

PINEHILL
DAIRY
ANNUAL REPORT
2014

Barbados Dairy Industries Limited

Annual Report and Financial Statements

Year ended 31 August 2014
(Expressed in Barbados Dollars)

BARBADOS DAIRY INDUSTRIES LIMITED

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Year ended 31 August 2014

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BARBADOS DAIRY INDUSTRIES LIMITED

Corporate Information

Directors

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

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
Wildey
St. Michael
Barbados, W.I.

Attorneys-At-Law

Carrington & Sealy
Belmont House
Belmont Road
St. Michael
Barbados, W.I.

BARBADOS DAIRY INDUSTRIES LIMITED

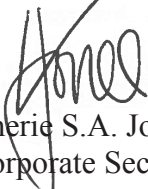
Registered Office: Pine
St Michael
Barbados

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Fiftieth 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, 30 January, 2015 at 10:30 am** for the following purposes:

1. To receive and consider the Financial Statements of the Company for the Financial Year ended 31 August, 2014 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 Gerald Anthony King 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, Ms Charyl Josephine Newman 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 her 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



Cherie S.A. Jones
Corporate Secretary

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

18 December, 2014

BARBADOS DAIRY INDUSTRIES LIMITED

Statement from the Board of Directors

Overview

The performance of Barbados Dairy Industries Ltd. for the year ended 31 August 2014 reflects improvements in operational costs yielding a meaningful reduction in losses over prior year. Sales were however only marginally higher with some growth in export markets. Production costs were reduced primarily due to the discontinuation of an inefficient packaging line during the first quarter of the year together with reductions in energy usage and the installation of a new photovoltaic system.

Notwithstanding the low operational profit which has turned the corner from losses over the previous four (4) years, positive cash flows continue to facilitate the reduction in our debt and in interest costs. Plant depreciation is a major element in the company's costs but represents the write-down of cash outflows in prior years.

The major challenge facing the company continues to be the cost of its inputs with limited scope to implement higher selling prices given the economic environment and the prices of imported products. This is apart from a reduction in the consumption of milk through changing consumption patterns and zero (or negative) growth in consumption in the tourism sector.

Critical to the sustainability of the dairy operations is a restructuring of the local farm milk industry. Barbados has perhaps the only remaining comprehensive fresh milk production and processing industry in Caricom. Imported milk products are all based on low-cost powdered milk formulations. Without financial assistance reaching the local milk farmers so as to facilitate lower farm-gate prices, as exists in many other countries, The Pine Hill Dairy will have to re-assess its business in the processing of fresh milk. A proposal for the milk industry is in the hands of Government and we await their decision and hopefully subsequent implementation.

Sales & Marketing

Revenues registered a modest increase of \$184,313 on 2013 despite the challenges of a depressed economy and cautious consumer spending. With increasing competitive pressures in all the major categories, our response has been to strengthen marketing management, product value and to drive and support occasions for consumption of our products.

Case volumes of the white milk category stabilised during the year and an enhanced margin as compared to 2013 was realised, mainly due to lower operating costs. Additionally with the package rebrand, the **Milk Every Day** campaign was able to expand its reach through multi-media executions. The campaign lays the foundation for the re-positioning of PINEHILL as the product of choice in all segments. Additionally extensive research and development work in the milk category during 2014 facilitated the launch of our new fresh pasteurised milk in plastic bottles in full cream and 1% fat options. The rebrand of Sun Gold evaporated milk in the 1st quarter and the launch of the 500 ml option also had a positive impact overall on the brand.

BARBADOS DAIRY INDUSTRIES LIMITED

Statement from the Board of Directors (cont'd)

The juice category continued to slide into the realm of becoming a commodity, with several new higher and lower priced entrants during 2014. The strongest competition occurs in the single serve segment from regional and extra regional brands. Overall domestic and export juice case sales were down by 9% on budget and 2% on prior year with the domestic volume showing the greatest impact falling short of the prior year by 6%.

The Dairy responded to the rapid segmentation within the category by repositioning its offerings, innovating to compete and building equity in its brands. This process started in 2014 with new campaigns behind our 'core' PINEHILL juice range and greater in-store branding as well as the launch of Sensations 100% juice, our no-added-sugar offering.

Operations

During the year, improvements to our material storage and handling systems continued and these led to improved inventory accuracy and reduced product damage. Additionally, focus was also placed on reducing our energy consumption through in-house modification of our cold storage, chilled water system, steam and air generation, distribution systems and lighting throughout the plant. This resulted in a substantial improvement in our energy use ratio (energy consumed per litre produced) and coupled with the commissioning of our roof mounted 150kW Photo Voltaic system in June led to a reduction in our energy cost as compared to prior year.

We have in place the necessary infrastructure to enable connection of our steam boiler to the natural gas grid and remain hopeful for connection in the not too distant future. With the replacement of diesel as our primary fuel we expect to realise a further reduction in our energy cost.

Operational efficiencies and material yields have also been improved through the decommissioning of the aged Tetra packaging line which was retired in late 2013. This package format was principally for the export market but became costly to produce and we have seen wide acceptance of the newer Tetra Gemini Aseptic (gable top) package offered in its place.

Following the successful introduction of the fresh pasteurised milk packaged in the traditional, half gallon, plastic bottles at the end of last year, we installed an automated filling line to support growing demand for this cold chain product. The improvement in packaging efficiencies as a result of this automation permitted the launch of the quarter gallon package and the 1%, low fat, fresh pasteurised milk option.

