



Annual Report

2015

50

PINEHILL

FIFTIETH ANNIVERSARY

1966-2016



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Corporate Information

DIRECTORS

G.A. King (Chairman)
C.R. Cozier
D.B. Stoute
G.P. Marshall
N. McD. Brewster
P.D. Davis

CORPORATE SECRETARY

Cherie S. A. Jones

REGISTERED OFFICE

The Pine
St. Michael, BB14000
Barbados, W.I.

AUDITORS

Ernst & Young
Chartered Accountants
Worthing, Christ Church, BB15008
Barbados, W.I.

BANKERS

FirstCaribbean International Bank
Willey
St. Michael
Barbados, W.I.

ATTORNEYS-AT-LAW

Clarke Gittens Farmer,
Parker House
Willey Business Park
Willey Road
St. Michael
Barbados, W.I.



NOTICE

of Annual General Meeting



Notice is hereby given that the Fifty - First Annual General Meeting of the shareholders of Barbados Dairy Industries Limited ('the Company') will be held at the **PINE HILL DAIRY, PINE, ST. MICHAEL, BARBADOS**, on **FRIDAY, 29 JANUARY, 2016 AT 10:30 A.M.** for the following purposes:

1. To receive and consider the Financial Statements of the Company for the Financial Year ended 31 August, 2015 and the Auditors' Report thereon;
2. To elect Directors and if thought fit to pass the following resolutions:
 - (i) THAT, in accordance with the requirements of paragraph 4.4 of By-Law No. 2 of the Company, Mr Neville McDonald Brewster be and is hereby elected Director of the Company to hold office until the close of the third Annual Meeting of the Shareholders of the Company following his election.
 - (ii) THAT, in accordance with the requirements of paragraph 4.4 of By-Law No. 2 of the Company, Mr. Carl Richard Cozier be and is hereby elected Director of the Company to hold office until the close of the third Annual Meeting of the Shareholders of the Company following his election.
3. To appoint Auditors for the ensuing financial year and to authorise the Directors to fix their remuneration and if thought fit to pass the following resolution:
 - (i) THAT incumbent auditors Ernst & Young be and are hereby re-appointed as Auditors of the Company for a period ending at the close of the next Annual General Meeting after their re-appointment.
4. To transact any other business which may properly come before the meeting.

By Order of the Board

A handwritten signature in black ink, appearing to read 'Cherie S.A. Jones'.

Cherie S.A. Jones
Corporate Secretary

11 December, 2015

The notes to the enclosed proxy form are incorporated in this notice.

Board of **DIRECTORS'** Statement

OVERVIEW

The Company achieved encouraging results for the year ended 31st August 2015; revenues grew by approximately \$1.5 mil (2.5%) with profit from operations exceeding \$3.3 mil. This represents a significant improvement over the previous year and demonstrates that the strategies deployed over the past 24 months are now delivering positive returns. We are particularly pleased with this “turnaround” as it is being achieved in an economic environment that continues to display negligible growth.

Apart from the revenue gains, the results were substantially influenced by meaningful improvements across all our production processes. We have spoken about this in previous reports and the focus on continual improvement is manifesting itself in improved efficiencies and lower operating costs in general. This process is ongoing and we expect further gains in both elements going forward.

The improved profitability further resulted in a strengthening of our Balance Sheet with Working Capital returning to a positive number after being in the negative for the past few years.

Towards the end of the year the Minister of Finance introduced a “Sugar Tax” on all beverages containing added sugar or other high calorie sweeteners; the Company’s range of juices include some flavours which are impacted by this tax. As of the date of this statement, there has not been any meaningful drop in consumption of these but we will continue to monitor sales. In light of this we have accelerated our research for further options with no added sugars, as we seek to provide consumers with an increased range of such beverages.

Also included in the Minister’s proposals was the proposal to implement the Dairy Assistance initiative which has been mentioned in previous reports. The effective date of the initiative was scheduled for August 1st 2015 but implementation was subsequently deferred and we have not been advised of the new date for such. This initiative is critical for the future of the industry as it provides confidence in the importance of the industry and this will lead to investment in the future.

SALES & MARKETING

Overall, PHD’s performance showed improvement as compared to 2014 but fell short of expectations. Focus on the export business aided performance as actual volumes in 2015 more than offset the decline in domestic volumes. However, total revenue for the dairy category fell short of expectations, primarily as a result of disappointing sales of single serve Flavoured Milks and Evaporated Milk, the latter being impacted by the residual effect of a product recall in the latter part of the previous financial year.

The dairy category in 2015 benefitted from the efforts of the previous year regarding the benefits of white milk. Campaigns such as the Milk-A-Thon and the now annual World School Milk Day Essay competition, are reaching our target audience and helping to re-establish trust in the category. Fresh pasteurized milk sales continued to grow in 2015 with the addition of a smaller size to the 1% offering, which facilitated achieving a price point acceptable to a wider body of consumers. The single serve flavoured milk package was increased to 250ml and reversed the declines which were occurring in this segment. The launch of the new 330ml Indulgence flavoured milks served as another boost to on-the-go packaging and was innovative. The evaporated milk segment showed signs of recovery, with 500ml and 1L sizes both capturing volumes as consumers shifted from one package size to another.

PINEHILL's overall juice performance saw both the 250ml and 1L package sizes growing, led primarily by growth in the export markets. The introduction of the SunTwist range of beverages towards the end of the year provided a better than expected boost to sales in the category. Research indicates that while shoppers are continually responding to "deals", the expectation and desire for a quality product has not diminished and the PINEHILL brand is seen to deliver this. The export growth is primarily driven by consistency of supply, well timed sales activation in key markets and marketing support for the PINEHILL brand.

OPERATIONS

Operational performance for the year improved notably over the previous year. This performance was led by improvements in line efficiencies, raw material yields, electrical and chemical consumption. Through the effective use of our management system principles, which form the core of our ISO certification, we were able to effectively implement methods to achieve these meaningful improvements.

MILK INDUSTRY

As noted earlier the implementation date of the Milk Industry Support Initiative has been deferred. As this initiative remains a key component to the sustainability and future growth of the industry, we will continue to work with the authorities to address the issues hindering implementation.

Intake volumes of milk continue to increase year on year and it is hoped that with the implementation of the government support programme this will continue with similar increases in consumption brought about by the reduced pricing which the initiative is designed to facilitate.



INTEGRATED MANAGEMENT SYSTEMS

We were successful in passing our 2nd surveillance audit of the following International Standards in November 2015: -

- ISO 9001:2008 (Quality Systems Management)
- ISO 22001:2005 (Food Safety Management)
- ISO 14001:2004 (Environmental Management)
- OSHAS 18001:2007 (Employee Health & Safety Management)

This means that we will be recommended for continued certification for the above. We consider certification in these standards to be an important aspect in both managing the relevant processes within the operation but also equally in instilling a culture of continuous improvement across the company. The benefits of such a culture are already being realised and are contributing significantly to the improved financial results.

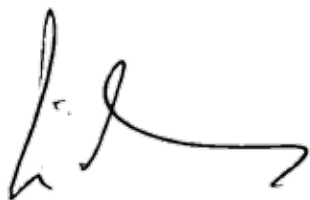
HUMAN RESOURCES

We were able to reach a four-year Collective Agreement with our employees' representative, the Barbados Workers Union with respect to salaries and conditions. The discussions were cordial and represented a progressive approach to negotiations, given the current climate within which we are operating.

LOOKING AHEAD

The growth and ultimately the success of the dairy industry is heavily reliant on the implementation of the announced industry support made by government. This support will allow farms to invest with confidence in the capacity of their dairies, thereby allowing us the processor, the ability to meet exciting demands as well as open new markets for milk and milk based products.

Operationally the upcoming year will see further investment made into the operations as we seek to further improve the quality of our products while still reducing cost. Heavy investment in staff training will form part of the improvement strategies for the upcoming year as we continue to position ourselves to take advantage of the possible opportunities to come.



