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Banks Holdings Limited

**BANKS HOLDINGS LIMITED**

**DIRECTORS' CIRCULAR NO. 3**

**RELATING TO THE OFFER AND TAKE-OVER BID CIRCULAR  
(AS AMENDED) BY**

**A.M. CARIBBEAN DEVELOPMENT VENTURES LTD.**

**TO ACQUIRE ALL OF THE REMAINING ISSUED COMMON SHARES IN**

**BANKS HOLDINGS LIMITED ('BHL')**

**AT A CASH PRICE OF BD\$6.00 PER ORDINARY SHARE**

**For the reasons stated herein the BHL Board  
of Directors, through its Special Committee  
formed to issue this Circular, are  
recommending that BHL shareholders  
do not accept the above Offer.**

**Shareholders' circumstances are not all the  
same and each shareholder should consider the  
information provided in this document as well as  
the professional advice of their own advisors.**

19 November 2015

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# **BANKS HOLDINGS LIMITED**

**Pine Hill Dairy Complex**

**The Pine**

**St. Michael**

## **DIRECTORS' CIRCULAR NO. 3**

We refer to the directors' circular issued on October 16, 2015 ("**Directors' Circular No. 1**") in response to the take-over bid by SLU Beverages, Ltd. ("**SLU**") which at that time was to acquire all of the remaining issued ordinary shares in Banks Holdings Limited ("**BHL**" or the "**Company**") at a cash price of \$4.00 per ordinary share (the "**SLU Bid**") and the directors' circular issued on October 28, 2015 (the "**Directors' Circular No. 2**") in response to the amended offer by SLU to acquire all the remaining issued shares in BHL at a cash price of \$5.60 per share ("**SLU Amended Offer No. 1**").

This Directors' Circular No. 3 is a supplement to these and shall be read by the shareholder in conjunction with Directors' Circulars Nos. 1 and 2 when making his/her/its decision.

This Directors' Circular No. 3 is issued by the board of directors of BHL through its Special Committee in connection with the offer made on October 20, 2015 with a takeover bid (the "**AMC Bid**") and bid circular (the "**AMC Bid Circular**") by A.M. CARRIBEAN DEVELOPMENT VENTURES LTD. ("**AMC**" or "**the Offeror**") to purchase for cash all of the remaining issued common shares of BHL (the "**shares**") which it does not now own, upon the terms and conditions set forth in the offer by the Offeror dated October 20, 2015 and as amended on November 3, 2015 at a price of \$6.00 per share (the "**Offer**" or the "**AMC Amended Offer No. 1**"). The Offer provides that it is open for acceptance until 4.00 p.m. Barbados time on December 4, 2015 unless extended or withdrawn by the Offeror and is not conditional on a minimal number of BHL shares being deposited. This expiry date was subsequently extended by ten (10) days by an order of the Supreme Court of Barbados on November 13, 2015 to 4:00 p.m. to December 14, 2015.

Capitalised terms used in this Directors' Circular No. 3 and not defined herein shall have the meaning assigned thereto in Directors' Circular No. 1.

All currency amounts in this Directors' Circular No. 3 are expressed in Barbados dollars ("**\$**") unless otherwise indicated.

## **RECOMMENDATION OF THE DIRECTORS**

**The Directors are of the view that it is in the best interests of the general body of shareholders of BHL that they should reject the AMC Amended Offer No. 1 subject to no higher bids from either of the bidders being received by the closing date of SLU's Amended Offer No. 2 (as defined below).**

**Shareholders' circumstances are however not all the same and each shareholder should consider the information provided in this document as well as the professional advice of their own advisors in respect of their own circumstances.**

## REASONS FOR RECOMMENDATION

In reaching the decision to recommend that shareholders reject the AMC Amended Offer No.1, the directors considered a number of factors including the following:

1. The AMC Amended Offer No. 1, while above the fair market value range as determined by our Financial Advisors, is below the improved offer of \$6.20 per common share as set out in the amended offer by SLU Beverages, Ltd. (“**SLU**”) dated November 19, 2015 (the “**SLU Amended Offer No. 2**”).
2. The SLU Amended Offer No. 2 closes earlier than the AMC Amended Offer No. 1.
3. A comparison of the potential opportunities and limitations for BHL’s businesses considering what is known to-date about the two bidders as discussed below under the heading ‘Assessment of the Two Bidders’.

Shareholders should nevertheless consider the information provided in this Directors’ Circular No. 3 with regard to their own circumstances as well as the professional advice of their own advisors in making their own decision.

**The above recommendation has been made on behalf of the BHL Board of Directors by a Special Committee formed of independent directors to engage in the task of carrying out the Board’s duty and to represent the Board in connection with treating with matters relating to and responding to the take-over bid. The two directors who are nominated by SLU and/or its affiliates and the other director, who is connected with another regional beverage business are not members of the Special Committee and have not contributed in any way to this assessment or the recommendation of the Directors.**

## EVENTS LEADING TO THE AMENDED AMC OFFER NO. 1 AND THE PUBLICATION OF DIRECTORS’ CIRCULAR NO. 3

Since the publication of Directors’ Circular No. 1 in response to the take-over bid by SLU which at that time was to acquire all of the remaining issued ordinary shares in BHL at a cash price of \$4.00 per ordinary share (the “**SLU Bid**”), the following events have occurred:

- 1) On October 16, 2015 BHL received notice from Ansa McAI Limited (“**Ansa McAI**”) that it had acquired the shares in the capital of BWPL Holdings Limited. BWPL holds 8,446,546 shares in BHL and AMC’s parent company, Ansa McAI, already held 14,818 shares in BHL. The combined shares directly or indirectly controlled by Ansa McAI now therefore amount to 8,461,364 or approximately 13.047% of the issued share capital of BHL.
- 2) On October 20, 2015 – Ansa McAI, through its wholly owned subsidiary, A.M. Caribbean Development Ventures Ltd (“**AMC**”), delivered an offer and take-over bid circular to the registered shareholders of BHL to acquire all the remaining issued common shares in BHL at a cash price of \$5.20 per common share [(the “**AMC Bid**”).
- 3) On October 26, 2015, SLU issued an increased offer by SLU to acquire all the remaining issued ordinary shares in BHL at a cash price of \$5.60 per share (the “**SLU Amended Offer No. 1**”).
- 4) On October 28, 2015, BHL’s Directors’ Circular No. 2 was issued.
- 5) On November 3, 2015, AMC issued the AMC Amended Offer No. 1.
- 6) On November 3, 2015, Ansa McAI (Barbados) Limited applied to the Supreme Court of Barbados and was granted an ex parte interim injunction which, *inter alia*, provided that all bidding and other activities related to the pending offer and take-over bids submitted by the bidding parties cease and that the closing and expiry date set out in the amended offer and take-over bid circular submitted by each of the bidding parties be deemed to be further amended or extended by eight (8) days. A hearing for further consideration of Ansa McAI (Barbados) Ltd.’s application took place on November 11, 2015, November 12, 2015 and November 13, 2015.

- 7) On November 13, 2015, the Supreme Court of Barbados ordered that the ex parte interim injunction granted on November 3, 2015 not be continued and the bidding process resume with the closing date for each bid to be extended by ten (10) days from the original dates for closing i.e. the SLU Amended Offer No. 1 would close on November 19, 2015 and the AMC Amended Offer No. 1 will close on December 14, 2015.
- 8) On November 17, 2015, Ansa McAI (Barbados) Ltd. served papers on BHL of its intention to appeal against the decision of the Supreme Court of Barbados to discharge the injunction granted on November 3, 2015 and to apply for an interim injunction pending the appeal.
- 9) On November 18, 2015, in an advertisement on page 31A of the MidWeek Nation newspaper SLU announced the SLU Amended Offer No. 2.
- 10) On November 18, 2015, the case management conference of Ansa McAI (Barbados) Ltd.'s application to appeal against the decision of the Supreme Court of Barbados on November 13, 2015 took place before the Court of Appeal. The Court of Appeal directed, *inter alia*, that (a) the interim application for an interim injunction pending the appeal is set down for hearing on December 1, 2015 and December 2, 2015 with December 3, 2015 being reserved; and (b) the substantive appeal is set down for hearing on December 11, 2015 and December 14, 2015.
- 11) On November 18, 2015, Ansa McAI (Barbados) Ltd. purchased 455,990 shares on the floor of the Barbados Stock Exchange (the "**BSE**") at a cash price of \$6.00 per share.
- 12) On November 19, 2015, SLU issued the SLU Amended Offer No. 2 with a closing date of December 3, 2015.
- 13) On November 19, 2015, the following trades took place on the floor of the BSE:
  - (a) Ansa McAI (Barbados) Ltd. purchased 1,166 shares at a cash price of \$6.00;
  - (b) Ansa McAI (Barbados) Ltd. purchased 3,947 shares at a cash price of \$6.00;
  - (c) Ansa McAI (Barbados) Ltd. purchased 1,320 shares at a cash price of \$6.00;
  - (d) SLU purchased 750 shares at a cash price of \$6.20;
  - (e) SLU purchased 1,111 shares at a cash price of \$6.20;
  - (f) SLU purchased 6,666 shares at a cash price of \$6.20; and
  - (g) SLU purchased 26,994 shares at a cash price of \$6.20.

## **MATERIAL FACTS RELEVANT TO A BID FROM AN ENTITY OTHER THAN SLU**

The following was disclosed in BHL's Directors' Circular No. 2 in respect of the SLU Amended Offer No. 1, but is repeated here for ease of reference in respect of this Directors' Circular No. 3 in respect of the AMC Amended Offer No. 1.

The convertible debt purchase agreement between SLU, Latin Capital Fund I, L.P ("**LCF**") and BHL dated 24 June 2010 (the "**CDPA**") (which was disclosed by SLU in Section 1 on page 6 of the SLU Bid) provides for the terms under which LCF through SLU supplied US\$ 28 million funding (the "**Loan**") to BHL for the primary purpose of building the new brewery in Newton, Christ Church.

The CDPA provides certain rights to LCF and SLU, including the right to convert any amount of the Loan to equity in BHL at \$4.00 per share, pursuant to which SLU became a shareholder with a twenty per cent (20%) stake in BHL. As notified previously, SLU was recently acquired under the control of Ambev S.A ("**Ambev**") and accordingly, Ambev now has the ability to exercise any rights accorded to SLU under the CDPA.