Dairy Initiative

We are operating in an environment of declining milk consumption, a direct consequence of the depressed economic situation and current pricing structure. In January, while waiting for a response from Government on the Dairy Industry Proposal, we reached agreement with farmers to modify the payment structure for farm gate milk and introduced a tiered system based on the category of use of the milk.

BARBADOS DAIRY INDUSTRIES LIMITED

Statement from the Board of Directors (cont'd)

Integrated Management Systems

At the end of the financial year, the Dairy successfully passed its first ISO Surveillance Audit and retained its certification in the following four standards:

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

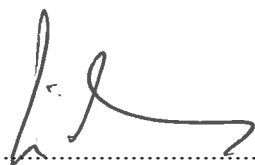
Additionally, we have begun the implementation of the requirements of ISO 50001 (Energy Management) and expect that this will continue to deliver improvements in our energy consumption which will flow through to the bottom line.

Human Resources

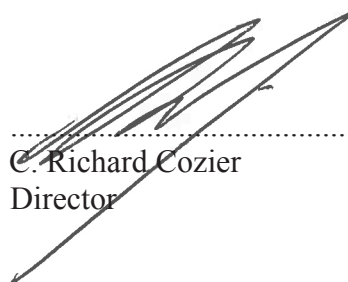
The vacant post of Dairy Operations Manager was filled at the end of the financial year by Mr. Lorenzo Roach. Lorenzo has fourteen years of manufacturing experience and more recently held the leadership role at one of the other local BHL manufacturing facilities. He takes over responsibility for the Operation of the Dairy from William Haslett who has been acting in this capacity for the past three and a half years.

Looking Ahead

The long term sustainability of the local Dairy Industry remains of critical concern. Both the Pine Hill Dairy, as processor, and the farmers are struggling to maintain profitability in an environment of increasing input costs. We remain hopeful that Government will continue to demonstrate their commitment to the survival of this industry and provide a positive response to the Dairy Industry proposal submitted jointly by the Dairy Farmers and ourselves towards the end of 2013.



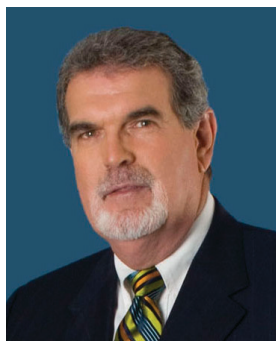
.....
G. Anthony King
Chairman



.....
C. Richard Cozier
Director

BARBADOS DAIRY INDUSTRIES LIMITED

Directors



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.

BARBADOS DAIRY INDUSTRIES LIMITED

Directors (cont'd)



Neville McDonald Brewster – Non-Executive Director – Citizen of Barbados – Mr Brewster utilises his leadership and business experience to provide strategic direction to BDIL. He has been the Managing Director of Super Centre Ltd. (now Massy Stores) since October 2012 and prior to this, served Super Centre Ltd as the Director of Operations from January 2001 to September 2012. 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 the Barbados Bottling Co. Limited (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.

BARBADOS DAIRY INDUSTRIES LIMITED
Directors (cont'd)



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.



Geoffrey Peter Marshall – Executive Director – Citizen of Barbados - Mr Marshall is the former Chief Financial Officer of Banks Holdings Limited and held that position since June 2007. 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.

BARBADOS DAIRY INDUSTRIES LIMITED

Directors' Report

1. The Directors present their annual report and the audited financial statements for the year ended 31 August 2014

\$

2. The comprehensive loss for the year was (242,717)

To which is added restated retained earnings brought forward of 24,119,230

Giving retained earnings carried forward of 23,876,513

3. The Directors have declared that there will be no dividend in respect of the financial year ended 31 August, 2014.

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. Gerald Anthony King
Ms. Charyl Josephine Newman

5. At 31 August 2014 and 27 November, 2014, 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.

	31.08.14	No. of Shares	27.11.14
Banks Holdings Limited	3,960,667		3,960,667

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
27 November, 2014

BARBADOS DAIRY INDUSTRIES LIMITED

Corporate Governance Statement

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 has made 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 has identified Board self-evaluation and continuing Director education as areas worthy of focus in the coming financial year.

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 seven (7) 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 seven (7) Directors. Of the seven (7) Directors, five (5) are independent of the management of the Company.

BARBADOS DAIRY INDUSTRIES LIMITED

Corporate Governance Statement (cont'd)

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 during the course of the financial year to pursue another professional opportunity, but remains a Director of the Company.

There were five (5) Board Meetings during the Financial Year and the attendance of Directors is represented on the below table as follows:

Director	Attendance (No. of meetings)	Rate
G. Anthony King	4 out of 5	80%
Carl Richard Cozier	5 out of 5	100%
Dan Bryan Stoute	5 out of 5	100%
Geoffrey Marshall	5 out of 5	100%
Neville McDonald Brewster	3 out of 5	60%
Paul Davis	4 out of 5	80%
Chiryl Newman	5 out of 5	100%

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 \$52,000.00 in Director's Fees was paid for the Financial Year.

Board Committees

During the course of the financial year, the Board of Directors appointed two standing Committees – an Audit Committee and a Governance Committee. Both Committees first met subsequent to the end of the financial year under review. Charters for the Audit Committee and Governance and Compensation Committee were recently finalised and may shortly be viewed on the Company's website at www.thebhlgroup.com. Membership of the two Committees is as follows:

Audit Committee

Mr. Neville Brewster	-	Chairman
Mr. G. Anthony King	-	Member
Mr. Dan Stoute	-	Member

Governance & Compensation Committee

Mr. Dan Stoute	-	Chairman
Mr. Paul Davis	-	Member
Ms. Chiryl Newman	-	Member

BARBADOS DAIRY INDUSTRIES LIMITED

Corporate Governance Statement (cont'd)

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.
- Recommend the appointment, compensation, and oversee the work of any registered public accounting firm which is to be employed by the organization.
- Resolve any disagreements between management and the External Auditor regarding financial reporting.
- Make recommendations to the Board in respect to all internal and external auditing and related 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.