G. Anthony King
Chairman



C. Richard Cozier
Director

Board of **DIRECTORS**



Barbados Dairy Industries Limited



GERALD ANTHONY KING
Non-Executive Chairman
Citizen of Barbados

Mr King, a Barbadian national, graduated in 1975 with a B.Sc. (Honours) degree in Computer Science. After working with an international computer firm, he joined the Neal and Massy Group, eventually becoming the Chairman of Neal and Massy's Eastern Caribbean business unit in the mid-1990's. In October 2004 Mr King was appointed CEO of the Barbados Shipping and Trading Group (BS&T). Following Neal and Massy's acquisition of BS&T in 2008, Mr King became an Executive Director of Neal & Massy Holdings but remained as BS&T's CEO, assisting the integration of BS&T's operations into the N&M Group. With that process substantially complete, he retired as an executive of BS&T and Neal & Massy during 2012. In addition to serving on the Boards of a number of companies incorporated in Barbados, Mr King continues to serve on the Massy Holdings Board (as renamed) as a Non-executive director and he is the Chairman of Banks Holdings Limited. Mr King has been associated with various private sector organisations including having served as President of the Barbados Chamber of Commerce & Industry and a Director of the Caribbean Association of Industry and Commerce (CAIC). He continues to participate in the community as the Chairman of the Tourism Development Corporation in Barbados and as a Director of the Barbados Private Sector Association, the umbrella private sector body in Barbados. Mr. King joined the BDIL Board in April, 2013.



CARL RICHARD COZIER
Executive Director
Citizen of Barbados

A member of the Board since 13 November 1997, Mr Cozier is a Fellow of the Institute of Chartered Accountants of Barbados (ICAB). He joined the staff at Banks (Barbados) Breweries Limited in 1979 as an Accountant. He was appointed Chief Accountant in 1985 and six years later, General Manager of another Banks Holdings Limited (BHL) subsidiary, the Barbados Bottling Company (BBC). His dedication and commitment was further rewarded in 1999, when he was appointed Managing Director and CEO of the BHL Group comprising Banks (Barbados) Breweries Limited, Barbados Dairy Industries Limited (Pine Hill Dairy), Barbados Bottling Co. Limited and B&B Distribution Ltd. He is a current member of the Master Brewers Association of the Americas, represents The Barbados Chamber of Commerce & Industry on the Board of The Barbados Stock Exchange and is an independent director on the Board of The Barbados Private Sector Association.

Board of **DIRECTORS**

Barbados Dairy Industries Limited



NEVILLE MCDONALD BREWSTER
Non-Executive Director
Citizen of Barbados

Mr Brewster utilises his leadership and business experience to provide strategic direction to BDIL. He was the Managing Director of Super Centre Ltd. (now Massy Stores) since October 2012 up to his retirement in 2015. Mr Brewster not only has vast experience in large retail operations; but also possesses marketing skills having worked with Digital Information Systems Ltd as the Marketing Manager and has petroleum industry experience gained during his tenure with Texaco Eastern Caribbean Ltd. He holds a Bachelor of Science degree in Accounting and an MBA in Business Administration and Marketing.



PAUL DEVERE DAVIS
Non-Executive Director
Citizen of Barbados

Mr Davis has been a member of the BDIL Board since 1997. A former sugar farmer, he became a career dairy farmer in 1983, when he assumed the post of Manager of Walkers Dairy Farm in St. George, a state-of-the-art facility. His public spiritedness has seen Walkers Dairy Farm hosting various school tours as a way of ensuring that future generations are educated about dairy farming. Mr Davis pursued Agricultural studies at Macdonald College in Canada. A Past-President of the Barbados Dairy and Beef Producers Association of the Barbados Agricultural Society (BAS), Mr Davis continues to serve as a member of the Association, which he has been associated with since the mid-1980s.



DAN BRYAN STOUTE
Non-Executive Director
Citizen of Barbados

Mr Stoute has been a member of the Board since 10 May 2004. Mr Stoute brings to the BDIL Board a wealth of knowledge in the beverage industry and business sector. He has been in several leadership positions professionally including serving as Managing Director of BBC and Sales Manager/General Manager at TMR Sales & Service. Added to his diverse experience, Mr Stoute has a Management Diploma from Oxford University and a Chemical Technology – Polymer Diploma with Honours from Ryerson Polytechnical Institute. In addition to serving on the BDIL Board, he serves on the boards of Banks DIH Limited in Guyana and Caribco Limited in Nassau, Bahamas.



CHIRYL JOSEPHINE NEWMAN

Non-Executive Director
Citizen of Barbados

Mrs. Newman joined the Board on 19 December 2011. Mrs. Newman is a restaurateur by profession and the owner/ Managing Director of Changers Restaurant & Wine Bar on the South Coast. Prior to establishing the restaurant 17 years ago, Mrs. Newman managed NICO's Champagne and Wine Bar. She also worked with the former Board of Tourism and in the travel sector in various capacities. Mrs. Newman managed St. James Travel for 14 years and also worked with Gardner Austin Travel.

Mrs. Newman resigned from the Board on 25 March, 2015.



GEOFFREY PETER MARSHALL

Executive Director
Citizen of Barbados

Mr Marshall is the former Chief Financial Officer of Banks Holdings Limited and held that position between June 2007 and September 2014. He is currently the Group Finance Manager of the SOL Group, the largest independent petroleum marketing company in the Caribbean Basin. He completed a BSc. Degree in Accounting from the University of the West Indies in 1994 and attained the Certified General Accountant (CGA) designation in 1998. He is a Fellow of the Institute of Chartered Accountants of Barbados and possesses over 20 years of audit and accounting experience. He joined the Board of Barbados Dairy Industries Limited on 29 October 2009.

DIRECTORS' Report

1. The Directors present their annual report and the audited financial statements for the year ended 31 August 2015

2. The comprehensive income for the year was	\$ 3,345,466
To which is added restated retained earnings brought forward of	24,339,033
Giving retained earnings carried forward of	<u>27,684,499</u>

3. The Directors have declared that there will be no dividend in respect of the financial year ended 31 August 2015.

4. In accordance with the Company's By-Laws the following Directors cease to hold office at the end of the Annual Meeting but are eligible for re-election for three years:

Mr. Neville McDonald Brewster
Mr. Carl Richard Cozier

5. At 31 August 2015 and 11 December, 2015, the following party held more than 5% of the share capital of the Company. No other party held more than 5% of the stated capital of the Company at those dates.

	No. of Shares	
	31.08.15	11.12.15
Banks Holdings Limited (BHL)	3,960,667 (83.74%)	3,960,667 (83.74%)

6. No Directors held any beneficial or non-beneficial interests in the Company's shares during the year and there has been no change since the end of the financial year and the date of this Report.

7. No service contracts were entered into between the Company and any of its Directors during the financial year.

8. The retiring auditors, Ernst & Young, Chartered Accountants, offer themselves for re-appointment.

BY ORDER OF THE BOARD



Cherie S.A. Jones
Corporate Secretary
11 December, 2015

The Board of Directors of Barbados Dairy Industries Limited (the “Company”) is accountable to its shareholders and seeks to carry out its duties and responsibilities in the best interest of the shareholders, employees, creditors and stakeholders of the Company and the general public as a whole. The Board of Directors is committed to the observance of good corporate governance standards and best practices by the Company and seeks to ensure that the conduct of the Company’s business takes place in a prudent, ethical and responsible manner.

The Barbados Stock Exchange Inc. issued a number of Corporate Governance Recommendations (the ‘Recommendations’) as a guide to listed companies. The full text of the Recommendations is available on the BSE’s website at www.bse.com.bb . In the past financial year, the Board continues to make good progress in implementing these Recommendations in an effort to ensure that its observance of the principles of good governance is consistent with the Recommendations.

The Board’s mandate includes:

- (i) monitoring the performance of the Management Team and providing guidance and direction as necessary;
- (ii) creating, encouraging and fostering a corporate culture of integrity and social responsibility throughout the Company;
- (iii) directing and supervising the Company’s strategic planning process and approving, on an annual basis, a strategic plan, budget and financial objectives which take into account, among other things, the opportunities and risks of the business;
- (iv) identifying the principal risks of the Company’s business, and ensuring the implementation of appropriate systems to manage these risks and
- (v) overseeing the design and effectiveness of internal controls and management information systems.