In Section 1 on page 6 of the SLU Bid, SLU disclosed that:

*"pursuant to a convertible debt purchase agreement entered into in 2010, SLU has the right to convert certain promissory notes into 750,000 additional BHL shares, subject to consent of lenders under the convertible debt purchase agreement (the "**Notes**")."*

Shareholders are advised that the CDPA to which SLU refers in the SLU Bid, also provides, *inter alia*, for the following:

If any person or group becomes the direct or indirect ultimate owner of BHL shares representing more than twenty-five per cent (25%) of the total voting power of the BHL shares, then:

- (1) SLU may elect to require BHL to convert the remaining Notes (as defined above) at a cash price of \$4.00 per ordinary share;
- (2) SLU may elect to require BHL to purchase any Notes at the price of 2.5 times the outstanding principal amount thereof, plus accrued and unpaid interest. This effectively means that SLU can require the outstanding debt to SLU of US\$1.5 million (BD\$3 million) to be repaid to SLU at 2.5 times the value of the debt; or
- (3) SLU may elect to require BHL to purchase any BHL shares which were issued upon conversion of any promissory notes. The purchase price BHL shall pay shall be an amount equal to 2.5 times the principal amount of the notes converted to obtain such BHL shares, plus accrued and unpaid dividends. 13,250,000 common BHL shares (representing a twenty per cent (20%) stake in BHL) have been issued to SLU by BHL to date, pursuant to the CDPA. Therefore SLU has the ability to require BHL to re-purchase the 13,250,000 common shares at \$10.00 per share, which shares were issued to SLU on conversion of the debt in 2010.

Consequently, Ambev (and its subsidiary Cerveceria Nacional Dominicana (“CND”)) which has acquired control of SLU, now has the right to invoke the provisions of the CPDA. Another bidder must therefore take into account that in the circumstances of succeeding in its take-over bid, SLU can invoke the above clause which may have a significant financial impact on BHL. The additional potential cost to a bidder (other than SLU) to finance such would be the difference between \$10.00 and the final purchase price for BHL’s shares for each of the 13,250,000 shares (representing 20% of BHL) issued on conversion under the CDPA. Additionally, the remaining debt to SLU of US\$1.5 million could itself potentially generate an additional payment of BD\$4.5 million.

### **OTHER MATERIAL FACTS**

On November 18, 2015, Ansa McAI (Barbados) Ltd. purchased 455,990 shares on the floor of the BSE at a cash price of \$6.00 per share. Ansa McAI (Barbados) Ltd. is an affiliate of AMC, both being subsidiaries of Ansa McAI.

On November 19, 2015, the following trades took place on the floor of the BSE:

- (a) Ansa McAI (Barbados) Ltd. purchased 1,166 shares at a cash price of \$6.00;
- (b) Ansa McAI (Barbados) Ltd. purchased 3,947 shares at a cash price of \$6.00;
- (c) Ansa McAI (Barbados) Ltd. purchased 1,320 shares at a cash price of \$6.00;
- (d) SLU purchased 750 shares at a cash price of \$6.20;
- (e) SLU purchased 1,111 shares at a cash price of \$6.20;
- (f) SLU purchased 6,666 shares at a cash price of \$6.20; and
- (g) SLU purchased 26,994 shares at a cash price of \$6.20.

### **ASSESSMENT OF THE TWO BIDDERS**

Both Ambev/SLU and Ansa McAI / AMC have expressed various indications for a positive future for the BHL group of companies either in their bid circulars or to some extent in the media. The Special Committee of the BHL Board has however given consideration to the possible implications for BHL in relation to the two bidders and offers the following comments: -

1. To the best of our knowledge (a) neither Ambev nor Ansa McAL is currently in the milk and juice processing business but both claim in media statements that they see opportunities in that regard, (b) both are connected with Pepsi-Cola bottling and/or distribution - Ambev is a bottler and distributor in major Latin American markets whereas a subsidiary of Ansa McAL in Grenada is a distributor of Pepsi-Cola.

Given the relative sizes of the two corporations and the influence each may bring to bear, we consider that Ambev appears to be better placed to deal with The Coca Cola Company, particularly given the new development reported in the media whereby AB-Inbev (Ambev’s parent) is in the process of acquiring SAB Miller which has substantial Coca-Cola bottling ventures in Africa. To our knowledge, neither Ambev nor Ansa McAL has the rights to bottle or distribute Pepsi-Cola in Barbados but if desired, it appears to us that Ambev would likely have more influence in acquiring these arrangements given their substantial existing Pepsi-Cola operations in Latin America.

2. With regard to brewing, Ambev through CND (SLU's direct parent) have expressed in the media their desire for growth and for a base to manufacture their brands for export through the region such as Trinidad. Indeed, Ambev has stated in the media that it plans to make Barbados the home of its regional head office. Their brands include Presidente from the Dominican Republic in addition to several international brands of their ultimate parent AB-Inbev, such as Budweiser, Stella Artois, Becks and Corona which can be produced in an expanded configuration of BHL's brewery. Ambev/CND's breweries in St Vincent and Dominica are not as well equipped or positioned for such expansion.
3. Ansa McAL's breweries in Trinidad, Grenada and St Kitts, and Ansa McAL's partner Heineken with its own brewery in St Lucia already cover much of the English speaking Eastern Caribbean and Heineken now own Red Stripe in Jamaica. The interest of Ansa McAL (and to the extent that Heineken is a partner of Ansa McAL) appears to have more of a defensive purpose even if the opportunity is taken to brew Carib or Stag locally for the share of the Barbados market which they now have.
4. BHL already has approximately 80% of the Barbados beer market between its two brands, Banks and Deputy. Given the generally observed situation whereby national beers in small markets are preferred in the minds of people of the country, in our view it is unlikely that either bidder will seek to replace Banks and Deputy locally. The obvious opportunity for the Banks brewery is the manufacture of brands for export. This is particularly opportunistic for Ambev given that apart from the OECS islands, Ambev's brands do not account for any meaningful market share in the region.
5. Ansa McAL's operations in Barbados include 'Bryden Stokes' (the result of amalgamating Brydens with Stokes & Bynoe) some time ago. BHL has its own distribution business, namely Banks Distribution, and should BHL come under the control of Ansa McAL, this may present an opportunity to realise a cost reduction synergy through the combination of these two operations. Ambev owns no distribution business in Barbados which could allow for such a cost saving opportunity, but this in itself is not a guarantee that BHL's distribution business may not be allocated to a third party.

