \$
CIBC FirstCaribbean International Bank Limited (unrated)	1,978,417	2,286,557

BARBADOS FARMS LIMITED
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(EXPRESSED IN BARBADOS DOLLARS)

6 Trade and other receivables

	2019 \$	2018 \$
Current		
Trade receivables	2,431,409	4,276,603
Other receivables	26,691	744,737
Less: loss allowance	(41,111)	(41,111)
	<u>2,416,989</u>	<u>4,980,229</u>
Non-current		
Other receivables (VAT recoverable)	<u>893,226</u>	–
	<u>3,310,215</u>	<u>4,980,229</u>

Trade receivables of \$2,193,771 (2018 - \$4,046,198) relate to amounts due from the BAMC primarily for final cane payments.

The carrying value of trade and other receivables is considered to approximate fair value because of their short term maturity. The maximum exposure to credit risk on receivables is the carrying value disclosed above. The Company does not hold any collateral security on these receivables.

Impairment of trade and other receivables

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The movement in the loss allowance is as follows:

	2019 \$	2018 \$
Balance - beginning of year	41,111	35,117
Loss allowance	–	40,811
Write-off of trade receivables	–	(34,817)
	<u>41,111</u>	<u>41,111</u>

BARBADOS FARMS LIMITED
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(EXPRESSED IN BARBADOS DOLLARS)

7 Biological assets

	2019 \$	2018 \$
Sugar cane	421,520	647,904
Reconciliation of carrying amount:		
	2019 \$	2018 \$
Balance at July 1	647,904	677,942
Gain arising from changes in fair value less estimated point-of-sale costs	3,777,485	5,863,443
Decrease due to sales	(4,003,869)	(5,893,481)
Balance at June	30 421,520	647,904

8 Inventory

	2019 \$	2018 \$
Fertilisers and herbicides	44,958	69,320
Parts, petrol and oils	390,614	395,953
	435,572	465,273

9 Non-current assets held for sale

The directors of the Company have approved the sale of 19.63 acres of investment property and freehold land and buildings to two related parties for a total consideration of \$3,100,000. Costs to sell amount to \$158,115. The property has been reclassified to non-current assets held for sale based on fair value less costs to sell. The sale was completed in December 2019.

The following write-down of assets was recognised:-

	Reclassified from investment property \$	Reclassified from freehold land and buildings \$	Total \$
Carrying value of assets reclassified (note 10)	2,610,000	1,258,035	3,868,035
Write-down of assets on reclassification	(749,970)	(176,180)	(926,150)
	1,860,030	1,081,855	2,941,885

BARBADOS FARMS LIMITED
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(EXPRESSED IN BARBADOS DOLLARS)

10 Property, plant and equipment

	Freehold land \$	Freehold buildings \$	Agricultural equipment \$	Computer equipment \$	Total \$
At June 30, 2017					
Cost	70,464,000	5,950,000	11,577,563	52,218	88,043,781
Accumulated depreciation	–	–	(11,559,734)	(39,775)	(11,599,509)
Net book amount	<u>70,464,000</u>	<u>5,950,000</u>	<u>17,829</u>	<u>12,443</u>	<u>76,444,272</u>
Year ended June 30, 2018					
Opening net book value	70,464,000	5,950,000	17,829	12,443	76,444,272
Additions	–	–	11,570	–	11,570
Depreciation charge	–	(119,000)	(4,868)	(4,581)	(128,449)
Closing net book amount	<u>70,464,000</u>	<u>5,831,000</u>	<u>24,531</u>	<u>7,862</u>	<u>76,327,393</u>
At June 30, 2018					
Cost	70,464,000	5,950,000	11,589,133	52,218	88,055,351
Accumulated depreciation	–	(119,000)	(11,564,602)	(44,356)	(11,727,958)
Net book amount	<u>70,464,000</u>	<u>5,831,000</u>	<u>24,531</u>	<u>7,862</u>	<u>76,327,393</u>

BARBADOS FARMS LIMITED
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(EXPRESSED IN BARBADOS DOLLARS)