NOMINATION OF DIRECTORS

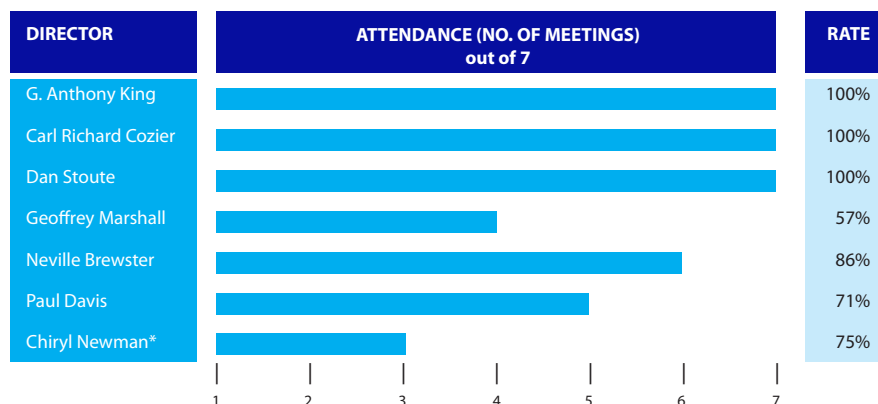
In accordance with By-Law No. 2, and the provisions of the Companies Act, Directors are nominated and elected by shareholders. Directors elected to fill casual vacancies are selected by the Board. In both cases, the entire Board reviews the training, experience and business acumen of every candidate to ensure suitability for the role. In future, it is expected that initial review of candidates for the position of Director will be undertaken by the Governance & Compensation Committee, with recommendations made to the entire Board for review and approval.

BOARD MEETINGS & DIRECTOR ATTENDANCE

As at the date of this Report, there were six (6) Directors of the Company. The Company’s Articles of Amalgamation provide that it shall have a minimum of five (5) Directors and a maximum of nine (9) Directors. Of the six (6) Directors, four (4) are independent of the management of the Company. The remaining two Directors are Mr. Carl Richard Cozier and Mr. Geoffrey Marshall. Mr. Carl Richard Cozier is an officer of Banks Holdings Limited, which provides management services to the Company. Mr. Geoffrey Marshall resigned from Banks Holdings Limited at the beginning of the financial year to pursue another professional opportunity, but remains a Director of the Company.

Corporate GOVERNANCE Statement

There were seven (7) Board Meetings during the Financial Year and the attendance of Directors is represented on the below table as follows:



*3 out of 4. Mrs. Cheryl Newman resigned from the Board on March 25th, 2015.

Directors are remunerated on an annual basis in arrears for those meetings which they attend. All Directors are remunerated in cash only. They do not receive any performance-based incentives, nor do they participate in stock-option plans or receive other forms of compensation. Both Executive Directors and Non-Executive Directors receive Director’s fees for serving on the Board. A total of \$40,012.50 in Director’s Fees was paid for the Financial Year.

BOARD COMMITTEES

There are two standing Committees of the Board of Directors – an Audit Committee and a Governance & Compensation Committee. Both Committees first met during the financial year under review. Charters for the Audit Committee and Governance and Compensation Committee may be viewed on the Company’s website at www.thepinehilldairy.com. Membership of the two Committees as at the end of the financial year was as follows:

AUDIT COMMITTEE

Mr. Neville Brewster - Chairman
 Mr. Tony King - Member
 Mr. Dan Stoute - Member

GOVERNANCE & COMPENSATION COMMITTEE

Mr. Dan Stoute - Chairman
 Mr. Paul Davis - Member



AUDIT COMMITTEE

The Audit Committee reviews the Company’s financial reporting process, the system of internal control, the audit process, and the Company’s process for monitoring compliance with laws and regulations and the code of conduct. It is empowered to:

- Facilitate the execution of the internal audit function as defined in the internal audit charter.
- Appoint, compensate, and oversee the work of any registered public accounting firm employed by the organization.
- Resolve any disagreements between management and the External Auditor regarding financial reporting.
- Pre-approve all internal and external auditing and non-audit services.
- Retain independent counsel, accountants, or others to advise the Committee or assist in the conduct of an investigation.
- Meet with company officers, External Auditors, or outside counsel, as necessary.

There was one (1) Committee Meeting during the Financial Year and the attendance of Directors is represented on the below table as follows:

DIRECTOR	ATTENDANCE (NO. OF MEETINGS) out of 1	RATE
Neville Brewster	1	100%
G. Anthony King	1	100%
Dan Stoute	1	100%

GOVERNANCE & COMPENSATION COMMITTEE

The mandate of the Governance & Compensation Committee includes:

- to implement effective principles of corporate governance that positively influence the Company’s operations and the framework within which decisions are made by its management; and
- to assist the Board in fulfilling its oversight responsibilities with respect to (a) compensation and human resources policies, (b) compensation arrangements for senior executives, and (c) succession planning for senior executive positions.

There were two (2) Committee Meetings during the Financial Year and the attendance of Directors is represented on the below table as follows:

DIRECTOR	ATTENDANCE (NO. OF MEETINGS) out of 2	RATE
Dan Stoute	2	100%
Paul Davis	2	100%

Details about the qualifications and experience of the Committee members are disclosed at pages 9 - 11 of this report.

Corporate **GOVERNANCE** Statement

AUDIT FEES

The following table presents a summary of all fees paid to the Company's Auditors, Ernst & Young, during the financial year under review and the previous financial year:

	2015	2014
Audit Fees	\$65,986	\$61,041
Other Fees	-	\$14,454
Tax Review	\$6,300	\$6,300

'Other Fees' constitute fees paid to Ernst & Young for services provided outside of the audit.

EXECUTIVE MANAGEMENT

Management services provided to the Company by Banks Holdings Limited include centralised finance and accounting services, marketing and public relations services, human resources, ICT and legal support services and internal audit services. This pre-empts the need for recruitment of certain categories of executive managers to provide these services to the Company, as they are provided by BHL staff. As at the date of this Statement, the day-to-day operation of the Company is managed by Mr. Lorenzo Roach, Dairy Operations Manager.

CODE OF ETHICS

As mandated by the Recommendations, the Company adopted a Code of Ethics during the course of the financial year under review. The Code of Ethics adopted is that of its parent company, Banks Holdings Limited, and will be reviewed on an annual basis and revised as necessary. It is to be read and applied in conjunction with the BHL Fraud Policy Statement and the BHL Whistleblowing Statement. Each of these policies can be accessed at www.thepinehilldairy.com.

INSIDER TRADING

The Company has adopted the Insider Trading Policy of its parent company, Banks Holdings Limited. This ensures that the Company remains in compliance with the Insider Trading Guideline of the Barbados Stock Exchange Inc. Further details about the Policy can be found at www.thepinehilldairy.com. Insider Trading Guidelines of the BSE may be accessed at the BSE website at www.bse.com.bb.

11 December, 2015



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Worthing,
Christ Church, BB15008
Barbados, W.I.

AUDITORS' REPORT

To the Shareholders of Barbados Dairy Industries Limited

We have audited the accompanying financial statements of Barbados Dairy Industries Limited, which comprise the statement of financial position as of 31 August 2015 and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Barbados Dairy Industries Limited as of 31 August 2015 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

CHARTERED ACCOUNTANTS

Barbados

29 October 2015

BARBADOS DAIRY INDUSTRIES LIMITED

Statement of Income

Year ended 31 August 2015

	Notes	2015 \$	Restated 2014 \$
Sales		62,205,626	60,714,991
Profit from operations before undernoted items	4	3,374,897	217,684
Interest expense		(587,309)	(848,498)
Income (loss) before taxation		2,787,588	(630,814)
Taxation	6	557,878	246,058
Net income (loss) for the year		3,345,466	(384,756)
Earnings (loss) per share – basic and diluted	19	0.71	(0.08)

The accompanying notes form part of these financial statements.

BARBADOS DAIRY INDUSTRIES LIMITED
Statement of Comprehensive Income
Year ended 31 August 2015



	2015	Restated 2014
	\$	\$
Net income (loss) for the year	3,345,466	(384,756)
Other comprehensive loss		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Re-measurement loss on defined benefit plans	(662,561)	(582,078)
Tax effect	99,384	87,312
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods and total other comprehensive loss, net of tax	(563,177)	(494,766)
Total comprehensive income (loss) for the year	2,782,289	(879,522)

The accompanying notes form part of these financial statements.