## **INFORMATION RELEVANT TO BHL**

### **Profile of BHL and its operations**

BHL is the largest beverage producing conglomerate in Barbados comprising four subsidiaries including a brewery – Banks (Barbados) Breweries Limited, a soft drink plant – Barbados Bottling Co. Limited, a dairy – Barbados Dairy Industries Limited (Pine Hill Dairy) and a distribution company – Banks Distribution Limited.

In recent years, there has been a major drive to improve efficiencies across the group of companies and to be innovative with product introductions such as Deputy Lager. The results of these efforts have been evidenced by the improved financial performance which is illustrated in Appendices A and B to this Circular.

BHL's shares are listed on the BSE and the BHL group of companies currently employs 509 persons.

#### **SUBSIDIARIES:**

##### **Banks (Barbados) Breweries Limited (BBBL)**

Established in 1959, BBBL is a 100% owned subsidiary operating out of a state-of-the-art facility in Newton, Christ Church. The major output from the plant is the award winning Banks Beer which, together with the recent addition of Deputy Lager, now account for about 80% of the local beer market which is highly competitive with many regional and international beers. Additionally, the brewery has production agreements with Diageo (for Guinness) and with another brand owner for a new product intended for the Curacao market.

On the aggressive introduction of Hairoun beer from St Vincent and to some extent also of Stag from Trinidad, the brewery's market share fell to approximately 64%. BHL's innovated response was the introduction of Deputy Lager with a similar lighter taste profile and this has attained high acceptance and the Company's market share has rebounded as noted above.

Within recent years, apart from expansion within the Caribbean, there has been a push in association with Banks DIH Limited of Guyana (which company holds the rights for the Banks brand beyond the English speaking Caribbean islands) to export Banks Beer further afield in North America and the UK.

Apart from the alcoholic brands, the brewery also produces a malta (Tiger Malt) and a locally developed unique brewed energy restoring beverage named Plus.

Current utilisation of the brewing capacity of the new brewery is 88% and volumes are 38% higher than that achieved in the latter years of the previous plant which was located in Wildey St. Michael. However, the new brewery has been designed so as to facilitate modular expansion and, with the installation of additional fermentation and storage tanks, the brewing capacity can be increased by 100%.

### **Barbados Bottling Co. Ltd. (BBC)**

Established in 1944, this 100% owned subsidiary has for the majority of that time been the Coca-Cola franchisee on the island. BBC was acquired in 1991 and has benefitted from capital expansion initiatives since then. Apart from the Coca-Cola portfolio, it has its own indigenous brand Frutee which enjoys strong support from consumers. Together, the Frutee and Coca-Cola brands are the substantial market leaders in carbonated soft drink sales in the local market.

The dedication to quality has resulted in the plant consistently being rated as the top Coca-Cola facility in the Region. This facility is located at Newton near to the brewery.

### **Barbados Dairy Industries Limited (BDIL)**

Established in 1966, this subsidiary was acquired and joined the BHL group in 1997 and is 84.43% owned by BHL. Since that date its operations have been upgraded to facilitate better product quality and production efficiency. It is a major partner in the local Dairy Industry and processes the output from 18 local farmers of varying scale. Annually the plant processes approximately 4,000,000 kgs of milk received from these farms.

In addition to its dairy portfolio, this subsidiary manufactures and markets the island's leading juice brand, 'Pine Hill'. This is by far the leading brand on island and has established a strong presence in the OECS.

A drive for efficiency over the last few years have brought this company back from recent years' losses and it is now a positive contributor to BHL's consolidated bottom line. In his 2015 Budget, the Minister of Finance announced plans for an initiative designed to assist dairy farmers in lowering their farm-gate milk prices. This initiative has not yet been implemented by Government, but once effected, the expectation is for lower consumer pricing for "white milk" and this in turn is expected to drive increased consumption.

### **Banks Distribution Limited (BDL) (previously named B&B Distribution)**

Established in 1994, this subsidiary was formed through the merging of the distribution streams for Banks (Barbados) Breweries Limited and Barbados Bottling Co. Ltd. It is the distribution arm of BHL on the island for the output from those plants and shares distribution services for the output from Barbados Dairy Industries Limited with a third party provider.

Also located at Newton, it has a fleet of 40 trucks that service over 2,500 customers on a regular basis.

### **Plastic Containers Limited (PCL)**

Previously the 65% owned subsidiary manufactured and sold PET and HDPE bottles to the BBC and BDIL operations. The operation ceased production some years ago and now operates solely as a landlord leasing out its property to a third party.

## THE MAIN ASSOCIATES OF BHL

### **Citrus Products of Belize Limited (CPBL) – 46.58%**

This operation located in Belize, operates the two citrus processing plants in that territory and, in addition owns and/or operates several citrus farms which collectively supply about 20% of the fruit processed by its plants.

Their revenues are generated predominantly from sales of citrus concentrates to customers within the Caribbean, North America, Europe and Japan. This company's contribution to BHL has been mixed over the years since the investment was purchased.

### **Caribco Limited (CL) – 30%**

This entity owns and operates the Coca-Cola franchise in The Bahamas and its portfolio of brands command the major share of the Bahamian soft drink market. The operation has performed credibly and continues to be a major contributor to our "Share of Income from Associates".

### **Banks DIH Limited (BDIH) – 20%**

Publicly listed on the Guyana Stock Exchange, this entity is one of the largest private sector operations in that country, its operations consist of a brewery, a Coca-Cola franchised soft drink plant, a water plant, a rum plant, an ice cream plant and a bread & biscuit facility. The company also operates a chain of fast food restaurants and has a 51% stake in Citizens Bank, a local retail bank in Guyana. It is a consistent contributor to BHL's consolidated results.