10 Property, plant and equipment (continued)

	Freehold land \$	Freehold buildings \$	Agricultural equipment \$	Computer equipment \$	Total \$
At June 30, 2018					
Cost	70,464,000	5,950,000	11,589,133	52,218	88,055,351
Accumulated depreciation	–	(119,000)	(11,564,602)	(44,356)	(11,727,958)
Net book amount	70,464,000	5,831,000	24,531	7,862	76,327,393
Year ended June 30, 2019					
Opening net book value	70,464,000	5,831,000	24,531	7,862	76,327,393
Additions	–	–	3,339	5,979	9,318
Disposals	–	–	(98,444)	–	(98,444)
Disposal depreciation	–	–	98,443	–	98,443
Reclassification to non-current assets held-for-sale (note 9)	(691,635)	(566,400)	–	–	(1,258,035)
Depreciation charge	–	(119,000)	(4,907)	(3,780)	(127,687)
Closing net book amount	69,772,365	5,145,600	22,962	10,061	74,950,988
At June 30, 2019					
Cost	69,772,365	5,360,000	11,494,028	58,197	86,684,590
Accumulated depreciation	–	(214,400)	(11,471,066)	(48,136)	(11,733,602)
Net book amount	69,772,365	5,145,600	22,962	10,061	74,950,988

The Company's freehold land and buildings were revalued on June 30, 2017 by independent valuers. Valuations were made on the basis of recent market transactions on arm's length terms.

The carrying value of freehold land and buildings had they been carried at historical cost, would have been \$1,874,150 (2018 - \$1,874,150) and \$874,130 (2018 - \$896,524) respectively.

BARBADOS FARMS LIMITED
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(EXPRESSED IN BARBADOS DOLLARS)

11 Investment property

	2019 \$	2018 \$
Balance at beginning of year	41,558,000	39,817,000
Transfer to assets held for sale (note 9)	(2,610,000)	–
Transfers to development property (note 12)	–	(250,000)
Unrealised (loss)/gain in fair value of investment property (note 20)	(2,459,000)	1,991,000
	<hr/>	<hr/>
Balance at end of year	36,489,000	41,558,000

An independent valuation of the Company's investment property was performed by valuers as at June 30, 2019. As a result, the fair value of investment property decreased by \$2,459,000 (2018 - \$1,991,000).

12 Development property

	2019 \$	2018 \$
Balance at beginning of year	8,925,505	9,005,931
Development cost incurred	30,782	14,978
Disposals	(264,865)	(345,404)
Transfers from investment property (note 11)	–	250,000
	<hr/>	<hr/>
Balance at end of year	8,691,422	8,925,505

There were no transfers from investment property to development property during the year.

Twenty (20) acres of land included in development property have been given as security for the Company's loan (note 15).

13 Trade and other payables

	2019 \$	2018 \$
Trade payables	574,401	1,022,607
Accrued liabilities	85,523	316,459
Deposits on land	140,119	139,381
Interest payable	67,155	–
Other payables	969	3,814
	<hr/>	<hr/>
	868,167	1,482,261

Trade payables are non-interest bearing and are normally settled on 30-day terms. Other payables are non-interest bearing and have an average settlement period of six months. Deposits on land are transferred to sales when the lands to which they relate are sold.

BARBADOS FARMS LIMITED
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(EXPRESSED IN BARBADOS DOLLARS)

14 Related party balances and transactions

	2019 \$	2018 \$
Due to ultimate parent company		
Amounts owing to Sagicor Financial Company Ltd.	7,363	7,363
Due to parent company		
Amounts owing to Sagicor Life Inc.	4,134,017	3,700,541
Loan from Sagicor Life Inc.	4,668,997	4,343,253
Loan interest payable - Sagicor Life Inc.	174,479	162,364
Total amount due to Sagicor Life Inc.	8,977,493	8,206,158

All amounts owing to the parent and the ultimate parent parties are unsecured, interest-free and payable on demand.

The loan from Sagicor Life Inc. is unsecured, bears interest at a rate of 7.50% (2018 - 7.50%) per annum and is payable on demand.