BARBADOS DAIRY INDUSTRIES LIMITED

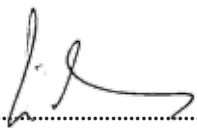
Statement of Financial Position

As of 31 August 2015

	Notes	2015 \$	Restated 2014 \$	Restated 2013 \$
Current assets				
Cash		232,839	124,367	286,050
Accounts receivable and prepayments	5	6,116,380	5,021,796	7,175,158
Inventories	7	14,760,518	12,144,874	14,651,422
Due from related companies	8	349,071	119,800	315,130
		21,458,808	17,410,837	22,427,760
Asset classified as held for sale		-	-	400,000
		21,458,808	17,410,837	22,827,760
Current liabilities				
Bank overdraft	9	2,351,555	3,517,849	4,999,268
Accounts payable and accruals	10	5,430,055	7,284,869	9,479,735
Due to related companies	8	6,763,458	5,208,003	5,056,256
Current portion of long-term liabilities	11	2,174,727	2,510,001	6,101,342
Loan due to parent company	8	3,850,000	4,400,000	4,950,000
		20,569,795	22,920,722	30,586,601
Working capital (deficiency)				
		889,013	(5,509,885)	(7,758,841)
Deferred tax asset				
	6	4,889,162	4,231,900	3,898,530
Long-term investment				
	12	1	1	1
Property, plant and equipment				
	13	22,678,131	25,725,211	28,732,195
Pension plan asset				
	14	3,925,680	4,381,305	4,711,874
Post-employment medical liability				
	15	(351,944)	(326,515)	(288,908)
Long-term liabilities				
	11	(4,051,467)	(3,305,730)	(3,219,042)
		27,978,576	25,196,287	26,075,809
Equity				
Share capital	16	998,028	998,028	998,028
Other Reserves		(703,951)	(140,774)	353,992
Retained earnings		27,684,499	24,339,033	24,723,789
Total equity		27,978,576	25,196,287	26,075,809

The accompanying notes form part of these financial statements.

Approved by the Board on 29 October 2015 and signed on its behalf by:


Chairman
 G. Anthony King


Director
 C. R. A. Cozier F.C.G.A

BARBADOS DAIRY INDUSTRIES LIMITED

Statement of Changes in Equity

Year ended 31 August 2015



	Share Capital	Other Reserves	Retained Earnings	Total
	\$	\$	\$	\$
Balance at 31 August 2013 as previously reported	998,028	353,992	24,119,230	25,471,250
Prior period adjustment (Note 23)	-	-	604,559	604,559
Balance at 31 August 2013 as restated	998,028	353,992	24,723,789	26,075,809
Total comprehensive loss for the year	-	(494,766)	(384,756)	(879,522)
Balance at 31 August 2014 as restated	998,028	(140,774)	24,339,033	25,196,287
Total comprehensive income for the year	-	(563,177)	3,345,466	2,782,289
Balance at 31 August 2015	998,028	(703,951)	27,684,499	27,978,576

The accompanying notes form part of these financial statements.

BARBADOS DAIRY INDUSTRIES LIMITED

Statement of Cash Flows

Year ended 31 August 2015

	2015 \$	Restated 2014 \$
Cash flows from operating activities		
Income (loss) before taxation	2,787,588	(630,814)
Adjustments for:		
Depreciation	3,723,703	4,063,715
Loss on disposal of property, plant and equipment	2,226	48,448
Impairment of decommissioned equipment	76,360	-
Interest expense	587,309	848,498
Pension plan asset	(207,491)	(235,275)
Post-employment medical liability	25,984	21,373
Operating profit before working capital changes	6,995,679	4,115,945
(Increase) decrease in accounts receivable and prepayments	(1,094,584)	2,153,362
(Increase) decrease in inventories	(2,615,644)	2,506,548
(Increase) decrease in due from related companies	(229,271)	195,330
Decrease in accounts payable and accruals	(1,854,814)	(2,194,866)
Increase in due to related companies	1,555,455	151,747
Cash generated from operations	2,756,821	6,928,066
Interest paid	(587,309)	(848,498)
Net cash from operating activities	2,169,512	6,079,568
Cash flows from investing activities		
Proceeds from disposal of held for sale asset	-	400,000
Purchase of property, plant and equipment	(755,209)	(1,105,179)
Net cash used in investing activities	(755,209)	(705,179)
Cash flows from financing activities		
Proceeds from loan	3,000,000	-
Repayment of long-term liabilities	(2,589,537)	(3,504,653)
Repayment of loan due to parent company	(550,000)	(550,000)
Net cash used in financing activities	(139,537)	(4,054,653)
Increase in cash for the year	1,274,766	1,319,736
Cash and cash equivalents – beginning of year	(3,393,482)	(4,713,218)
Cash and cash equivalents – end of year	(2,118,716)	(3,393,482)
Represented by:		
Cash	232,839	124,367
Bank overdraft	(2,351,555)	(3,517,849)
Cash and cash equivalents – end of year	(2,118,716)	(3,393,482)

The accompanying notes form part of these financial statements.

1. Incorporation, ownership and principal place of business

The Company is incorporated under the Laws of Barbados on 12 March 1964 and its parent company is Banks Holdings Limited, a publicly listed company incorporated in Barbados.

The principal activity of the Company during the year was the manufacturing, processing and distribution of dairy products and fruit juices.

The Company's registered office is located at the Pine, St. Michael, Barbados.

2. Significant accounting policies

a] Basis of accounting and financial statement preparation

The financial statements are prepared under the historical cost convention except for long-term investments, which are carried at fair value. The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

b] Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following standards, amendments and interpretations which are effective in the current year:

The adoption of the standards or interpretations is described below:

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) – Effective 1 January 2014

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through the profit or loss. These amendments had no impact on the Company's financial statements.

Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 - Effective 1 January 2014

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. These amendments had no impact on the Company's financial statements.

2. Significant accounting policies (cont'd)

b] Changes in accounting policies and disclosures (cont'd)

IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36 - Effective 1 January 2014

These amendments clarify the disclosure requirements in respect of fair value less costs of disposal. When IAS 36 Impairment of Assets was originally changed as a result of IFRS 13, The IASB intended to require disclosure of information about the recoverable amount of impaired assets if that amount was based on fair value less cost to sell. An unintended consequence of the amendments was that an entity would be required to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible asset with definite useful lives allocated to that unit was significant in comparison to the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. This requirement has been deleted by the amendment. However the IASB has added two disclosure requirements:

- Additional information about the fair value measurement if impaired assets when the recoverable amount is based on fair value less costs of disposal.
- Information about the discount rates that have been used when the recoverable amount is based on fair value less cost of disposal using a present value technique. The amendments harmonise disclosure requirements between value in use and fair value less costs of disposal.

This interpretation had no impact on the Company's financial statements.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39 - Effective 1 January 2014

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. This interpretation had no impact on the Company's financial statements.

IFRC 21 Levies –Effective 1 January 2014

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. These amendments had no impact on the Company's financial statements.

2. Significant accounting policies (cont'd)

b) Changes in accounting policies and disclosures (cont'd)

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions – Effective 1 July 2014

These amendments require consideration of contributions from employees or third parties when accounting for defined benefit plans. IAS 19 requires such contributions that are linked to service to be attributed to periods of service as a negative benefit. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, recognition of such contributions as a reduction in the service cost in the period in which the service is rendered is permitted, instead of allocating the contributions to the periods of service. These amendments had no impact on the Company's financial statements.

Annual Improvements to IFRSs 2010-2012 Cycle – Published December 2013

Certain limited amendments, which primarily consist of clarifications to existing guidance, were made to the following standards:

IFRS	Subject of Amendment
IFRS 2 -	Share-based Payment
IFRS 3 -	Business Combinations
IFRS 8 -	Operating Segments
IFRS13 -	Fair Value Measurement
IAS 16 -	Property, Plant and Equipment
IAS 24 -	Related Party Disclosures
IAS 38 -	Intangible Assets

These improvements are effective for annual periods beginning on or after 1 July 2014 and had no impact on the financial statements.

Annual Improvements to IFRSs 2011-2013 Cycle – Published December 2013

Certain limited amendments, which primarily consist of clarifications to existing guidance, were made to the following standards:

IFRS	Subject of Amendment
IFRS 1 -	First-time Adoption of International Financial Reporting Standards
IFRS 3 -	Business Combinations
IFRS13 -	Fair Value Measurement
IAS 40 -	Investment Property

These improvements were effective for annual periods beginning on or after 1 July 2014 and had no impact on the financial statements.

2. Significant accounting policies (cont'd)

c] Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective. The Company is currently assessing the impact of these new standards and amendments.

- IFRS 9 Financial Instruments: Classification and Measurement (effective 1 January 2018)
- IFRS 14 Regulatory Deferral Accounts (effective 1 January 2016)
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2017)
- Amendments to IFRS 11 Accounting for Acquisition of Interests in Joint Operations (effective 1 January 2016)
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization (effective 1 January 2016)
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants (effective 1 January 2016)
- Amendments to IAS 27 Equity Method in Separate Financial Statements (effective 1 January 2016)
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective 1 January 2016)
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception (effective 1 January 2016)

2. Significant accounting policies (cont'd)

c] Standards issued but not yet effective (cont'd)

Annual Improvements to IFRSs 2012-2014 Cycle – Published September 2014

Certain limited amendments, which primarily consist of clarifications to existing guidance, were made to the following standards and are not expected to have a material impact on the financial statements:

IFRS	Subject of Amendment
IFRS 5 -	Non-current Held for Sale and Discontinued Operations
IFRS 7 -	Financial Instruments: Disclosures
IAS 19 -	Employee Benefits
IAS 34 -	Interim Financial Reporting

These improvements are effective for annual periods beginning on or after 1 January 2016 and will be adopted at that time.

d] Revenue recognition

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

e] Currency

These financial statements are presented in Barbados dollars, which is also its functional currency. Monetary assets and liabilities denominated in currencies other than Barbados dollars are translated at the rate of exchange ruling at the statement of financial position date. Non-monetary assets and liabilities and transactions denominated in currencies other than Barbados dollars are translated at the rate of exchange ruling at the date of the transaction. Foreign exchange gains or losses are charged to income.