The mandate of the Governance Committee includes (i) 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 (ii) to assist the Board in fulfilling its oversight responsibilities generally.

Details about the qualifications and experience of the Committee members are disclosed at pages 6 to 8 of this report.

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:

	2014	2013
Audit Fees	\$63,602	\$64,472
Other Fees	-	\$14,454
Tax Review	\$6,300	\$6,300

'Other Fees' constitute fees paid to Ernst & Young for the printing of the Company's Annual Report.

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.

BARBADOS DAIRY INDUSTRIES LIMITED

Corporate Governance Statement (cont'd)

Insider Trading

The Company is in compliance with the Insider Trading Guideline of the Barbados Stock Exchange Inc. Further details about the Insider Trading Guidelines of the BSE may be accessed at the BSE website at www.bse.com.bb.

27 November, 2014



Ernst & Young
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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 2014 and the statement of loss, statement of comprehensive loss, 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 2014 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

CHARTERED ACCOUNTANTS

Barbados

27 November 2014

BARBADOS DAIRY INDUSTRIES LIMITED

Statement of Loss
Year ended 31 August 2014

	Notes	2014 \$	Restated 2013 \$
Sales		<u>60,714,991</u>	<u>60,530,678</u>
Profit (loss) from operations before undernoted items	4	359,723	(1,607,666)
Impairment of decommissioned equipment	23	-	(431,015)
Interest expense		<u>(848,498)</u>	<u>(1,083,030)</u>
Loss before taxation		(488,775)	(3,121,711)
Taxation	6	<u>246,058</u>	<u>(1,640,799)</u>
Net loss for the year		<u>(242,717)</u>	<u>(4,762,510)</u>
Loss per share – basic and diluted	19	<u>(0.05)</u>	<u>(1.02)</u>

The accompanying notes form part of these financial statements.

BARBADOS DAIRY INDUSTRIES LIMITED

Statement of Comprehensive Loss
Year ended 31 August 2014

	2014	Restated
	\$	2013
		\$
Net loss for the year	<u>(242,717)</u>	<u>(4,762,510)</u>
Other comprehensive (loss) income		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Re-measurement (loss) gain on defined benefit plans	(582,078)	90,921
Tax effect	<u>87,312</u>	<u>(13,638)</u>
Net other comprehensive (loss) income not to be reclassified to profit or loss in subsequent periods and total other comprehensive (loss) income, net of tax	<u>(494,766)</u>	<u>77,283</u>
Total comprehensive loss for the year	<u><u>(737,483)</u></u>	<u><u>(4,685,227)</u></u>

The accompanying notes form part of these financial statements.

BARBADOS DAIRY INDUSTRIES LIMITED

Statement of Financial Position
As of 31 August 2014

	Notes	2014 \$	Restated 2013 \$	Restated 2012 \$
Current assets				
Cash		124,367	286,050	180,658
Accounts receivable and prepayments	5	5,021,796	7,175,158	8,556,865
Inventories	7	11,189,939	13,637,295	12,875,212
Due from related companies	8	119,800	315,130	716,885
		16,455,902	21,413,633	22,329,620
Asset classified as held for sale	23	-	400,000	-
		16,455,902	21,813,633	22,329,620
Current liabilities				
Bank overdraft	9	3,517,849	4,999,268	3,439,975
Accounts payable and accruals	10	7,284,871	9,479,735	10,436,534
Due to related companies	8	5,208,003	5,056,256	3,063,310
Current portion of long-term liabilities	11	2,510,001	6,101,342	6,519,974
Loan due to parent company	8	4,400,000	4,950,000	5,500,000
		22,920,724	30,586,601	28,959,793
Working capital deficiency		(6,464,822)	(8,772,968)	(6,630,173)
Deferred tax asset	6	4,231,900	3,898,530	5,552,967
Long-term investment	12	1	1	1
Property, plant and equipment	13	26,217,628	29,141,763	33,671,243
Pension plan asset	14	4,381,305	4,711,874	4,447,068
Post-employment medical liability	15	(326,515)	(288,908)	(298,762)
Long-term liabilities	11	(3,305,730)	(3,219,042)	(6,585,867)
		24,733,767	25,471,250	30,156,477
Equity				
Share capital	16	998,028	998,028	998,028
Other Reserves		(140,774)	353,992	276,709
Retained earnings		23,876,513	24,119,230	28,881,740
Total equity		24,733,767	25,471,250	30,156,477

The accompanying notes form part of these financial statements.

Approved by the Board on 27 November 2014 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 2014

	Share capital \$	Other reserves \$	Retained earnings \$	Total \$
Balance at 31 August 2012 as previously reported	998,028	-	28,881,740	29,879,768
Adoption of IAS 19 (Revised) (Note 2b)	-	276,709	-	276,709
Balance at 31 August 2012 as restated	998,028	276,709	28,881,740	30,156,477
Total comprehensive loss for the year	-	77,283	(4,762,510)	(4,685,227)
Balance at 31 August 2013 as restated	998,028	353,992	24,119,230	25,471,250
Total comprehensive loss for the year	-	(494,766)	(242,717)	(737,483)
Balance at 31 August 2014	998,028	(140,774)	23,876,513	24,733,767

The accompanying notes form part of these financial statements.