Related party transactions

	2019 \$	2018 \$
Finance costs	447,144	716,307
Key management compensation		
Salary and short-term benefits	150,083	150,083

BARBADOS FARMS LIMITED
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(EXPRESSED IN BARBADOS DOLLARS)

15 Retirement benefit obligations

Employees of the Company are members of the Sagicor Life Barbados & Eastern Caribbean Pension Plan. The Plan provides defined benefits based on final salary and number of years active service.

The pension plan is registered with the local regulatory authority and is governed by a Trust Deed which conforms to the relevant laws. The Plan is managed by the parent company, under the direction of the appointed Trustees.

Retirees of the Company also receive medical insurance benefits. The Company provides a subsidy to former employees who retired before January 1, 2012.

Annual valuations of the pension and medical benefits are conducted by an independent actuary for the purpose of preparing the Company's financial statements.

The amount recognised in the statement of financial position is as follows:

	Pension benefits		Post-retirement medical benefits	
	2019	2018	2019	2018
	\$	\$	\$	\$
Fair value of plan assets	201,952	183,013	–	–
Present value of retirement benefit obligations	(3,688,025)	(3,782,128)	–	–
	(3,486,073)	(3,599,115)	–	–
Present value of unfunded retirement obligations	–	–	(390,186)	(421,606)
Net liability - end of year	(3,486,073)	(3,599,115)	(390,186)	(421,606)
			2019	2018
			\$	\$
Pension benefits			(3,486,073)	(3,599,115)
Post-retirement medical benefits			(390,186)	(421,606)
Retirement benefit obligations - end of year			(3,876,259)	(4,020,721)

BARBADOS FARMS LIMITED
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(EXPRESSED IN BARBADOS DOLLARS)

15 Retirement benefit obligations (continued)

Changes in the fair value of plan assets are as follows:

	Pension benefits		Post-retirement medical benefits	
	2019 \$	2018 \$	2019 \$	2018 \$
Fair value of plan assets				
- beginning of year	183,013	44,541	–	–
Benefits paid	(399,923)	(415,975)	(22,925)	(21,073)
Administration and other non-plan management expenses	(305)	(1,168)	–	–
Employer contributions	404,452	554,224	22,925	21,073
Employee contributions	6,848	7,300	–	–
<i>Remeasurements:</i>				
Return on plan assets	7,867	(5,909)	–	–
Fair value of plan assets - end of year	201,952	183,013	–	–

The assets of the plan are invested in the Sagicor (Bonds) Fund.

Changes in the present value of retirement benefit obligations are as follows:

	Pension benefits		Post-retirement medical benefits	
	2019 \$	2018 \$	2019 \$	2018 \$
Present value of retirement benefit obligations - beginning of year	3,782,128	3,959,811	421,606	413,733
Current service cost	11,372	18,403	1,782	2,601
Interest cost	279,030	290,766	31,924	31,348
Employee contributions	6,848	7,300	–	–
<i>Remeasurements:</i>				
Actuarial gains	8,570	(78,177)	(42,201)	(5,003)
Benefits paid	(399,923)	(415,975)	(22,925)	(21,073)
Present value of retirement benefit obligations - end of year	3,688,025	3,782,128	390,186	421,606

BARBADOS FARMS LIMITED
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(EXPRESSED IN BARBADOS DOLLARS)

15 Retirement benefit obligations (continued)

The amounts recognised in the statement of comprehensive income are as follows:

	Pension benefits		Post-retirement medical benefits	
	2019	2018	2019	2018
	\$	\$	\$	\$
Current service cost	11,372	18,403	1,782	2,601
Administration and other non-plan management expenses	305	1,168	–	–
Net interest on the defined benefit liability	264,406	281,674	31,924	31,348
Net expense included in the statement of comprehensive income (staff costs) (note 21)	276,083	301,245	33,706	33,949

The amounts recognised in the statement of other comprehensive income are as follows:

	Pension benefits		Post-retirement medical benefits	
	2019	2018	2019	2018
	\$	\$	\$	\$
<i>Remeasurements:</i>				
Gain from change in assumptions	–	(63,992)	–	–
Experience gain/(loss)	8,570	(14,185)	(42,201)	(5,003)
Return on plan assets excluding amounts included in interest expense	6,757	15,001	–	–
Net expense recognised in other comprehensive income	15,327	(63,176)	(42,201)	(5,003)