2. Significant accounting policies (cont'd)

f] Impairment of financial assets

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account and the amount of the loss is recognized in income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in income.

In relation to loans and receivables, a provision for impairment is made when there is objective evidence that the Company will not be able to collect all of the amounts due under the original terms of the agreement. The carrying amount of loans and receivables is reduced through use of an allowance account.

g] Inventories

Inventories are stated at the lower of cost and net realizable value. In general, cost is determined on a weighted average basis. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity.

Supplies are valued at cost. Provisions are made for obsolete, slow moving and defective items as considered appropriate in the circumstances.

h] Depreciation

Depreciation is charged on leasehold buildings over the term of the lease.

Depreciation of other property, plant and equipment is made by using the straight-line basis at rates sufficient to write off the cost of the assets over their estimated useful lives as follows:

Plant and machinery and spares	-	3 to 20 years
Furniture, fittings and other equipment	-	3 to 10 years
Motor vehicles	-	5 years
Containers	-	5 years

2. Significant accounting policies (cont'd)

i] Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

j] Taxation

The financial statements are prepared using the liability method of accounting for taxation whereby the future taxable liability or asset arising from temporary differences is provided for at the estimated future corporation tax rate that is expected to apply to the period when the liability is settled or the asset realized. Deferred tax assets in respect of unused tax losses are recognized to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilized.

2. Significant accounting policies (cont'd)

k] Employee Benefits

The Company operates a defined benefit plan, the assets of which are held in a separate fund administered by Trustees. The Company meets the balance of the cost of funding the plan and the Company pays contributions of 0.1% of the employee's salary. The funding requirements are based on regular actuarial valuations of the pension plan every three years, and the assumptions used to determine the funding may differ to those set out in note 14.

The pension accounting costs are accrued using the projected unit credit method. Under this method, the cost of providing pensions is charged to the statement of comprehensive income so as to spread the regular cost over the service lives of the employees in accordance with the advice of independent qualified actuaries who carry out a full valuation of the plans every three years. The pension obligation is measured as the present value of the estimated future cash flows using interest rates of Government Securities which have terms to maturity approximating the terms of the related liability.

The Company also operates a contributory defined contribution pension scheme. Contributions are charged to the statement of comprehensive income in the year to which they relate.

The Company also provides post-employment healthcare benefits to its employees, pensioners and their registered dependants. These benefits are funded by contributions from the Company to Guardian Life. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit pension plans. These obligations are valued by independent qualified actuaries.

2. Significant accounting policies (cont'd)

l] Long-term investment

The Company's investment, which has been classified as fair value through profit and loss, is recorded at fair value. The fair value of this privately held investment, in the absence of readily ascertainable market values, has been estimated by management on the basis of the market value of the underlying assets.

Unrealized gains or losses are recorded in the statement of comprehensive income.

m] Interest bearing loans receivable and payable

All interest bearing loans receivable and payable are initially recognized at cost. After initial recognition, they are measured at amortized cost using the effective interest rate method.

n] Leases

Finance leases are capitalized at fair value on inception of the lease agreement. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the statement of comprehensive income.

3. Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Property, plant and equipment

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Impairment of financial assets

When the fair value declines or when there is objective evidence of impairment, management makes assumptions about the declines in value to determine whether it is an impairment that should be recognized in income.

Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all other non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements

Year ended 31 August 2015

3. Significant accounting judgments, estimates and assumptions (cont'd)

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

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

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, expected rates of return on assets of the plan, 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.

4. Profit from operations

	2015	Restated 2014
	\$	\$
Sales	62,205,626	60,714,991
Cost of sales	(54,213,029)	(55,927,509)
	<hr/>	<hr/>
Gross profit	7,992,597	4,787,482
Other income	342,048	409,126
	<hr/>	<hr/>
	8,334,645	5,196,608
Selling, general and administrative expenses	(4,959,748)	(4,978,924)
	<hr/>	<hr/>
Profit from operations	3,374,897	217,684
	<hr/> <hr/>	<hr/> <hr/>
Profit from operations is after charging:		Restated
	2015	2014
	\$	\$
Depreciation (Note 13)	3,723,703	4,063,715
	<hr/>	<hr/>
Staff costs	7,535,691	7,101,522
	<hr/> <hr/>	<hr/> <hr/>

5. Accounts receivable and prepayments

	2015	2014
	\$	\$
Trade receivables (net)	5,494,230	4,455,303
Other receivables and prepayments	622,150	566,493
	<u>6,116,380</u>	<u>5,021,796</u>
	2015	2014
	\$	\$
Gross trade receivables	5,494,230	4,483,115
Provision for doubtful debts	-	(27,812)
	<u>5,494,230</u>	<u>4,455,303</u>

Trade receivables are non-interest bearing and are generally on 30-60 days terms.

As at 31 August 2015, no trade receivables (2014 - \$27,812) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	Total
	\$
As at 31 August 2013	47,775
Write-offs	<u>(19,963)</u>
As at 31 August 2014	27,812
Write-offs	<u>(27,812)</u>
As at 31 August 2015	<u>-</u>

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements

Year ended 31 August 2015

5. Accounts receivable and prepayments (cont'd)

As at 31 August, the ageing analysis of trade receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired			
			< 30 days	30-60 days	60-90 days	>90 days
	\$	\$	\$	\$	\$	\$
2015	5,494,230	5,230,013	211,639	52,035	543	-
2014	4,455,303	4,404,368	37,835	-	13,100	-

With respect to trade receivables and other receivables and prepayments that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will default on payment obligations. Of the balance due at 31 August 2015 \$3,420,484 (2014 - \$4,285,793) is due from affiliated companies. With respect to other receivables and prepayments, no amounts have been provided for in respect of a non-trade receivable balance.

6. Taxation

	2015	2014
	\$	\$
Statement of income		
Deferred tax recovery for the year	(557,878)	(246,058)

6. Taxation (cont'd)

	2015	Restated 2014
	\$	\$
Income (loss) before taxation	2,787,588	(630,814)
Taxed at the applicable rate of 15% (2014 - 15%)	418,138	(94,622)
Depreciation on assets not qualifying for capital allowances	10,241	43,968
Manufacturing allowance	-	(195,670)
Losses utilized	(960,922)	-
Other	(25,335)	266
	(557,878)	(246,058)
	2015	2014
	\$	\$
Deferred tax asset		
Balance, beginning of year	4,231,900	3,898,530
Deferred tax credit recognised in statement of income	557,878	246,058
Deferred tax credit recognised in other comprehensive income	99,384	87,312
Balance, end of year	4,889,162	4,231,900

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements

Year ended 31 August 2015

6. Taxation (cont'd)

	2015	2014
	\$	\$
Deferred tax asset is made up as follows:		
Pension plan asset	(588,852)	(657,196)
Post-retirement medical liability	52,792	48,977
Unutilized tax losses	2,475,907	2,430,116
Accelerated depreciation for accounting purposes	2,949,315	2,410,003
	<u>4,889,162</u>	<u>4,231,900</u>

Tax losses

The Company has unrelieved tax losses of \$33,571,445 (2014 - \$39,977,589) available to be carried forward and applied against future taxable income. The losses have not been agreed by the Revenue Commissioner of the Barbados Revenue Authority but are not in dispute.

Income Year	Amount	Expiry Date
	\$	
2007	345,738	2016
2008	4,111,367	2017
2009	4,285,891	2018
2010	15,260,054	2019
2011	7,700,745	2020
2012	1,867,650	2021
	<u>33,571,445</u>	

There is a potential deferred tax asset of \$2,559,809 which has not been recognised since it is uncertain whether taxable profits will be available against which the deferred tax asset can be utilised.