BARBADOS DAIRY INDUSTRIES LIMITED

Statement of Cash Flows
Year ended 31 August 2014

	2014 \$	Restated 2013 \$
Cash flows from operating activities		
Loss before taxation	(488,775)	(3,121,711)
Adjustments for:		
Depreciation	4,288,910	4,793,834
Loss on disposal of property, plant and equipment	832,810	4,580
Impairment of decommissioned equipment	-	431,015
Interest expense	848,498	1,083,030
Pension plan asset	(235,275)	(207,126)
Post-employment medical liability	21,373	23,387
Operating profit before working capital changes	5,267,541	3,007,009
Decrease in accounts receivable and prepayments	2,153,362	1,381,707
Decrease (increase) in inventories	2,447,356	(762,083)
Decrease in due from related companies	195,330	401,755
Decrease in accounts payable and accruals	(2,194,864)	(956,799)
Increase in due to related companies	151,747	1,992,946
Cash generated from operations	8,020,472	5,064,535
Interest paid	(848,498)	(1,083,030)
Net cash from operating activities	7,171,974	3,981,505
Cash flows from investing activities		
Proceeds from disposal of held for sale asset	400,000	-
Proceeds from disposal of property, plant and equipment	-	16,843
Purchase of property, plant and equipment	(2,197,585)	(1,116,792)
Net cash used in investing activities	(1,797,585)	(1,099,949)
Cash flows from financing activities		
Repayment of long-term liabilities	(3,504,653)	(3,785,457)
Repayment of loan due to parent company	(550,000)	(550,000)
Net cash used in financing activities	(4,054,653)	(4,335,457)
Increase (decrease) in cash for the year	1,319,736	(1,453,901)
Cash – beginning of year	(4,713,218)	(3,259,317)
Cash – end of year	(3,393,482)	(4,713,218)
Represented by:		
Cash	124,367	286,050
Bank overdraft	(3,517,849)	(4,999,268)
Cash – end of year	(3,393,482)	(4,713,218)

The accompanying notes form part of these financial statements.

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2014

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:

IFRS 10 Consolidated Financial Statements

IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The adoption of this standard did not impact the financial statements.

IFRS 11 Joint Arrangements

IFRS 11, 'Joint Arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. The adoption of this standard did not impact the financial statements.

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2014

2. Significant accounting policies (cont'd)

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

IFRS 12 Disclosures of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. The adoption of this standard did not impact the financial statements.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Company re-assessed its policies for measuring fair values. IFRS 13 also requires additional disclosures.

Application of IFRS 13 has not materially impacted the fair value measurements of the company. Additional disclosures where required, are provided in the individual notes relating to the assets whose fair values were determined.

Amendments to IAS 1 – Presentation of Items of Other Comprehensive Income (OCI)

The amendments to IAS 1 introduce a grouping of items presented in OCI. Items that will be reclassified ('recycled') to profit or loss at a future point in time (e.g., foreign currency gains on investment securities) have to be presented separately from items that will not be reclassified (e.g., re-measurement gains on defined benefit plans). The amendments affect presentation only and have no impact on the Company's financial position or performance.

Amendment to IAS 1 – Clarification of the requirement for comparative information

These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening statement of financial position, presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. As a result, the Company has not included comparative information in respect of the statement of financial position as at 31 August 2012. The amendments affect presentation only and have no impact on the Company's financial position or performance.

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2014

2. Significant accounting policies (cont'd)

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

IAS 19 Employee Benefits (Revised 2011)

IAS 19 (Revised 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the statement of financial position to reflect the full value of the plan deficit or surplus.

Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (Revised 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. These changes have had an impact on the amounts recognised in profit or loss and other comprehensive income in prior years. In addition, IAS 19 (Revised 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

Specific transitional provisions are applicable to first-time application of IAS 19 (Revised 2011). The Company has applied the relevant transitional provisions and restated the comparative amounts on a retrospective basis.

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2014

2. Significant accounting policies (cont'd)

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

	2014	2013
	\$	\$
Impact on Statement of Loss		
Selling, general and administration expenses	47,431	-
Net loss before taxation	(47,431)	-
Taxation	7,115	-
Net loss for the year	(40,316)	-
Impact on Statement of Other Comprehensive Income		
Re-measurement gains on defined benefit plans	90,921	325,540
Tax effect	(13,638)	(48,831)
Total other comprehensive income, net of tax	77,283	276,709
Total comprehensive income for the year	36,967	276,709
Impact on net equity		
Recognition of unrealized gains	43,490	325,540
Deferred tax impact	(6,523)	(48,831)
Net increase in equity	36,967	276,709

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2014

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.

- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
- IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32
- IFRIC Interpretation 21 Levies (IFRIC 21)
- IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
- IFRS 14 Regulatory Deferral Accounts (effective 1 January 2016)
- IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets - Amendments to IAS 36 (effective 1 January 2014)
- IAS 19 Defined Benefit Plans: Employee Contributions - Amendments to IAS 19 (effective after 1 July 2014)
- IFRS 9 - Financial Instruments: Classification and Measurement (effective 1 January 2018)
- IFRS 10, IFRS 12 and IAS 27 - Investment Entities (Amendments) (effective 1 January 2014)

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2014

2. Significant accounting policies (cont'd)

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

Improvements to International Financial Reporting Standards

The annual improvements process of the International Accounting Standards Board deals with non-urgent but necessary clarifications and amendments to IFRS. In 2010-2012 annual improvement cycle and the 2011-2013 annual improvement cycle, the IASB issued eleven amendments and eight standards. These amendments are applicable to annual periods beginning on or after 1 July 2014.