BARBADOS FARMS LIMITED
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(EXPRESSED IN BARBADOS DOLLARS)

15 Retirement benefit obligations (continued)

The movement in the pension liability recognised in the statement of financial position is as follows:

	Pension benefits		Post-retirement medical benefits	
	2019 \$	2018 \$	2019 \$	2018 \$
Balance - beginning of year	(3,599,115)	(3,915,270)	(421,606)	(413,733)
Pension plan expense included in the statement of comprehensive income (note 21)	(276,083)	(301,245)	(33,706)	(33,949)
Pension contributions paid	404,452	554,224	22,925	21,073
Remeasurement included in other comprehensive income	(15,327)	63,176	42,201	5,003
Balance - end of year	(3,486,073)	(3,599,115)	(390,186)	(421,606)

Maturity profile of the defined benefit obligations:

	Less than 1 year	Between 1-2 years	Between 2-5 years	Over 5 years
Projected pension benefit payments	377,000	367,000	1,096,000	1,642,000
Projected post-retirement medical benefit payments	31,000	32,000	114,000	248,000

The duration of the Company's liabilities was calculated as 7.77 years and 9.23 years for the Company's pension and post-retirement medical benefits' plans respectively.

15 Retirement benefit obligations (continued)

The principal actuarial assumptions used were as follows:

	Pension benefits		Post-retirement medical benefits	
	2019	2018	2019	2018
Discount rate	7.75%	7.75%	7.75%	7.75%
Expected return on plan assets	7.75%	7.75%	–	–
Future promotional salary increases	Nil	Nil	–	–
Future inflationary salary increases	2.00%	2.00%		
	per annum	per annum	–	–
Future pension increases	2.00%	2.00%	–	–
Future changes in NIS ceilings	3.50%	3.50%	–	–
Long term increase in health costs	–	–	4.25%	4.25%
Mortality	UP94 to 2019 with projection Scale AA	UP94 to 2018 with projection Scale AA	UP94 to 2019 with projection Scale AA	UP94 to 2018 with projection Scale AA
Termination of active members				
Barbados Farms Sagicor members	Nil	Nil	Nil	Nil
Barbados Farms BS&T members	See table below		See table below	
Early retirement				
Barbados Farms Sagicor members	Nil	Nil	Nil	Nil
Barbados Farms BS&T members	40% of eligible Members from age 60 and 15% at each age thereafter. All remaining Members at age 65.		40% of eligible Members from age 60 and 15% at each age thereafter. All remaining Members at age 65.	

BARBADOS FARMS LIMITED
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(EXPRESSED IN BARBADOS DOLLARS)

15 Retirement benefit obligations (continued)

Termination rates for Barbados Farms BS&T members:

Age	Percentage of Members leaving Service	
	Males	Females
20	10.0%	15.0%
30	8.4%	13.6%
40	5.1%	6.0%
50	2.1%	1.0%
55	0.0%	0.0%

The sensitivity of the retirement benefit obligations to individual changes in actuarial assumptions is summarised below:

	Pension Benefit \$	Post-retirement medical benefit \$
Base retirement benefits obligations	3,688,025	390,186
Change in assumption:		
Reduce discount rate by 1% p.a.	3,995,438	429,041
Increase discount rate by 1% p.a.	3,422,204	357,035
Reduce salary increase by 0.5% p.a.	3,681,453	N/a
Increase salary increase by 0.5% p.a.	3,695,006	N/a
Reduce pension increase by 0.5% p.a.	3,548,354	N/a
Increase pension increase by 0.5% p.a.	3,836,864	N/a
Reduce medical premium increase by 1% p.a.	N/a	349,629
Increase medical premium increase by 1% p.a.	N/a	436,706
Reduce average life expectancy by 1 year	3,817,626	405,629
Increase average life expectancy by 1 year	3,561,293	374,620

The sensitivity analysis has been prepared based on a change in assumption while holding all others constant. The sensitivity analysis presented above may not therefore be representative of the actual change in the defined benefit obligation as it is unlikely that the change in the assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the sensitivity analysis the present values of the retirement benefit obligations have been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the retirement benefit obligations recognised in the statement of financial position.