7. Inventories

	2015	Restated 2014
	\$	\$
Raw materials	9,664,935	7,615,466
Finished goods	4,031,377	3,519,607
Spare parts	975,958	954,935
Marketing materials	1,124	2,880
Fuel and factory supplies	87,124	51,986
	<u>14,760,518</u>	<u>12,144,874</u>

The amount of write-down of inventories recognized as an expense is \$606,582 (2014 - \$717,546). This expense is included in cost of sales as disclosed in Note 4.

8. Related party transactions and balances

The amounts due from/to related companies are unsecured, interest-free and have no fixed terms of repayment. The loan due to the parent company is unsecured and interest-free, however the parent company reserves the right to charge interest at a rate of prime minus 1% per annum on the unpaid balance at its sole discretion. The loan is repayable on demand. During the year the Company repaid \$550,000 (2014 - \$550,000).

	2015	2014
	\$	\$
Loan due to parent company	<u>3,850,000</u>	<u>4,400,000</u>

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements

Year ended 31 August 2015

8. Related party transactions and balances (cont'd)

During the year, the Company entered into the following transactions with its parent and fellow subsidiaries:

	2015	2014
	\$	\$
Sales to a related company	11,380,121	13,013,781
Sales to affiliated companies	40,817,070	45,849,764
Purchases from affiliated companies	11,908,437	13,592,638
Management fees paid to parent company	258,000	1,008,000
Rent charged to related parties	398,409	398,058
Management fees paid to related company	750,000	-

Compensation of key management personnel of the Company:

	2015	2014
	\$	\$
Short-term employee benefits	48,500	52,000

9. Bank overdraft

The security for the bank overdraft facility of \$3,000,000 is disclosed in Note 11.

Interest is charged and payable monthly on the overdraft balance at prime minus 2.8% per year (2014 – prime plus 1% per year). The rate at year-end was 4.25% (2014 - 9.05%).

10. Accounts payable and accruals

	2015	2014
	\$	\$
Trade payables	4,556,252	6,729,649
Other payables and accruals	873,803	555,220
	<u>5,430,055</u>	<u>7,284,869</u>

Terms and conditions of the above liabilities

- Trade payables are non-interest bearing and are normally settled on 30-60 day terms.
- Other payables are non-interest bearing and are normally settled within three months.

11. Long-term liabilities

	2015	2014
	\$	\$
i) FirstCaribbean International Bank	1,606,704	2,600,747
ii) Tetra Pak, S.A.	1,691,396	3,214,984
iii) FirstCaribbean International Bank	2,928,094	-
	<u>6,226,194</u>	<u>5,815,731</u>
Less: current portion	<u>(2,174,727)</u>	<u>(2,510,001)</u>
Long-term portion	<u>4,051,467</u>	<u>3,305,730</u>

- i) The loan bears an interest rate of 4.25% (2014 - 7.05%), will mature on 16 February 2017 and is repayable in 60 monthly instalments of \$92,355 of blended principal and interest. The loan and the overdraft facility (disclosed at Note 9) are secured by a letter of undertaking to provide the bank with a mortgage over the Company's assets, if called upon to do so and a guarantee endorsed by the parent company, Banks Holdings Limited.
- ii) The three Tetra Pak leases bear an interest rate of 3-Month Libor plus 2.5% with quarterly lease payments over 4 years. All of the leases are secured by certain equipment (See Note 13). Future lease payments due within one year are \$970,875 (2014 -\$1,523,589). Lease payments due after one year total \$720,521 (2014- \$1,691,395).
- iii) In March 2015, the Company entered into a \$3 million committed installation loan facility, which will mature in 15 years. The loan bears interest of 4.25% and is repayable in 180 monthly instalments of \$22,575 of blended principal and interest. The loan is secured by an unlimited guarantee endorsed by the parent company Banks Holdings Limited and a letter of under-taking to provide the bank with a mortgage over the Company's assets.

12. Long-term investment

	2015	2014
	\$	\$
Barbados Agro Processing Company Limited (in receivership)	<u>1</u>	<u>1</u>

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements

Year ended 31 August 2015

13. Property, plant and equipment

	Restated At 31 August 2014	Additions	Impairment	Disposal	At 31 August 2015
	\$	\$	\$	\$	\$
Cost					
Buildings on leasehold					
land	15,573,954	-	-	-	15,573,954
Plant and machinery	40,845,363	736,820	(76,360)	-	41,505,823
Motor vehicles	51,862	-	-	-	51,862
Furniture, fixtures and equipment	1,832,852	15,389	-	-	1,848,241
Containers	416,870	-	-	(2,226)	414,644
Construction-in-progress	22,929	3,000	-	-	25,929
	<u>58,743,830</u>	<u>755,209</u>	<u>(76,360)</u>	<u>(2,226)</u>	<u>59,420,453</u>
Accumulated depreciation					
Buildings on leasehold					
land	8,732,621	376,744	-	-	9,109,365
Plant and machinery	22,098,364	3,293,157	-	-	25,391,521
Motor vehicles	51,862	-	-	-	51,862
Furniture, fixtures and equipment	1,733,244	50,166	-	-	1,783,410
Containers	402,528	3,636	-	-	406,164
	<u>33,018,619</u>	<u>3,723,703</u>	<u>-</u>	<u>-</u>	<u>36,742,322</u>
Net book value					
Buildings on leasehold					
land	6,841,333				6,464,589
Plant and machinery	18,746,999				16,114,302
Furniture, fixtures and equipment	99,608				64,831
Containers	14,342				8,480
Construction-in-progress	22,929				25,929
	<u>25,725,211</u>				<u>22,678,131</u>

The Company has plant and equipment with a net book value of \$8,045,190 (2014 – \$9,549,220) secured under a finance lease.

13. Property, plant and equipment (cont'd)

	Restated At 31 August 2013	Additions	Disposals	Transfers	At 31 August 2014
	\$	\$	\$	\$	\$
Cost					
Buildings on leasehold					
land	15,308,481	15,602	-	249,871	15,573,954
Plant and machinery	43,362,993	680,833	(3,613,840)	415,377	40,845,363
Motor vehicles	51,862	-	-	-	51,862
Furniture, fixtures and equipment	2,349,908	23,027	(540,083)	-	1,832,852
Containers	494,505	15,188	(92,823)	-	416,870
Construction-in-progress	317,648	370,529	-	(665,248)	22,929
	<u>61,885,397</u>	<u>1,105,179</u>	<u>(4,246,746)</u>	<u>-</u>	<u>58,743,830</u>
Accumulated depreciation					
Buildings on leasehold					
land	8,355,875	376,746	-	-	8,732,621
Plant and machinery	22,112,948	3,554,871	(3,569,455)	-	22,098,364
Motor vehicles	51,862	-	-	-	51,862
Furniture, fixtures and equipment	2,197,930	71,334	(536,020)	-	1,733,244
Containers	434,587	60,764	(92,823)	-	402,528
	<u>33,153,202</u>	<u>4,063,715</u>	<u>(4,198,298)</u>	<u>-</u>	<u>33,018,619</u>
Net book value					
Buildings on leasehold					
land	6,952,606				6,841,333
Plant and machinery	21,250,045				18,746,999
Motor vehicles	-				-
Furniture, fixtures and equipment	151,978				99,608
Containers	59,918				14,342
Construction-in-progress	317,648				22,929
	<u>28,732,195</u>				<u>25,725,211</u>

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements

Year ended 31 August 2015

14. Pension plan asset

	2015	2014
	\$	\$
Statement of financial position		
Present value of funded obligation	(11,173,044)	(10,581,422)
Fair value of plan assets	15,098,724	14,962,727
	<u>3,925,680</u>	<u>4,381,305</u>
Net asset recognized in the statement of financial position	<u>3,925,680</u>	<u>4,381,305</u>
	2015	2014
	\$	\$
Statement of income		
Current service cost	103,552	94,014
Interest cost	805,730	747,926
Administration and other non-plan expenses	25,412	33,300
Expected return on plan assets	(1,140,355)	(1,108,251)
	<u>(205,661)</u>	<u>(233,011)</u>
Total, included in staff costs	<u>(205,661)</u>	<u>(233,011)</u>
Actual return on plan assets	<u>260,911</u>	<u>926,978</u>
Statement of other comprehensive income		
Loss from change in assumptions	-	462,821
Gain from experience	(216,328)	(78,249)
Actual return from plan assets	(260,911)	(926,978)
Expected return on plan assets	1,140,355	1,108,251
	<u>663,116</u>	<u>565,845</u>
Other comprehensive loss	<u>663,116</u>	<u>565,845</u>
Net movement in pension plan asset recognised in the statement of financial position		
Balance at beginning of year	4,381,305	4,711,874
Net benefit income	205,661	233,011
Employer contributions	1,830	2,265
Other comprehensive loss	(663,116)	(565,845)
	<u>3,925,680</u>	<u>4,381,305</u>
Balance at end of year	<u>3,925,680</u>	<u>4,381,305</u>