IFRS	Subject of Amendment
IAS 16 & 38 -	Property, Plant and Equipment and Intangible Assets
IAS 24 -	Related Party Disclosures
IAS 40 -	Investment Property
IFRS 1 -	First-time Adoption of International Financial Reporting Standards
IFRS 2 -	Share-based payment
IFRS 3 -	Business Combinations
IFRS 8 -	Operating Segments
IFRS 13 -	Fair Value Measurement

The Company is currently assessing the potential impact of these new standards and interpretations.

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.

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.

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2014

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.

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

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2014

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.

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2014

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.

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2014

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.

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 2014

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

	2014	Restated
	\$	2013
		\$
Sales	60,714,991	60,530,678
Cost of sales	(55,203,148)	(57,223,771)
	<hr/>	<hr/>
Gross profit	5,511,843	3,306,907
Other income	409,126	287,147
	<hr/>	<hr/>
Selling, general and administrative expenses	5,920,969	3,594,054
	(5,561,246)	(5,201,720)
	<hr/>	<hr/>
Profit (loss) from operations	359,723	(1,607,666)
	<hr/> <hr/>	<hr/> <hr/>

Profit (loss) from operations is after charging:

	2014	Restated
	\$	2013
		\$
Depreciation (Note 13)	4,288,910	4,793,834
	<hr/>	<hr/>
Staff costs	7,101,522	8,261,332
	<hr/> <hr/>	<hr/> <hr/>

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2014

5. Accounts receivable and prepayments

	2014	2013
	\$	\$
Trade receivables (net)	4,455,303	6,630,003
Other receivables and prepayments	566,493	545,155
	<u>5,021,796</u>	<u>7,175,158</u>
	2014	2013
	\$	\$
Gross trade receivables	4,483,115	6,677,778
Provision for doubtful debts	(27,812)	(47,775)
	<u>4,455,303</u>	<u>6,630,003</u>

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

As at 31 August 2014, trade receivables at a nominal value of \$27,812 (2013 - \$47,775) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	Total
	\$
At 31 August 2012	24,825
Charge for the year	22,950
	<u>47,775</u>
At 31 August 2013	47,775
Write-offs	(19,963)
	<u>27,812</u>

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2014

5. Accounts receivable and prepayments (cont'd)

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

		<u>Past due but not impaired</u>				
	Total	Neither past due nor impaired	< 30 days	30-60 days	60-90 days	>90 days
	\$	\$	\$	\$	\$	\$
2014	4,455,303	4,404,368	37,835	-	13,100	-
2013	6,630,003	5,974,348	399,661	17,100	-	238,894

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 2014 \$4,285,793 (2013 - \$6,119,046) 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

	2014	Restated 2013
	\$	\$
Statement of loss		
Deferred tax (recovery) charge for the year	(246,058)	1,640,799

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2014

6. Taxation (cont'd)

The tax on the loss before taxation differs from the theoretical amount that would arise using the basic corporation tax rate as follows:

	2014	Restated
	\$	2013
		\$
Loss before taxation	(488,775)	(3,121,711)
Taxed at the applicable rate of 15% (2013 - 15%)	(73,316)	(468,257)
Depreciation on assets not qualifying for capital allowances	43,968	19,887
Manufacturing allowance	(195,670)	(19,542)
Expenses not deductible	-	1,724
(Under) over-provision of prior year deferred tax asset	(21,040)	216,940
Deferred tax asset not recognized	-	727,970
Deferred tax asset impaired	-	1,162,077
	<u>(246,058)</u>	<u>1,640,799</u>
	2014	Restated
	\$	2013
		\$
Deferred tax asset		
Balance, beginning of year	3,898,530	5,552,967
Deferred tax credit (charge) recognised in statement of loss	246,058	(1,640,799)
Deferred tax credit (charge) recognised in other comprehensive loss	87,312	(13,638)
Balance, end of year	<u>4,231,900</u>	<u>3,898,530</u>

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2014

6. Taxation (cont'd)

	2014	Restated 2013
	\$	\$
Deferred tax asset is made up as follows:		
Pension plan asset	(657,196)	(706,781)
Post-retirement medical liability	48,977	43,346
Unutilized tax losses	2,430,116	3,391,322
Accelerated depreciation for accounting purposes	2,410,003	1,170,643
	<u>4,231,900</u>	<u>3,898,530</u>

Tax losses

The Company has unrelieved tax losses of \$39,977,589 (2013 - \$41,982,078) 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
	\$	
2006	3,346,343	2015
2007	3,405,539	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>39,977,589</u>	

There is a potential deferred tax asset of \$3,566,522 which has not been recognised since it is uncertain whether taxable profits will be available against which the deferred tax asset can be utilised.

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2014

7. Inventories

	2014	2013
	\$	\$
Raw materials	7,615,466	5,397,007
Finished goods	3,519,607	8,136,467
Marketing materials	2,880	24,030
Fuel and factory supplies	51,986	79,791
	<u>11,189,939</u>	<u>13,637,295</u>

The amount of write-down of inventories recognized as an expense is \$854,688 (2013 - \$550,651). 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 (2013 - \$550,000).