Other Associates are Tower Hill Merchants Limited - based in England, Chemical Industries Limited, BCB Communications, New Tech Inc, and GCG Services Limited.

## INFORMATION IN RELATION TO THE OFFEROR AND ITS AFFILIATES

AMC is a wholly owned subsidiary of Ansa McAl incorporated under the Laws of Barbados (Company # 39896) with a registered office situated at Worthing Corporate Centre, Worthing, Christ Church.

It is our understanding that the parent company of AMC (Ansa McAl) is a major Caribbean conglomerate with interests across many sectors and territories. Among those interests are brewing operations, financial services, distribution, retail and automotive. We understand from information presented on the Ansa McAL website that within the brewing sector they control breweries in Trinidad, Grenada and St. Kitts, together these operations employ over one thousand (1000) employees and produce over 1,200,000 hectolitres of product annually. Their brands and flavours include Carib Beer, Stag Beer, Carib Light, Malta, Smalta & Smalta Smiles, Shandy Sorrel, Ginger & Lime, and Ginseng Original, Lime, Apple, Kola Champagne & Grape, some of which are distributed in Barbados through their subsidiary Bryden Stokes. They have also formed partnerships with international companies such as Heineken International B.V., Ginseng-Up Corp and Diageo and as a result several international brands are produced and/or distributed under license. These include Heineken, Guinness Stout, Ginseng-Up and Smirnoff Ice. The Ansa McAL website also notes that they acquired the global rights (with the exception of the United Kingdom) for Mackeson Milk Stout which they export to Barbados and the wider Caribbean.

Further information on AMC and Ansa McAl is contained in the AMC Bid Circular dated October 20, 2015.

## **THE AMC BID CIRCULAR**

Under the Companies (Take-Over Bid) Regulations, 2002 (the “**Regulations**”), certain information is required to be submitted in the AMC Bid Circular (as amended by the AMC Amended Offer No. 1). The Company’s legal advisors have advised, however, that certain information (which cannot otherwise be determined by BHL) appears to be missing (or is not clear) in respect of Regulation 7 as follows:

1. Whether any securities of BHL are beneficially owned, controlled or directed by each director and officer (if any) of AMC and their respective associates.
2. Whether any shares of BHL have been traded by (a) an associate or affiliate of AMC (b) each director or officer (if any) of AMC and their respective associates or (c) any person known to the directors or officers of AMC who beneficially owns or exercises control of direction over shares of AMC carrying more than 25 per cent of the votes attached to the shares of AMC, during the six (6) months preceding the date of the AMC Bid and AMC Amended Offer No. 1.

## **ROLE OF THE FAIR TRADING COMMISSION (“FTC”)**

As was disclosed in BHL’s Directors’ Circular No. 2, in a letter dated October 22, 2015, the FTC wrote to BHL requesting that BHL notify its shareholders and the companies which are seeking to acquire a controlling interest in BHL, of the legislative requirements under the Fair Competition Act CAP 326C and related regulations. Attached in Appendix E for shareholders’ information is a copy of the letter from the FTC.

It is possible therefore that the FTC may not allow the successful bidder to grow Barbados market share through the combination of the Banks brands with those of their own. Exports from Barbados would however not likely present the same concern. The Directors are not in a position to forecast or to make a definitive statement in respect of what action the FTC may potentially take on the matter.

## DIRECTORS OF BHL

The members of the Board of Directors of BHL are:

<b>NAME</b>	<b>MAILING ADDRESS</b>	<b>OCCUPATION</b>
Gerald Anthony Allan King	“Lascelles Mill” Lascelles, St. James Barbados	Retired Business Executive
Carl Richard Cozier	#1 Clermont St. Michael Barbados	Managing Director and Chief Executive Officer of BHL
Elvin Royston Sealy	17 Neils Plantation St. Michael Barbados	Retired Airline Executive
Christopher Dennis De Caires	1 Warrens Terrace West St. Thomas Barbados	Chartered Accountant
George Gladstone Daniel McDonald	#2 Residence Thirst Park Georgetown Guyana	Co-Managing Director and Marketing Director of Banks DIH Limited
Kristian Freiwald	Paseo de Los Laureles A-05 #12 San Rafael de Escazú San José Costa Rica	Corporate Executive
LRE Corp Represented by Eduardo Salles	Chancery House High Street Bridgetown Barbados	Subsidiary of SLU

## COURSE OF ACTION TAKEN OR WHICH THE DIRECTORS PLAN TO TAKE

In the cases where the Company has business relationships with certain parties and prospective business with others, such parties have already been advised of the AMC Amended Offer No. 1 to shareholders for the take-over of the Company.

It was agreed that management should continue to meet with the staff of the Company in order to address their queries as best as can be done in the circumstances, and the directors approved the retention of a professional Human Resources advisor to provide guidance where appropriate.

The Directors have not determined that there is a need to take any other action as a result of the AMC Amended Offer No. 1 beyond carrying out their duties and obligations which includes obtaining expert professional advice as required.

## **OWNERSHIP OF SHARES OF BHL BY DIRECTORS, OFFICERS AND THEIR ASSOCIATES**

The table in Appendix C sets forth the number of shares of BHL (including shares issuable upon the exercise of stock options) beneficially owned, or over which control or direction is exercised, by each director and each officer of BHL and their associates.