BARBADOS FARMS LIMITED
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(EXPRESSED IN BARBADOS DOLLARS)

16 Loan

	2019	2018
	\$	\$
Loan principal	5,360,256	5,360,256

The loan from SigniaGlobe Financial Group Inc. (formerly Globe Finance Inc.) is a bridging loan. It is secured by a mortgage over 20 acres of lands included within development property (note 11). The loan will be repaid by lump sum payments generated from the sale of development property lots. The rate of interest is fixed at 7.50% per annum and interest is payable monthly.

In the prior year the loan was classified as loan from a related party.

17 Share capital

Authorised

An unlimited number of common shares of no par value.

Issued

	2019	2018
	\$	\$
20,607,294 common shares (2018 - 20,607,294 common shares)	2,060,729	2,060,729

18 Contingencies and commitments

The Company has no contingent liabilities in respect of legal claims or any other matter in the ordinary course of business.

There is no significant capital expenditure contracted for at the reporting date but not yet incurred.

BARBADOS FARMS LIMITED
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(EXPRESSED IN BARBADOS DOLLARS)

19 General and administrative expenses

	2019	2018
	\$	\$
Bank charges	12,560	8,634
Building and maintenance	41,934	59,559
Central office charges	–	11,650
Depreciation (note 10)	127,687	128,449
Directors' fee	11,805	15,739
Discounts	(126)	(156)
Electricity	42,024	32,270
Freight	8,446	1,693
Fuel and lubricants	10,191	8,936
Insurance and licences	128	51,689
Loss allowance	16,961	62,999
Miscellaneous	20,374	24,321
Professional fees	467,749	483,034
Property tax	244,784	285,882
Staff costs (note 21)	449,850	488,556
Stationery	12,978	10,584
Subscriptions	2,300	2,300
Telephone	15,742	22,662
Water facilities	32,413	56,467
	1,517,800	1,755,268

20 Other (expenses)/income

	2019	2018
	\$	\$
Loss in fair value of biological assets	(226,384)	(30,038)
Gain on sale of development property	41,102	110,557
Oil and gas royalties	61,300	64,066
Unrealised loss in fair value on transfer from investment property to assets held for sale (note 9)	(749,970)	–
Unrealised (loss)/gain in fair value of investment property (note 11)	(2,459,000)	1,991,000
	(3,332,952)	2,135,585

The gain on sale of development property during 2019 represents the sales proceeds of \$305,967 on two residential lots net of related cost of \$264,865.

During the prior year three (3) residential lots were sold for total sales proceeds of \$455,961.

BARBADOS FARMS LIMITED
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(EXPRESSED IN BARBADOS DOLLARS)

21 Staff costs

	2019	2018
	\$	\$
Salaries	455,858	482,495
Wages	1,528,569	1,493,852
Other salary and wages expenses	49,034	170,599
National insurance	226,981	240,218
Medical cost	14,861	39,443
Pension and post-retirement medical benefits (note 15)	309,789	335,194
	<u>2,585,092</u>	<u>2,761,801</u>

Included in the total staff costs balance above, is \$449,850 (2018 - \$488,556) which has been allocated to general and administrative expenses. The remaining staff costs balance is included within the total cost of cultivation.

22 Taxation

	2019	2018
	\$	\$
Current tax credit	(1,677)	(2,083)
Deferred tax charge/(credit)	1,121,826	(17,045)
	<u>1,120,149</u>	<u>(19,128)</u>

The tax on the Company's (loss)/income before taxation differs from the theoretical amount that would arise using the basic tax rate of Barbados as follows:

	2019	2018
	\$	\$
Loss/(income) before taxation	(5,840,475)	1,259,962
Tax calculated at the applicable statutory rate of 5.5% (2018 - 30%)	(321,226)	377,989
Tax effect of the following items:		
Agricultural cash rebate	(1,677)	(2,083)
Expired tax losses	108,433	550,635
Movement in deferred tax asset not recognised	1,188,679	(181,719)
Income not subject to tax	-	(597,300)
Expenses not deductible for tax purposes	183,038	35,700
Tax allowances	(37,098)	(202,350)
	<u>1,120,149</u>	<u>(19,128)</u>

BARBADOS FARMS LIMITED
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(EXPRESSED IN BARBADOS DOLLARS)

22 Taxation (continued)

As at June 30, 2019, the amount of \$990,920 (2018 - \$5,124,238), representing a potential deferred income tax asset was not recognised as it was determined that it was not probable that there would be future taxable profits against which the tax benefit would be realised.