	2014	2013
	\$	\$
Loan due to parent company	<u>4,400,000</u>	<u>4,950,000</u>

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2014

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

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

	2014	2013
	\$	\$
Sales to a related company	13,013,781	15,238,635
Sales to affiliated companies	45,849,764	44,195,660
Purchases from affiliated companies	13,592,638	8,287,292
Management fees paid to parent company	1,008,000	1,008,000
Rent charged to related parties	398,058	280,000

Compensation of key management personnel of the Company:

	2014	2013
	\$	\$
Short-term employee benefits	52,000	56,417

9. Bank overdraft

The security for the bank overdraft facility of \$5,000,000 is disclosed in Note 11.

Interest is charged and payable monthly on the overdraft balance at prime plus 1% per year (2013 – prime plus 1% per year). The rate at year-end was 9.05% (2013 - 9.05%).

10. Accounts payable and accruals

	2014	2013
	\$	\$
Trade payables	6,729,649	6,242,225
Other payables and accruals	555,222	3,237,510
	<u>7,284,871</u>	<u>9,479,735</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.

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2014

11. Long-term liabilities

	2014	2013
	\$	\$
i) FirstCaribbean International Bank	2,600,747	3,520,203
ii) Tetra Pak, S.A.	3,214,984	5,800,181
	<hr/>	<hr/>
	5,815,731	9,320,384
Less: current portion	(2,510,001)	(6,101,342)
	<hr/>	<hr/>
Long-term portion	3,305,730	3,219,042
	<hr/> <hr/>	<hr/> <hr/>

- i) The loan bears an interest rate of 7.05% (2013 - 7.05%), will mature on 16 February 2017 and is repayable in 60 monthly instalments of \$94,861 of blended principal and interest. At 31 August 2014, the Company was in breach of one of the covenants of the loan but received a letter from the lender prior to the year end waiving its rights under the breach. 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 four Tetra Pak leases bear an interest rate of 3-Month Libor plus 2.5% (2.77%) 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 \$1,523,589 (2013 - \$2,581,139). Lease payments due after one year total \$1,691,395 (2013- \$3,219,042).

12. Long-term investment

	2014	2013
	\$	\$
Barbados Agro Processing Company Limited (in receivership)	1	1
	<hr/> <hr/>	<hr/> <hr/>

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2014

13. Property, plant and equipment

	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 and spares	45,811,279	1,773,239	(4,902,579)	415,377	43,097,316
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
	64,333,683	2,197,585	(5,535,485)	-	60,995,783
Accumulated depreciation					
Buildings on leasehold land	8,355,875	376,746	-	-	8,732,621
Plant and machinery and spares	24,151,666	3,780,066	(4,073,832)	-	23,857,900
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
	35,191,920	4,288,910	(4,702,675)	-	34,778,155
Net book value					
Buildings on leasehold land	6,952,606				6,841,333
Plant and machinery and spares	21,659,613				19,239,416
Motor vehicles	-				-
Furniture, fixtures and equipment	151,978				99,608
Containers	59,918				14,342
Construction-in-progress	317,648				22,929
	29,141,763				26,217,628

The Company has plant and equipment with a net book value of \$9,549,220 (2013 - \$12,742,114) secured under a finance lease.

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2014

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

	At 31 August 2012 \$	Additions \$	Disposals \$	Transfers \$	At 31 August 2013 \$
Cost					
Buildings on leasehold land	15,122,934	22,127	-	163,420	15,308,481
Plant and machinery and spares	47,557,861	490,034	(137,372)	(2,099,244)	45,811,279
Motor vehicles	92,286	-	(40,424)	-	51,862
Furniture, fixtures and equipment	2,246,370	103,538	-	-	2,349,908
Containers	494,505	-	-	-	494,505
Construction-in-progress	-	501,093	-	(183,445)	317,648
	<u>65,513,956</u>	<u>1,116,792</u>	<u>(177,796)</u>	<u>(2,119,269)</u>	<u>64,333,683</u>
Accumulated depreciation					
Buildings on leasehold land	7,989,810	378,080	-	(12,015)	8,355,875
Plant and machinery and spares	21,404,746	4,155,952	(132,793)	(1,276,239)	24,151,666
Motor vehicles	71,400	4,042	(23,580)	-	51,862
Furniture, fixtures and equipment	2,066,686	131,244	-	-	2,197,930
Containers	310,071	124,516	-	-	434,587
	<u>31,842,713</u>	<u>4,793,834</u>	<u>(156,373)</u>	<u>(1,288,254)</u>	<u>35,191,920</u>
Net book value					
Buildings on leasehold land	7,133,124				6,952,606
Plant and machinery and spares	26,153,115				21,659,613
Motor vehicles	20,886				-
Furniture, fixtures and equipment	179,684				151,978
Containers	184,434				59,918
Construction-in-progress	-				317,648
	<u>33,671,243</u>				<u>29,141,763</u>

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2014

14. Pension plan asset

	2014	Restated 2013
	\$	\$
Statement of financial position		
Present value of funded obligation	(10,581,422)	(9,852,402)
Fair value of plan assets	14,962,727	14,564,276
	<u>4,381,305</u>	<u>4,711,874</u>
Net asset recognized in the statement of financial position	<u>4,381,305</u>	<u>4,711,874</u>
	2014	Restated 2013
	\$	\$
Statement of loss		
Current service cost	94,014	105,557
Interest cost	747,926	749,295
Administration and other non-plan expenses	33,300	27,929
Expected return on plan assets	(1,108,251)	(1,088,813)
	<u>(233,011)</u>	<u>(206,032)</u>
Total, included in staff costs	<u>(233,011)</u>	<u>(206,032)</u>
Actual return on plan assets	<u>926,978</u>	<u>831,408</u>
Statement of other comprehensive loss		
Loss (gain) from change in assumptions	462,821	(63,098)
Gain from experience	(78,249)	(251,987)
Actual return from plan assets	(926,978)	(831,408)
Expected return on plan assets	1,108,251	1,088,813
	<u>565,845</u>	<u>(57,680)</u>
Other comprehensive loss (income)	<u>565,845</u>	<u>(57,680)</u>
Net movement in pension plan asset recognised in the statement of financial position		
Balance at beginning of year	4,711,874	4,447,068
Net benefit expense	233,011	206,032
Employer contributions	2,265	1,094
Other comprehensive (loss) income	(565,845)	57,680
	<u>4,381,305</u>	<u>4,711,874</u>
Balance at end of year	<u>4,381,305</u>	<u>4,711,874</u>