### **PRINCIPAL HOLDERS OF SHARES OF BHL**

To the knowledge and information of the directors and the officers of the Company, after reasonable enquiry, no persons or company beneficially owns or exercises control or direction over shares of BHL carrying more than 10% of the votes attached to shares of BHL, other than as set forth in Appendix D.

## **OWNERSHIP OF SHARES OF THE OFFEROR BY DIRECTORS, OFFICERS AND THEIR ASSOCIATES AND BY ANY PRINCIPAL HOLDERS OF SHARES IN BHL**

To the best of the knowledge and information of the directors, none of the directors or officers of BHL or any of their associates beneficially owns, or exercises control or direction over any shares of the Offeror. To the best of the knowledge and information of the directors and officers of BHL, after reasonable enquiry, BWPL Holdings Ltd. and SLU which each beneficially own or exercise control or direction over shares of BHL carrying more than 10% of the votes attached to shares of BHL, do not own or exercise control or direction over any shares of the Offeror.

## **OWNERSHIP OF SHARES OF THE OFFEROR BY THE COMPANY**

The Company does not beneficially own or exercise control or direction over any shares of the Offeror.

## **TRADING OF SHARES OF BHL & THE OFFEROR BY DIRECTORS, OFFICERS & PRINCIPAL SHAREHOLDERS OF BHL**

To the knowledge of the directors and the officers of BHL, no director, officer or their associates or any person who beneficially owns or exercises control or direction over shares of BHL carrying more than 10% of the votes attached to such shares, or BHL itself, has traded in shares of the Offeror during the past six (6) months before the date of the AMC Bid or since.

To the knowledge of the directors and the officers of BHL, other than as disclosed below, no director, officer or their associates or any person who beneficially owns or exercises control or direction over shares of BHL carrying more than 10% of the votes attached to such shares, or BHL, has traded in shares of BHL during the past six (6) months before the date of the AMC Bid or since.

- a) BWPL Holdings Ltd, which was acquired by Ansa McAI (the parent company of AMC) on October 16, 2015, has control and direction over 13.047% of the issued shares of BHL, and has traded in BHL shares within the last six months of the AMC Bid as follows:

<u>Date</u>	<u># of Shares</u>	<u>Purchased Price</u>	<u>Value</u>
05/08/2015	37,230	\$2.49	92,702.70
05/08/2015	2,000	\$2.50	5,000.00
19/05/2015	8,142	\$2.51	20,436.42
07/05/2015	54,288	\$2.51	136,262.88
04/05/2015	<u>600,000</u>	\$2.51	<u>1,506,000.00</u>
Totals	701,660		\$1,760,402.00

- b) On September 22, 2015, SLU which already owned 20.4% of BHL, acquired a further 20.3% or 13,170,728 BHL shares in a single trade at \$4.00 per share amounting to \$52,682,912.

## **ACCEPTANCE OF THE OFFER BY DIRECTORS, OFFICERS & THEIR ASSOCIATES AND ANY PRINCIPAL SHAREHOLDERS OF BHL**

As at the date of this Directors' Circular No. 3, Directors and Officers who own shares in the Company have all indicated that they **will reject** the AMC Amended Offer No. 1.

As of the date of this Directors' Circular No. 3, and to the best of the knowledge, information and belief of the Directors after reasonable inquiry, SLU, which owns shares of the Company carrying more than 10% of the votes attached to the shares of the Company **will reject** the AMC Amended Offer No. 1 in respect of any of its shares in the Company.

As of the date of this Circular, and to the best of the knowledge, information and belief of the Directors, it is unknown whether BWPL Holdings Ltd ("**BWPL**"), which owns shares of the Company carrying more than 10% of the votes attached to the shares of the Company will accept the AMC Amended Offer in respect of any of its shares in the Company. The ultimate parent company of AMC, however, is Ansa McAI. In this regard there is no need for BWPL to accept the AMC Amended Offer No. 1 for Ansa McAI to have control of the BHL shares held by BWPL.

## **DETAILS OF SERVICE CONTRACTS OF DIRECTORS AND OFFICERS OF BHL OR ANY OF ITS AFFILIATES**

The following are details of all service contracts of directors and officers of BHL or any of its affiliates with more than 12-month period remaining:

1. Mr Carl Richard Cozier is a Director and is the Chief Executive Officer of the Company and is employed with the Company on a full-time basis foreseeably until retirement.
2. Mr Naresh Karnani is the Chief Financial Officer of the Company and is employed with the Company on a full-time basis foreseeably until retirement.
3. Ms Cherie Jones is the Company Secretary of the Company and is employed with the Company on a full-time basis foreseeably until retirement.

## **AGREEMENTS BETWEEN BHL, ITS DIRECTORS AND OFFICERS AND SHAREHOLDERS AND THE OFFEROR**

No director or officer of BHL or any of its associates has any interest in any contract or arrangement, made or proposed, to which the Offeror is a party.

Save for the acquisition of BWPL by Ansa McAl to the best of the knowledge and information of the directors and officers of BHL, after reasonable enquiry:

- (a) no person who beneficially owns or exercises control or direction over the shares of the Company carrying more than 10% of the votes attached to the shares of the Company has any interest in any contract or arrangement made or proposed, to which the Offeror is a party; and
- (b) no shareholder of BHL has any contract, arrangement or understanding, formal or informal made or proposed to be made with the Offeror with respect to the AMC Amended Offer No. 1.

## **FINANCIAL STATEMENTS**

No financial statements of BHL have been prepared for public filing subsequent to the financial statements for the quarter ended May 31, 2015 which were filed with the Financial Services Commission and the Barbados Stock Exchange.

The accuracy of the information contained in the most recent financial statement that was published has not been affected by any event subsequent to its preparation.