14. Pension plan asset (cont'd)

Changes in the present value of the defined benefit obligation are as follows:

	2015	2014
	\$	\$
Balance, beginning of year	10,581,422	9,852,402
Interest cost	805,730	747,926
Current service cost	103,552	94,014
Benefits paid	(527,811)	(542,864)
Contributions by employee	54,454	45,372
Actuarial (gain) loss on obligation	(216,328)	384,572
Transfers	372,025	-
	<hr/>	<hr/>
Balance, end of year	<u>11,173,044</u>	<u>10,581,422</u>

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

	2015	2014
	\$	\$
Balance, beginning of year	14,962,727	14,564,276
Actual return from plan assets	260,911	926,978
Contributions by employer and employee	56,284	47,637
Benefits paid	(527,811)	(542,864)
Administrative fees	(25,412)	(33,300)
Transfers	372,025	-
	<hr/>	<hr/>
Balance, end of year	<u>15,098,724</u>	<u>14,962,727</u>

	2015	2014
	%	%
Principal actuarial assumptions as at 31 August were:		
Discount rate at end of year	7.75	7.75
Expected return on plan assets at end of year	7.75	7.75
Future promotional salary increases	2.00	2.00
Future inflationary salary increase	3.50	3.50
Future increases in NIS ceiling for earnings	4.25	4.25
Future pension increases	3.75	3.75

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements

Year ended 31 August 2015

14. Pension plan asset (cont'd)

A quantitative sensitivity analysis for significant assumptions on the present value of the obligation as at 31 August 2015 is shown below:

	Increase	Decrease
	\$	\$
Change in discount rate by 1%	(9,873,347)	13,840,855
Change in salary increase by 0.5%	11,470,115	(10,927,406)

Life expectancy at age 60 for current pensioners in years:

Male	–	24.35
Female	–	26.68

The weighted duration of the defined benefit obligation was 12.73 years.

The Company expects to contribute \$1,789 to its defined benefit pension plans in 2015.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2015	2014
	%	%
Bonds	24	23
Mortgages	8	8
Equities	27	31
Mutual funds	13	13
Real estate	23	21
Other	5	4

The overall expected rate of return on assets is determined based on the market expectations prevailing on that date, applicable to the period over which the obligation is to be settled.

15. Post-employment medical liability

The amounts recognized in the statement of financial position are as follows:

	2015	2014
	\$	\$
Present value of funded obligation	351,944	326,515
Liability recognized in the statement of financial position	<u>351,944</u>	<u>326,515</u>

The amounts recognized in the statement of income are as follows:

	2015	2014
	\$	\$
Current service cost	11,922	10,346
Interest on obligation	25,782	22,751
Past service costs – vested benefits	(196)	(332)
Total, included in staff costs	<u>37,508</u>	<u>32,765</u>

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements

Year ended 31 August 2015

15. Post-employment medical liability (cont'd)

Statement of other comprehensive income

	2015	2014
	\$	\$
Loss from change in assumptions	-	30,405
Gain from experience	(555)	(14,172)
	<u>(555)</u>	<u>(14,172)</u>
Other comprehensive (income) loss	<u>(555)</u>	<u>16,233</u>

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

	2015	2014
	\$	\$
Net liability, beginning of year	326,515	288,908
Net expense recognized in the statement of income	37,508	32,765
Other comprehensive (income) loss	(555)	16,233
Contributions	(11,524)	(11,391)
	<u>(11,524)</u>	<u>(11,391)</u>
Net liability, end of year	<u>351,944</u>	<u>326,515</u>

Changes in the present value of the obligation are as follows:

	2015	2014
	\$	\$
Obligation – Beginning of year	326,515	288,908
Interest cost	25,782	22,751
Current service cost	11,922	10,346
Past service costs – vested benefits	(196)	(332)
Benefits paid	(11,524)	(11,391)
Actuarial (loss) gain on obligation	(555)	16,233
	<u>(11,524)</u>	<u>(11,391)</u>
	<u>351,944</u>	<u>326,515</u>

15. Post-employment medical liability (cont'd)

Principal actuarial assumptions used for accounting purposes at 31 August were as follows:

	2015	2014
	%	%
Discount rate at end of year	7.75	7.75
Future medical claims/premium inflation	4.25	4.25

A one percentage point change in the assumed rate of the following assumptions would have the following effect on the present value of the obligation:

	Increase	Decrease
	%	%
2015		
Change of medical inflation by 1%	409,285	(305,976)
Change of discount rate by 1%	(305,574)	410,730

The weighted duration of the defined benefit obligation was 15.28 years.

Assuming no changes in the premium rates the company expects to pay premiums of \$12,682 during the 2016 financial year.

16. Share capital

Authorized:

The Company is authorized to issue an unlimited number of shares without nominal or par value designated as common shares

Issued:

	Number of Shares		2015	2014
	2015	2014		
Balance beginning and end of year	4,691,094	4,691,094	\$ 998,028	\$ 998,028

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements

Year ended 31 August 2015

17. Operating lease commitment

The lease expense for the year for motor vehicles was \$77,771 (2014 - \$32,776).

	2015	2014
	\$	\$
Future minimum lease payments under operating leases are as follows:		
Within one year	121,457	41,870
After one year but no more than five years	279,545	92,115
	<u>401,002</u>	<u>133,985</u>

18. Commitments and contingencies

Capital expenditure of \$1,170,100 (2014 - \$1,586,000) was approved by the Directors and there were no amounts subject to contract in 2015 or 2014.

19. Earnings per share

Earnings per share are based on a net income of \$3,345,466 (2014 - net loss of \$384,756) and a weighted average of 4,691,094 (2014 - 4,691,094) common shares in issue during the year.

20. Risk management

The Company's principal financial liabilities comprise bank overdraft, trade payables and long-term liabilities which comprise bank loans, finance leases and loan due to parent company. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has various financial assets such as trade receivables, loans receivable, due from related parties, long-term investments and cash, which arise directly from its operations. The Company does not enter into derivative transactions. The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Company manages its interest rate exposure by using a variable rate debt. The Company's exposure to the risk of changes in the market interest rates relates primarily to its long-term liabilities.

20. Risk management (cont'd)

The following table demonstrates the sensitivity to a reasonable possible change in interest rate, with other variables held constant of the Company's income before taxation. There is no impact on the Company's equity.

Increase/decrease in basis points	2015 Effect on profit before tax \$	2014 Effect on profit before tax \$
+-50	42,889	46,668

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company operates primarily in the Barbados market and is therefore not subject to significant foreign currency risk. Management monitors its exposure to foreign currency fluctuations and employs appropriate strategies to mitigate any potential losses.

The Company has transactional currency exposures. Such exposure arises from purchases by an operating unit in currencies other than the unit's functional currency. Approximately 61% (2014 - 62%) of the Company's purchases are denominated in a currency other than the functional currency. However the majority of these are in US\$ which has a fixed exchange rate to the functional currency. Fluctuations in currencies other than US\$ are not considered significant.

Credit risk

Credit risk arises from the possibility that counterparties may default on their obligations to the Company. The amount of the Company's maximum exposure to credit risk is indicated by the carrying amount of its financial assets.

Concentration of credit risk

Concentrations of credit risk may arise from exposures to a single debtor or to groups of debtors having a common characteristic such that their ability to meet their obligations is expected to be affected similarly by changes in economic or other conditions.

Substantially, all the assets of the Company are located in Barbados and there are no significant concentrations of credit risk.

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements

Year ended 31 August 2015

20. Risk management (cont'd)

The Company trades only with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed at Note 5. The Company does not offer credit terms without the approval of Management.

With respect to credit risk arising from the other financial assets of the Company, which comprise of cash, accounts receivable and due from related parties, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances. The Company monitors its liquidity risk by considering the maturity of both its financial assets and projected cash flows from operations. Where possible, the Company utilizes available credit facilities such as loans, overdrafts and other financing options.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans.

The table below summarizes the maturity profile of the Company's financial liabilities at 31 August, based on contractual undiscounted payments.