The deferred income tax is comprised of the following:

	2019	2018
	\$	\$
Delayed tax depreciation	126,819	764,760
Retirement benefit obligations	213,194	1,206,216
Biological assets	(23,184)	(194,371)
Unrealised fair value gain on development property	(316,829)	(1,776,605)
	<hr/>	<hr/>
	-	-

The movement on the deferred tax account is as shown below:

	2019	2018
	\$	\$
Balance - beginning of year	-	-
<i>Recognised in profit and loss</i>		
Deferred tax (charge)/credit	(1,121,826)	17,045
<i>Recognised in other comprehensive income:</i>		
Actuarial gains on retirement benefit obligations	(1,478)	(17,045)
Deferred tax release on revaluation surplus on development property	1,123,304	-
	<hr/>	<hr/>
Balance - end of year	-	-

The Company has tax losses amounting to \$18,017,330 (2018 - \$17,080,796), which are available for set off against future taxable income.

BARBADOS FARMS LIMITED
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(EXPRESSED IN BARBADOS DOLLARS)

22 Taxation (continued)

The losses have neither been confirmed nor disputed by the Barbados Revenue Authority.

Income year	B/f \$	Utilised \$	Incurred \$	Expired \$	C/f \$	Expiry date
2010	1,971,505	–	–	(1,971,505)	–	2019
2011	2,689,599	–	–	–	2,689,599	2020
2012	974,104	–	–	–	974,104	2021
2013	1,776,022	–	–	–	1,776,022	2022
2014	3,425,559	–	–	–	3,425,559	2023
2015	2,742,280	–	–	–	2,742,280	2022
2016	1,921,607	–	–	–	1,921,607	2023
2017	310,237	–	–	–	310,237	2024
2018	1,269,883	–	–	–	1,269,883	2025
2019	–	–	2,908,039	–	2,908,039	2026
	17,080,796	–	2,908,039	(1,971,505)	18,017,330	

23 Earnings per share

Basic earnings per share is calculated by dividing the net income by the weighted average number of common shares in issue during the year.

	2019 \$	2018 \$
Net (loss)/income for the year	(6,960,624)	1,279,090
Weighted average number of common shares in issue	20,607,294	20,607,294
Basic (loss)/ earnings per share (cents)	(33.78)¢	6.21¢

There are no financial instruments that could dilute the basic earnings per share.

24 Subsequent event

Beginning in January 2020, global financial markets have experienced and may continue to experience significant volatility resulting from the spread of a novel coronavirus known as COVID-19. The outbreak of COVID-19 has resulted in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty. The extent and duration of the impact of COVID-19 on global and local economies, financial markets, and sectors and specific industries in which the Company operates is uncertain at this point and has the potential to continue to adversely affect our business, results of operations or financial condition, the impact of which is still under assessment.

BARBADOS FARMS LIMITED

Notice of Annual Meeting

NOTICE is hereby given that the Thirty-Fifth Annual Meeting of the Shareholders of Barbados Farms Limited will be held at the Cecil F de Caires Building, Wildey, St Michael, Barbados, on Monday August 31, 2020, at 5:00 pm to transact the following business:

1. To receive and consider the Financial Statements and the Reports of the Directors and the Auditor for the year ended June 30, 2019.
2. To elect Directors.
 - (i) To adopt the following draft Resolution (with such amendments and alterations as may be determined at the Meeting) with respect to the re-appointment of Mr Martin Brathwaite who has attained the age of 70 years old:

“WHEREAS:

- (a) Mr Martin Brathwaite has attained the age of 70 years;
- (b) The By-Laws of Barbados Farms Limited (the Company) provide that having attained the age of 70 years, a director, otherwise qualified, may only continue to serve for one-year increments upon the approval of shareholders.

BE IT RESOLVED that Mr Martin Brathwaite be HEREBY re-elected to the Board of Directors of the Company for a period of one year from the date hereof or until his successor is elected or appointed.”