There has been no material change in the prospects of the Company since the date of its last financial statements.

## **PURCHASE OF SHARES OF BHL BY EMPLOYEES**

The Managing Director of BHL has exercised all stock options available to him as at the date of this Directors' Circular No. 3. As at the date of this Directors' Circular No. 3, 26,400 stock options remain outstanding and 10,200 options are in the process of being exercised by Management and staff.

As at the date of the preparation of this Directors' Circular No. 3 none of those who are presently exercising options has indicated their intentions in respect of these Options. The Managing Director has indicated that he **intends to reject** the AMC Amended Offer No. 1 in respect of the shares now owned by virtue of the exercise of his options. Save as aforesaid and save for the AMC Amended Offer No. 1, no director or officer of BHL knows of the existence of an intention on the part of any person to purchase shares in BHL.

## **APPROVAL OF THE DIRECTORS' CIRCULAR NO. 3**

The contents of this Directors' Circular No. 3 have been approved, and the delivery of this Directors' Circular No. 3 has been authorised by the Special Committee of the board on behalf of the Board of Directors of BHL.

## CERTIFICATE

Dated: November 19, 2015

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it is made. The foregoing does not contain any misrepresentation likely to affect the value or the market price of the securities subject to the AMC Amended Offer No. 1 within the meaning of the Securities Act, Cap 318A of the Laws of Barbados.

On behalf of the board of directors



Director  
G. Anthony King



Director  
Christopher D. de Caires

**APPENDIX A**  
**(Regulation 14 (n) of the Companies (Take-Over Bid) Regulations, 2002)**

## Financial Highlights

	9 Months to 31-05-2015	Audited 2014	Audited 2013	Audited 2012	Audited 2011	Audited 2010
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
<b>Financial Results</b>						
Revenue	\$ 142,743	\$ 183,635	\$ 179,001	\$ 176,624	\$ 177,325	\$ 184,045
Net Income (attributable to shareholders)	\$ 17,233	\$ 12,566	\$ 5,497	\$ 6,395	\$ 8,334	\$ 7,360
<b>Financial Position</b>						
Assets	\$ 356,669	\$ 353,940	\$ 357,915	\$ 368,824	\$ 379,332	\$ 369,683
Liabilities	\$ 45,015	\$ 53,297	\$ 65,069	\$ 78,121	\$ 76,637	\$ 53,189
Shareholders' Equity (less non-controlling interests)	\$ 305,409	\$ 294,661	\$ 286,496	\$ 283,611	\$ 294,445	\$ 307,073
<b>Financial Ratios</b>						
Return on Equity	5.64%	4.26%	1.92%	2.25%	2.83%	2.40%
Return on Assets	4.83%	3.55%	1.54%	1.73%	2.20%	1.99%
<b>Results per Common Share (in dollars)</b>						
Earnings	\$ 0.266	\$ 0.194	\$ 0.085	\$ 0.099	\$ 0.129	\$ 0.113
Dividends		\$ 0.10	\$ 0.07	\$ 0.09	\$ 0.09	\$ 0.12
<b><u>BOOK VALUE</u></b>	<b>\$ 4.71</b>	<b>\$ 4.54</b>	<b>\$ 4.42</b>	<b>\$ 4.37</b>	<b>\$ 4.54</b>	<b>\$ 4.73</b>

**APPENDIX B**  
**(Financial Statements)**

**Summary Consolidated Statement of Income**  
**Nine Months Ended 31 May 2015**  
**(Expressed in Barbados Dollars)**

	Unaudited 9 Months to 31/05/2015 \$'000	Unaudited 9 Months to 31/05/2014 \$'000	Audited Year Ended 31/08/2014 \$'000	Restated Audited Year Ended 31/08/2013 \$'000
<b>Revenue</b>	<b>142,743</b>	138,601	183,635	179,001
<b>Profit from operations-parent and subsidiaries</b>	<b>12,158</b>	8,374	6,882	3,062
Impairment of Decommissioned Assets	-	-	-	(431)
Severance and reorganization costs	<b>(440)</b>	(1,559)	(1,682)	(492)
Change in the fair value of Investment Property	-	-	(700)	-
Loss on Sale of Investment Property	-	-	-	(208)
Impairment of Intangible Asset	-	-	-	(579)
Net interest expense	<b>(1,575)</b>	(1,814)	(2,378)	(3,197)
<b>Income before taxation-parent and subsidiaries</b>	<b>10,143</b>	5,001	2,122	(1,845)
Share of income of associated companies	<b>9,134</b>	5,709	10,694	7,921
<b>Income before taxation</b>	<b>19,277</b>	10,710	12,816	6,076
Taxation	<b>(1,781)</b>	(1,498)	(398)	(1,194)
<b>Net income for the period</b>	<b>17,496</b>	9,212	12,418	4,882
<b>Attributable to:</b>				
Equity holders of the parent	<b>17,233</b>	9,207	12,566	5,497
Non- controlling interests	<b>263</b>	5	(148)	(615)
	<b>17,496</b>	9,212	12,418	4,882
<b>Earnings per share</b>				
Basic and diluted earnings per share attributable to equity holders of the parent	<b>26.6c</b>	14.2 c	19.4¢	8.5¢