Year ended 31 August 2015

	On Demand	<1 year	1 to 5 years	Total
	\$	\$	\$	\$
Bank overdraft	2,351,555	-	-	2,351,555
Accounts payable	-	5,430,055	-	5,430,055
Due to related companies	-	6,763,458	-	6,763,458
Loan due to parent company	3,850,000	-	-	3,850,000
Long-term liabilities	-	2,349,058	4,909,897	7,258,955

20. Risk management (cont'd)

Year ended 31 August 2014

	On Demand \$	<1 year \$	1 to 5 years \$	Total \$
Bank overdraft	3,517,849	-	-	3,517,849
Accounts payable	-	7,284,869	-	7,284,869
Due to related companies	-	5,208,003	-	5,208,003
Loan due to parent company	4,400,000	-	-	4,400,000
Long-term liabilities	-	2,661,913	3,397,927	6,059,840

21. Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 August 2015 and 31 August 2014.

22. Fair value of financial instruments

Set out below is a comparison by category of carrying amounts and fair values of all the Company's financial instruments that are carried in the financial statements:

	Carrying amount		Fair value	
	2015 \$	2014 \$	2015 \$	2014 \$
Financial assets				
Cash	232,839	124,367	232,839	124,367
Accounts receivable	5,494,230	4,455,303	5,494,230	4,455,303
Due from related companies	349,071	119,800	349,071	119,800
Financial liabilities				
Bank overdraft	2,351,555	3,517,849	2,351,555	3,517,849
Accounts payable	5,430,055	7,284,869	5,430,055	7,284,869
Due to related companies	6,763,458	5,208,003	6,763,458	5,208,003
Loan due to parent company	3,850,000	4,400,000	3,850,000	4,400,000
Long-term liabilities	6,226,194	5,815,731	6,226,194	5,309,260

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements

Year ended 31 August 2015

22. Fair value of financial instruments (cont'd)

The methods and assumptions used to estimate the fair value of each class of financial instruments are as follows:

- i) Short-term financial assets and liabilities
The carrying value of these assets and liabilities is a reasonable estimate of their fair value because of the short maturity of these instruments. Short-term financial assets comprise cash, accounts receivable and due from related companies. Short-term financial liabilities comprise bank overdraft, accounts payable and due to related companies.
- ii) Long-term financial liabilities
Long-term liabilities are at variable rates and consequently their fair values approximate their carrying values.

23. Prior period adjustments

Spare parts, which were previously incorrectly classified as property, plant and equipment were reclassified as inventory during the financial year. The change was accounted for retroactively and the 2014 and 2013 financial statements were restated to conform to the 2015 presentation. As a result inventory as at 31 August 2014 increased by \$954,935 (2013 - \$1,014,126) whereas property, plant and equipment decreased by \$833,908 (2013 - \$751,057). Retained earnings as at 31 August 2013 and the loss for the year ended 31 August 2014 increased by \$263,069 and \$142,039 respectively.

Additionally, the useful lives of certain plant and machinery which was not previously reassessed in accordance with IAS 16 – Property, Plant and Equipment, were reassessed during the year. The change was accounted for retroactively and the 2014 and 2013 financial statements were restated to conform to the 2015 presentation. As a result property, plant and equipment and retained earnings as at 31 August 2013 increased by \$341,490.

24. Subsequent event

Subsequent to year-end, the parent company Banks Holdings Limited, which is a listed public company, was subject to a takeover bid between two parties. The bidding process was in progress as at the date of the approval of these financial statements.

25. Comparatives

Certain comparative amounts have been reclassified to conform to the current year's presentation.

COMPANY NO: 33151

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

This Management Proxy Circular accompanies the Notice of the Fifty-First (51st) Annual General Meeting of the Shareholders of Barbados Dairy Industries Limited (the 'Company') to be held at the Pine Hill Dairy, The Pine, St. Michael, Barbados on **Friday the 29th day of January, 2016 at 10:30 a.m.** (hereinafter called '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 adjournments thereof. The solicitation will primarily be by mail. The cost of the solicitation will be borne by the Company.

Proxies

A shareholder who is entitled to vote at a meeting of shareholders has the right by means of the enclosed form of proxy to appoint a person to represent him by inserting the name of such person in the space indicated in the form of proxy. Completed proxies must be deposited at the registered office of the Company at the Pine, St. Michael at any time up to **4:15 p.m. on Wednesday, 27 January, 2016** being no more than forty-eight (48) hours preceding the day of the meeting, or any adjournment thereof.

Proxies given by shareholders for use at the meeting may be revoked by the shareholder giving such proxy at any time prior to their use. In addition to revocation in any other manner permitted by Law, a proxy may be revoked by an instrument in writing executed by the shareholder or by his/her attorney in writing; if the shareholder is a company, executed under its corporate seal or by any duly authorised officer or attorney thereof, and deposited at the registered office of the Company at the Pine, St. Michael at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used or with the Chairman of such meeting, on the day of the meeting, or adjournment thereof, and upon either of such deposits the proxy is revoked.

Record Date, Notice of Meeting and Voting Shares

The Directors of the Company have fixed **Thursday, 31 December, 2015**, as the record date for determining the shareholders who are entitled to receive notice of the meeting. Only shareholders of record at the close of business on **Thursday, 31 December, 2015** will be entitled to receive notice of the meeting.

Only such registered holders of common shares of the company will be entitled to vote at the meeting. Each holder is entitled to one vote for each share held. As at the date hereof there are **4,691,094** common shares without par value of the Company issued and outstanding.

BARBADOS DAIRY INDUSTRIES LIMITED

Management Proxy Circular

Election of Directors

The Board of Directors consists of members who retire in rotation annually. As at the date of this Notice there are six (6) Board members. The number of Directors of the Company to be elected at the meeting is two (2). The following are the names of the persons proposed as nominees for election as Directors of the Company and for whom it is intended that votes will be cast for their election as Directors pursuant to the forms of proxy enclosed herewith:-

Nominee for Director	Present Principal Occupation
Mr. Neville McDonald Brewster	Corporate Executive
Mr. Carl Richard Cozier	Corporate Executive

With respect to the two (2) persons nominated, the term of office for each person so elected will expire at the close of the third Annual General Meeting of the shareholders of the Company following his election or until his successor is elected or appointed. Both nominated candidates are willing to serve and have signed declarations of consent attesting to their willingness to serve. The Management of the Company does not contemplate that any of the persons named above will, for any reason, become unable or unwilling to serve as a director.

Mr. Neville McDonald Brewster and Mr. Carl Richard Cozier are presently Directors of the Company and will retire at the close of the Fifty-First Annual General Meeting in accordance with the provisions of Clause 4.4 of the By-Laws of the Company but, being qualified, are eligible for re-election. Mr. Neville McDonald Brewster and Mr. Carl Richard Cozier were elected at the Forty-Eighth Annual General Meeting of the Company held on Friday, January 11, 2013 for a period ending at the close of the third Annual General Meeting after their election.

Appointment of Auditors

It is proposed to nominate the firm Ernst & Young, the incumbent auditors of the accounts of the Company, as auditors of the Company to hold office until the next annual meeting of shareholders. In accordance with Section 11 (2) of the *Financial Services Commission Act, 2010 – 21*, the approval of the Financial Services Commission has been sought for this appointment.

Corporate Governance

The Company has started the process of becoming fully compliant with the Corporate Governance Recommendations issued by the Barbados Stock Exchange Inc. (the 'Corporate Governance Recommendations'). A copy of the Corporate Governance Recommendations is available on the website of the Barbados Stock Exchange Inc. at

<http://www.bse.com.bb/>. The Company's approach to Corporate Governance is outlined at pages 13 – 16 of this Report.

Discretionary Authority

Management knows of no matter to come before the meeting other than the matters referred to in the notice of the meeting enclosed herewith. However, if any other matters which are not now known to Management should properly come before the meeting or any adjournment thereof, the shares represented by proxies in favour of Management nominees will be voted on any such matter in accordance with the best judgment of the proxy nominee. Similar discretionary authority is conferred with respect to amendments to the matters identified in the notice of the meeting. 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 director's statement has been received by the Company pursuant to section 71(2) of the *Companies Act*.

No auditor's statement has been received by the Company pursuant to section 163 (1) of the *Companies Act*.

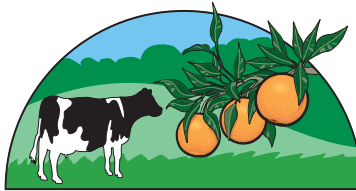
BARBADOS DAIRY INDUSTRIES LIMITED

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BARBADOS DAIRY INDUSTRIES LIMITED

A MEMBER OF THE BANKS HOLDINGS (BHL) GROUP

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