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2014

14. Pension plan asset (cont'd)

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

	2014	2013
	\$	\$
Balance, beginning of year	9,852,402	9,918,452
Interest cost	747,926	749,295
Current service cost	94,014	105,557
Benefits paid	(542,864)	(652,845)
Contributions by employee	45,372	47,027
Actuarial loss (gain) on obligation	384,572	(315,084)
	<u>10,581,422</u>	<u>9,852,402</u>
Balance, end of year	<u>10,581,422</u>	<u>9,852,402</u>

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

	2014	2013
	\$	\$
Balance, beginning of year	14,564,276	14,365,521
Actual return from plan assets	926,978	831,408
Contributions by employer and employee	47,637	48,121
Benefits paid	(542,864)	(652,845)
Administrative fees	(33,300)	(27,929)
	<u>14,962,727</u>	<u>14,564,276</u>
Balance, end of year	<u>14,962,727</u>	<u>14,564,276</u>

	2014	2013
	%	%
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 increases	3.50	2.50
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 2014

14. Pension plan asset (cont'd)

A quantitative sensitivity analysis for significant assumptions on the present value of the obligation as at 31 August 2014 is shown below:

	Increase	Decrease
	\$	\$
Change in discount rate by 1%	(1,179,949)	1,505,699
Change in salary increase by 0.5%	266,900	(217,353)

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 \$972 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:

	2014	2013
	%	%
Bonds	23	23
Mortgages	8	8
Equities	31	27
Mutual funds	13	15
Real estate	21	22
Other	4	5

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.

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2014

14. Pension plan asset (cont'd)

	2014	Restated 2013
	\$	\$
Defined benefit obligation	(10,581,422)	(9,852,402)
Plan assets	<u>14,962,727</u>	<u>14,564,276</u>
	<u>4,381,305</u>	<u>4,711,874</u>

15. Post-employment medical liability

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

	2014	Restated 2013
	\$	\$
Present value of funded obligation	<u>326,515</u>	288,908
Liability recognized in the statement of financial position	<u>326,515</u>	<u>288,908</u>

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

	2014	2013
	\$	\$
Current service cost	10,346	10,497
Interest on obligation	22,751	23,531
Past service costs – vested benefits	<u>(332)</u>	618
Total, included in staff costs	<u>32,765</u>	<u>34,646</u>

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2014

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

Statement of other comprehensive loss

	2014	Restated 2013
	\$	\$
Loss from change in assumptions	30,405	-
Gain from experience	(14,172)	(33,241)
	<u>16,233</u>	<u>(33,241)</u>
Other comprehensive loss (income)	<u>16,233</u>	<u>(33,241)</u>

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

	2014	2013
	\$	\$
Net liability, beginning of year	288,908	298,762
Net expense recognized in the statement of loss	32,765	34,646
Other comprehensive loss (income)	16,233	(33,241)
Contributions	(11,391)	(11,259)
	<u>326,515</u>	<u>288,908</u>

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

	2014	2013
	\$	\$
Obligation	288,908	298,762
Interest cost	22,751	23,531
Current service cost	10,346	10,497
Past service costs – vested benefits	(332)	618
Benefits paid	(11,391)	(11,259)
Actuarial gain on obligation	16,233	(33,241)
	<u>326,515</u>	<u>288,908</u>

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2014

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

Principal actuarial assumptions used for accounting purposes at 31 August were as follows:	2014	2013
	%	%
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
	\$	\$
2014		
Change of medical inflation by 1%	54,482	(43,677)
Change of discount rate by 1%	(43,990)	55,776

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 \$11,524 during the 2015 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			
	2014	2013	2014	2013
			\$	\$
Balance beginning and end of year	<u>4,691,094</u>	<u>4,691,094</u>	<u>998,028</u>	<u>998,028</u>

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2014

17. Operating lease commitment

The lease expense for the year for motor vehicles was \$32,776 (2013 - \$40,555).

	2014	2013
	\$	\$
Future minimum lease payments under operating leases are as follows:		
Within one year	41,870	42,803
After one year but no more than five years	92,115	129,237
	<u>133,985</u>	<u>172,040</u>

18. Commitments and contingencies

Capital expenditure of \$1,586,000 (2013 - \$643,621) was approved by the Directors and there were no amounts subject to contract in 2014 or 2013.

19. Earnings per share

Earnings per share are based on a net loss of \$242,717 (2013 - net loss of \$4,762,510) and a weighted average of 4,691,094 (2013 - 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.

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2014

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	2014 Effect on profit before tax \$	2013 Effect on profit before tax \$
+50	46,668	71,598

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 62% (2013 - 65%) 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 2014

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 2014, based on contractual undiscounted payments.

