

Directors' Statement

Revenues for the 1st quarter were down on previous year as a consequence of the deep discounting in September and October on specific categories of milk. That discounting was successful in addressing the overstock situation that pertained at that time and was partially financed through a grant from Government so as to facilitate the continued supply of milk by farmers.

Nonetheless, despite the fall in revenue, both profit from operations and profit before tax were similar to last year as we began to realise the benefits arising from the decommissioning of the packaging equipment recorded in the prior year.

We have provided for a further reduction in our Deferred Tax Asset and this "charge" represents the main difference between the loss reported this quarter and that for the same quarter last year.

Our relationship with the farming community is better than it has been for some time and we are both (farmer & processor) awaiting a definitive response and position from Government on a jointly authored proposal designed to better position the industry for growth and improved profitability.



G. Anthony King
Chairman



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

Summary Statement of Comprehensive Loss Three months ended 30 November 2013

| | Unaudited 3 Months to 30/11/2013 \$'000 | Unaudited 3 Months to 30/11/2012 \$'000 | Audited Year 31/08/2013 \$'000 |
|--|--|--|---|
| Sales | 14,973 | 16,139 | 60,531 |
| Profit (loss) from operations before undernoted items | 219 | 241 | (1,560) |
| Impairment of decommissioned equipment | - | - | (431) |
| Interest expense | (175) | (194) | (1,083) |
| Income (loss) before taxation | 44 | 47 | (3,074) |
| Taxation | (178) | (83) | (1,648) |
| Total comprehensive loss for the period | (134) | (36) | (4,722) |
| Loss per share - basic and diluted | (\$0.03) | (\$0.01) | (\$1.01) |

Summary Statement of Financial Position As of 30 November 2013

| | Unaudited 30/11/2013 \$'000 | Unaudited 30/11/2012 \$'000 | Audited 31/08/2013 \$'000 |
|--|-----------------------------------|-----------------------------------|---------------------------------|
| Current assets | 12,651 | 18,164 | 21,414 |
| Asset classified as held for sale | 400 | - | 400 |
| | 13,051 | 18,164 | 21,814 |
| Current liabilities | 17,018 | 19,503 | 26,187 |
| Working capital deficiency | (3,967) | (1,339) | (4,373) |
| Property, plant and equipment | 28,323 | 34,714 | 29,142 |
| Pension plan asset | 4,664 | 4,499 | 4,664 |
| Deferred tax asset | 3,776 | 5,518 | 3,954 |
| Long-term liabilities | (7,162) | (11,492) | (7,619) |
| Post-employment medical liability | (610) | (604) | (610) |
| | 25,024 | 31,296 | 25,158 |
| Shareholders' equity | | | |
| Share capital | 998 | 998 | 998 |
| Retained earnings | 24,026 | 30,298 | 24,160 |
| | 25,024 | 31,296 | 25,158 |

Summary Statement of Cash Flows Three months ended 30 November 2013

| | Unaudited 3 Months to 30/11/2013 \$'000 | Unaudited 3 Months to 30/11/2012 \$'000 |
|--|--|--|
| Cash flows from operating activities | | |
| Income before taxation | 44 | 47 |
| Adjustments for non-cash items | 1,102 | 938 |
| Operating profit before working capital changes | 1,146 | 985 |
| Net working capital changes | (1,338) | (3,018) |
| Net cash used in operating activities | (192) | (2,033) |
| Net cash used in investing activities | (283) | (424) |
| Net cash used in financing activities | (1,007) | (594) |
| Decrease in cash | (1,482) | (3,051) |
| Cash - beginning of period | (4,713) | (3,224) |
| Cash - end of period | (6,195) | (6,275) |

Summary Statement of Changes in Equity Three months ended 30 November 2013

| | Unaudited 3 Months to 30/11/2013 \$'000 | Unaudited 3 Months to 30/11/2012 \$'000 |
|---------------------------------------|--|--|
| Balance at the beginning of the year | 25,158 | 31,332 |
| Net comprehensive loss for the period | (134) | (36) |
| | 25,024 | 31,296 |