

Directors' Statement

Revenue for the year to date is marginally lower than for the corresponding period last year, however an operating profit of \$524 thousand was generated with a much reduced net loss as compared to the larger loss for the period in 2013.

This improved operational performance was as a result of our ongoing efforts at improving efficiencies and yields. However, the future growth and financial strengthening of the company and dairy sector as a whole is dependent upon a positive response to an industry supported proposal submitted to Government some time ago. We understand that this is now under active review.

The improved results facilitated positive cash flows which were utilised to reduce our current liabilities and this in turn has reduced our working capital deficit.

The tax charge represents the partial utilisation of tax credits earned in prior years and therefore required no cash outflow; tax charges of this nature will continue in the foreseeable future until we fully utilise the deferred tax asset.

Barring any major unforeseen issues, we expect the next quarter to generate similar results to the previous three with an improved performance for the financial year over 2013.



G. Anthony King
Chairman



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

Summary Statement of Comprehensive Loss 9 Months ended 31 May 2014

| | Unaudited 9 Months to 31/05/2014 \$'000 | Unaudited 9 Months to 31/05/2013 \$'000 | Audited Year 31/08/2013 \$'000 |
|--------------------------------------------------------------|--------------------------------------------------|--------------------------------------------------|-----------------------------------------|
| Sales | 45,617 | 46,066 | 60,531 |
| Profit (loss) from operations before undernoted items | 524 | (502) | (1,560) |
| Impairment of decommissioned equipment | - | - | (431) |
| Interest expense | (673) | (745) | (1,083) |
| Loss before taxation | (149) | (1,247) | (3,074) |
| Taxation | (478) | (250) | (1,648) |
| Total comprehensive loss for the period | (627) | (1,497) | (4,722) |
| Loss per share - basic and diluted | (\$0.13) | (\$0.32) | (\$1.01) |

Summary Statement of Financial Position As of 31 May 2014

| | Unaudited 31/05/2014 \$'000 | Unaudited 31/05/2013 \$'000 | Audited 31/08/2013 \$'000 |
|------------------------------------------|-----------------------------------|-----------------------------------|---------------------------------|
| Current assets | 16,770 | 21,380 | 21,414 |
| Asset classified as held for sale | - | - | 400 |
| | 16,770 | 21,380 | 21,814 |
| Current liabilities | 18,397 | 25,653 | 26,187 |
| Working capital deficiency | (1,627) | (4,273) | (4,373) |
| Property, plant and equipment | 26,313 | 32,018 | 29,142 |
| Pension plan asset | 4,664 | 4,641 | 4,664 |
| Deferred tax asset | 3,476 | 5,352 | 3,954 |
| Long-term liabilities | (7,685) | (7,301) | (7,619) |
| Post-employment medical liability | (610) | (602) | (610) |
| | 24,531 | 29,835 | 25,158 |
| Shareholders' equity | | | |
| Share capital | 998 | 998 | 998 |
| Retained earnings | 23,533 | 28,837 | 24,160 |
| | 24,531 | 29,835 | 25,158 |

Summary Statement of Cash Flows 9 Months ended 31 May 2014

| | Unaudited 9 Months to 31/05/2014 \$'000 | Unaudited 9 Months to 31/05/2013 \$'000 | Audited Year 31/08/2013 \$'000 |
|--------------------------------------------------------|--------------------------------------------------|--------------------------------------------------|-----------------------------------------|
| Cash flows from operating activities | | | |
| Loss before taxation | (149) | (1,248) | (3,074) |
| Adjustments for non-cash items | 3,357 | 3,677 | 4,998 |
| Operating profit before working capital changes | 3,208 | 2,429 | 1,924 |
| Net working capital changes | 552 | (184) | 2,057 |
| Net cash from operating activities | 3,760 | 2,245 | 3,981 |
| Net cash used in investing activities | (528) | (817) | (1,100) |
| Net cash used in financing activities | (3,035) | (3,331) | (4,335) |
| Increase (decrease) in cash | 197 | (1,903) | (1,454) |
| Cash - beginning of year | (4,713) | (3,259) | (3,259) |
| Cash - end of year | (4,516) | (5,162) | (4,713) |

Summary Statement of Changes in Equity 9 Months ended 31 May 2014

| | Unaudited 9 Months to 31/05/2014 \$'000 | Unaudited 9 Months to 31/05/2013 \$'000 | Audited Year 31/08/2013 \$'000 |
|-----------------------------------------------|--------------------------------------------------|--------------------------------------------------|-----------------------------------------|
| Balance at the beginning of the period | 25,158 | 31,332 | 29,880 |
| Net comprehensive loss for the period | (627) | (1,497) | (4,722) |
| | 24,531 | 29,835 | 25,158 |