Year ended 31 August 2014

	On Demand \$	<1 year \$	1 to 5 years \$	Total \$
Bank overdraft	3,517,849	-	-	3,517,849
Accounts payable	-	7,284,871	-	7,284,871
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

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2014

20. Risk management (cont'd)

Year ended 31 August 2013

	On Demand \$	<1 year \$	1 to 5 years \$	Total \$
Bank overdraft	4,999,268	-	-	4,999,268
Accounts payable	-	9,479,735	-	9,479,735
Due to related companies	-	5,056,256	-	5,056,256
Loan due to parent company	4,950,000-	-	4,950,000	
Long-term liabilities	3,520,203	2,652,637	3,310,279	9,483,119

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 2014 and 31 August 2013.

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	
	2014 \$	2013 \$	2014 \$	2013 \$
Financial assets				
Cash	124,367	286,050	124,367	286,050
Accounts receivable	4,455,303	6,630,003	4,455,303	6,630,003
Due from related companies	119,800	315,130	119,800	315,130
Financial liabilities				
Bank overdraft	3,517,849	4,999,268	3,517,849	4,999,268
Accounts payable	7,284,871	9,479,735	7,284,871	9,479,735
Due to related companies	5,208,003	5,056,256	5,208,003	5,056,256
Loan due to parent company	4,400,000	4,950,000	4,400,000	4,950,000
Long-term liabilities	5,815,731	9,320,384	5,309,260	9,320,384

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2014

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. Asset classified as held for sale

During the prior year, the Company decided to decommission and dispose of certain packaging equipment with a net book value of \$831,015. An impairment loss amounting to \$431,015 was recognised in the statement of loss. The company received proceeds from the supplier in the current year equal to the net carrying value.

BARBADOS DAIRY INDUSTRIES LIMITED
COMPANY NO: 33151

MANAGEMENT PROXY CIRCULAR

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 Fiftieth (50th) 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 30th day of January, 2015 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, 28 January, 2015** 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

BARBADOS DAIRY INDUSTRIES LIMITED

MANAGEMENT PROXY CIRCULAR (cont'd)

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 not fixed a record date for determining the shareholders who are entitled to receive notice of the meeting. As such, the statutory record date, as set out in Section 107 of the *Companies Act*, applies. Only shareholders of record at the close of business on **Wednesday, 17 December, 2014** 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.

Election of Directors

The Board of Directors consists of members who retire in rotation annually. As at the date of this Notice there are seven (7) 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. Gerald Anthony King	Corporate Executive
Ms. Chiryl Josephine Newman	Corporate Executive

BARBADOS DAIRY INDUSTRIES LIMITED

MANAGEMENT PROXY CIRCULAR (cont'd)

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. Gerald Anthony King and Ms. Chiryl Josephine Newman are presently Directors of the Company and will retire at the close of the Fiftieth Annual General Meeting in accordance with the provision of Clause 4.4 of the By-Laws of the Company but, being qualified, are eligible for re-election. Mr. Gerald Anthony King was elected by the Directors on 09 April, 2013 to fill a casual vacancy on the Board caused by the resignation of Sir Allan Clifford Fields who was elected at the Forty-Seventh Annual General Meeting of the Company held on Monday, January 06, 2012 for a period ending at the close of the third Annual General Meeting after his election. Ms. Chiryl Josephine Newman was elected at the Forty-Seventh Annual General Meeting of the Company held on Monday, January 06, 2012 for a period ending at the close of the third Annual General Meeting after her 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. An Audit Committee of the Board was appointed towards the end of the financial year ending 31 August, 2014. However, all matters normally reviewed by such a Committee were reviewed by the full complement of Directors as a matter of course during the financial year ending 31 August, 2014.

BARBADOS DAIRY INDUSTRIES LIMITED

MANAGEMENT PROXY CIRCULAR (cont'd)

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 10 to 13 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

COMPANY NO: 33151

PROXY FORM

I/We.....
..... of

.....
.....

shareholder(s) of BARBADOS DAIRY INDUSTRIES LIMITED ‘the Company’) hereby appoint
..... of

.....
.....

..... or,
failing him, of

.....
.....

as the nominee of the undersigned to attend and act for the undersigned and on behalf of the undersigned at the Fiftieth (50th) 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 30th day of January, 2015 at 10:30 a.m.** and at any adjournment thereof in the same manner, to the same extent and with the same powers as if the undersigned were present at the said meeting or such adjournment or adjournments thereof.

Dated this day of , 201.....

.....
(Please print name of Shareholder)

.....
(Signature of Shareholder)

NOTES:

1. (a) A shareholder who is entitled to vote at any meeting of the shareholders may by means of a proxy appoint a proxy holder, or one or more alternate proxy holders, none of whom need be shareholders, to attend and act at the meeting in the manner and to the extent authorised by the proxy and with the authority conferred by the proxy.
(b) In the case of a shareholder who is a body corporate or association, votes at a meeting of shareholders may be given by any individual authorised by a resolution of the directors or governing body of that body corporate or association to represent it at meetings of the shareholders of the Company
2. A proxy must be executed in writing by the shareholder or his attorney authorised in writing. If the shareholder is a body corporate, the proxy must be executed by the duly authorised officer(s) of that body corporate and, where applicable, the seal or stamp applied.
3. **Proxy appointments are required to be deposited at the registered office of the Company, The Pine, St. Michael, Barbados no later than 4:15 p.m. on the 28th day of January, 2015.**



BARBADOS DAIRY INDUSTRIES LIMITED

A MEMBER OF THE BANKS HOLDINGS (BHL) GROUP

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