3. To re-appoint the incumbent Auditor and to authorise Directors to fix their remuneration.
4. To transact such other business as may properly come before the Meeting.

By Order of the Board of Directors,



Andrew C. Greaves
Corporate Secretary

July 18, 2020

Proxies:

Shareholders who are unable to attend the Meeting in person may complete and return the enclosed form of proxy to the Corporate Secretary, Barbados Farms Limited, Cecil F de Caires Building, Wildey, St Michael, Barbados, at least 48 hours before the appointed time of the Meeting or adjourned Meeting.

BARBADOS FARMS LIMITED

Company No. 2175 Management Proxy Circular

Management is required by the Companies Act Chapter 308 of the Laws of Barbados (“the Act”) to send, with the Notice convening the Meeting, forms of proxy. By complying with the Act, Management is deemed to be soliciting proxies within the meaning of the Act.

This Management Proxy Circular accompanies the Notice of the Thirty-Fifth Annual Meeting of the Shareholders of Barbados Farms Limited (“the Company”) to be held on **August 31, 2020, at 5:00 pm** (“the Meeting”) and is furnished in connection with the solicitation of proxies by the Management of the Company for use at the Meeting, or any adjournment thereof. The solicitation will primarily be by mail. The cost of the solicitation will be borne by the Company.

Appointment and Revocation of Proxies

A form of proxy is enclosed and, if it is not your intention to be present at the Meeting, you are kindly asked to complete, sign, date, and return the proxy. **Proxies to be exercised at the Meeting must be deposited not later than 5:00 pm on August 29, 2020** with the Corporate Secretary at the registered office of the Company at the Cecil F de Caires Building, Wildey, St Michael, Barbados.

Any Shareholder, having given a proxy, has the right to revoke it by depositing an instrument in writing executed by the Shareholder or his/her attorney authorised in writing, or if the Shareholder is a company, under its corporate seal or by any officer or attorney thereof duly authorized, at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof with the Corporate Secretary at the registered office of the Company at the Cecil F de Caires Building, Wildey, St Michael, Barbados.

Record Date and Voting Shares

The Directors of the Company have fixed July 17, 2020 as the record date for determining the Shareholders entitled to receive Notice of the Meeting and have given notice thereof by advertisement as required by the Act. Only the Shareholders of record at the close of business on that day will be entitled to receive Notice of the Meeting.

Shareholders are voting on (a) the election of Directors and (b) the re-appointment of the incumbent Auditor and Directors’ authorisation to fix their remuneration.

Only the registered holders of shares of the Company will be entitled to vote at the Meeting. On a show of hands, each Shareholder is entitled to one vote. On a poll, each Shareholder is entitled to one vote for each share held. As at July 17, 2020, there are 20,607,294 common shares without par value of the Company issued and outstanding.

Presentation of Financial Statements, Directors’ Report and Auditor’s Report

The Financial Statements of the Company for the year ended June 30, 2019 and the Directors’ Report and the Independent Auditor’s Report are included in the 2019 Annual Report.

Election of Directors

The Board of Directors consists of six members who retire by rotation. The number of Directors to be elected at the Meeting is two. Messrs. Martin Brathwaite and J. Edward Clarke will retire at the end of the Meeting and, being eligible, will be seeking re-election. The Board proposes Messrs. Martin Brathwaite and J. Edward Clarke as nominees for re-election as Directors of the Company, and it is intended that votes will be cast for their

election as Directors pursuant to the form of proxy herewith enclosed. A short biographical profile of each of the nominees is set out in the Directors' Report.

The term of office for the Directors so elected will expire at the close of the third Annual Meeting of the Shareholders of the Company following their election or until their successor is elected or appointed.

The Management of the Company does not contemplate that the persons named above will, for any reason, become unable or unwilling to serve as a Director.

Management and the Directors recommend that Shareholders VOTE FOR the above-named nominees.

Re-Appointment of Incumbent Auditor

PricewaterhouseCoopers SRL, of The Financial Services Centre, Bishop's Court Hill, St Michael, Barbados, is the incumbent Auditor of the Company. It is proposed to re-appoint PricewaterhouseCoopers SRL as Auditor of the Company to hold office until the next Annual Meeting of Shareholders.

The Directors recommend that Shareholders VOTE FOR the re-appointment of PricewaterhouseCoopers SRL and the authorisation of Directors to fix the Auditor's remuneration.

Discretionary Authority

Shares represented by any proxy given on the enclosed form of proxy to the persons named in the proxy will be voted or withheld from voting on any ballot in accordance with the instructions contained therein.

In the absence of shareholder instructions, SHARES represented by proxies received will be voted FOR:

- (a) The election of Messrs. Martin Brathwaite and J. Edward Clarke.**
- (b) The re-appointment of the incumbent Auditor, PricewaterhouseCoopers SRL, and the authorisation of Directors to fix their remuneration.**

The enclosed form of proxy confers discretionary authority upon the persons named with respect to amendments to or variations in matters identified in the Notice of Meeting or other matters that may properly come before the Meeting. The Management of the Company knows of no matter to come before the Meeting other than the matters referred to in the Notice of Meeting. If any other matters which are not now known to Management should properly come before the Meeting, the persons named in the accompanying form of proxy will vote on such matters in accordance with their best judgement.

Unless otherwise noted, a simple majority of the votes cast at the Meeting, whether by proxy or otherwise, will constitute approval of any matter submitted to a vote.

The contents of this Management Proxy Circular and the sending thereof to the holders of the common shares of the Company have been approved by the Directors of the Company.

No Directors' statement is submitted pursuant to Section 71(2) of the Act. No Auditors' statement is submitted pursuant to Section 163(1) of the Act.

Dated July 18, 2020.



Andrew C. Greaves
Corporate Secretary

BARBADOS FARMS LIMITED

**Company No. 2175
Proxy Form**

THIRTY-FIFTH ANNUAL MEETING OF SHAREHOLDERS

The undersigned Shareholder(s) of **Barbados Farms Limited** hereby appoint(s) **DODRIDGE D MILLER**, Chairman, or failing him **DR M PATRICIA DOWNES-GRANT**, Deputy Chairman, or failing her:

.....
(PLEASE PRINT NAME OF PROXY ON THIS LINE ONLY IF YOU WISH TO APPOINT ANOTHER PROXY)

of

.....
(PLEASE PRINT PROXY'S ADDRESS HERE)

as my/our proxy to attend, vote and otherwise act for and on behalf of the undersigned in respect of all matters that may properly come before the Thirty-Fifth Annual Meeting of Shareholders to be held on August 31, 2020 and any adjournments thereof.

.....
SIGNATURE OF SHAREHOLDER(S)

.....
NAME OF SHAREHOLDER (PLEASE PRINT)

.....
DATE (DD/MM/YYYY)

NOTES ON PROXY:

This form must be executed by the Shareholder or by his/her attorney duly authorised in writing. If the Shareholder is a body corporate, partnership, estate, trust or association, the form must be executed by the officers or attorney thereof or the person, duly authorised, in which case each signatory should state the capacity in which he/she signs. Alternatively, if the Shareholder is a body corporate, partnership, estate, trust or association, votes at meetings may be given by an individual authorised by a resolution of the directors or governing body of that body corporate, partnership, estate, trust or association to represent it at meetings of Shareholders.

If this form is not dated in the space provided, it will be deemed to bear the date on which it was mailed to the Shareholder.

This proxy authorisation form confers discretionary authority upon the person whom it appoints in respect of any variation or amendments or additions to the matters identified in the Notice of Meeting and any other matter that may properly come before the Meeting or any adjournment thereof.

Proxies are required to be completed, signed, dated, and returned by **5:00 pm on Monday, August 29, 2020**, or at least 48 hours before the time of the Meeting or adjourned Meeting to the Corporate Secretary, Barbados Farms Limited, at its Registered Office at Cecil F de Caires Building, Wildey, St Michael, Barbados.

Barbados Farms Limited
A Member of the Sagikor Group
Registered Office:
Cecil F de Caires Building
Wildey, St Michael, BB15096
Barbados
Tel: (246) 467-7500
Fax: (246) 436-8829
email: info@sagikor.com