**APPENDIX B**  
**(Financial Statements)**

**Summary Consolidated Statement of Financial Position**

**As of 31 May 2015**

**(expressed in Barbados Dollars)**

	<b>Unaudited</b>	<b>Unaudited</b>	<b>Audited</b>	<b>Restated</b>
	<b>9 Months to</b>	<b>9 Months to</b>	<b>Year Ended</b>	<b>Audited</b>
	<b>31/05/2015</b>	<b>31/05/2014</b>	<b>31/08/2014</b>	<b>Year Ended</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>31/08/2013</b>
				<b>\$'000</b>
<b>Current assets</b>	<b>58,066</b>	51,821	52,592	53,379
<b>Asset classified as held for sale</b>	-	11,211	-	11,611
	<b>58,066</b>	<b>63,032</b>	<b>52,592</b>	<b>64,990</b>
<b>Current liabilities</b>	<b>23,174</b>	30,252	31,627	42,698
<b>Working capital</b>	<b>34,892</b>	32,780	20,965	22,292
<b>Investments in associated companies</b>	<b>118,431</b>	121,083	114,304	106,717
<b>Property, plant and equipment</b>	<b>146,799</b>	156,259	151,889	164,114
<b>Other Non-Current Assets</b>	<b>26,537</b>	11,907	26,492	13,265
<b>Deferred tax asset</b>	<b>6,881</b>	7,494	8,662	8,827
<b>Other Non-Current Liabilities</b>	<b>(1,835)</b>	(1,775)	(1,835)	(1,775)
<b>Long-term liabilities</b>	<b>(20,051)</b>	(19,905)	(19,835)	(20,596)
	<b>311,654</b>	<b>307,843</b>	<b>300,642</b>	<b>292,844</b>
<b>Equity</b>				
Share capital	<b>145,865</b>	145,952	145,865	145,952
Capital reserves	<b>26,749</b>	31,836	26,749	33,125
Retained earnings	<b>132,795</b>	123,821	122,047	107,419
<b>Attributable to equity holders of the parent</b>	<b>305,409</b>	301,609	294,661	286,496
Non-controlling interests	<b>6,245</b>	6,234	5,981	6,348
<b>Total equity</b>	<b>311,654</b>	<b>307,843</b>	<b>300,642</b>	<b>292,844</b>

**APPENDIX B**  
**(Financial Statements)**

**Summary Consolidated Statement of Cash Flows**  
**Nine Months ended 31 May 2015**  
**(expressed in Barbados Dollars)**

	Unaudited 9 Months to 31/05/2015 \$'000	Unaudited 6 Months to 31/05/2014 \$'000	Audited Year 31/08/2014 \$'000	Restated Audited 31/08/2013 \$'000
<b>Cash flows from operating activities</b>				
Income before taxation	19,277	10,710	12,816	6,077
Adjustments for non-cash items	12,462	12,149	18,686	18,574
Share of income associated companies	(9,134)	(5,709)	(10,694)	(7,922)
<b>Operating profit before working capital changes</b>	<b>22,605</b>	17,150	20,808	16,729
Net working capital changes	(10,610)	(5,202)	858	(1,191)
Corporation taxes paid	(1)	(42)	(1)	20
<b>Net cash from operating activities</b>	<b>11,994</b>	11,906	21,665	15,558
<b>Net cash used in investing activities</b>	<b>(3,659)</b>	(1,360)	(5,039)	2,852
<b>Net cash used in financing activities</b>	<b>(4,785)</b>	(7,824)	(8,977)	(11,016)
<b>Increase in cash</b>	<b>3,550</b>	2,722	7,649	7,394
<b>Cash - beginning of period</b>	<b>4,678</b>	(2,971)	(2,971)	(10,365)
<b>Cash - end of period</b>	<b>8,228</b>	(249)	4,678	(2,971)

**Summary Consolidated Statement of Changes in Equity**  
**Nine Months ended 31 May 2015**  
**(Expressed in Barbados Dollars)**

	Unaudited 9 Months to 31/05/2015 \$'000	Unaudited 9 Months to 31/05/2014 \$'000	Audited Year Ended 31/08/2014 \$'000	Restated Audited Year Ended 31/08/2013 \$'000
Balance at the beginning of the period as restated	300,642	292,844	292,844	290,705
Total comprehensive income for the period	17,233	9,207	12,566	6,835
Other share capital movements	-	-	(86)	(14)
Dividends paid	(6,485)	(4,540)	(4,540)	(4,540)
Other movements	264	10,332	(142)	(142)
	<b>311,654</b>	307,843	300,642	292,844

**APPENDIX C**  
**(Regulation 14 (a)(i) of the Companies (Take-Over Bid) Regulations, 2002)**

Details of shares beneficially owned or controlled by directors, officers and their associates in the Company

Name	Office held in the Company	No. of Common Shares as at 19 November, 2015 Beneficially Owned or over which control or direction is exercised	Name of Associates	No. of Common Shares as at 19 November, 2015 Beneficially Owned or over which control or direction is exercised by Associates
<b>COZIER, Carl Richard</b>	Director	58,620	<b>COZIER, Carolyn Ruth</b>	2,631
			<b>COZIER, Christopher Richard</b>	1,405
<b>DE CAIRES, Christopher Dennis</b>	Director	0		0
<b>KING, Gerald Anthony Allan</b>	Director	15,499		0
<b>McDONALD, George Gladstone Daniel</b>	Director	0		0
<b>SEALY, Elvin Royston</b>	Director	2,632		0
<b>LRE CORP.</b>	Director	0		0
<b>FREIWALD, Kristian</b>	Director	0		0

**APPENDIX C ('cont'd)**  
**(Regulation 14 (a)(i) of the Take-Over Bid Regulations, 2002)**

<b>Name</b>	<b>Office held in the Company</b>	<b>No. of Common Shares as at 19 November, 2015 Beneficially Owned or over which control or direction is exercised</b>	<b>Name of Associates</b>	<b>No. of Common Shares as at 19 November, 2015 Beneficially Owned or over which control or direction is exercised by Associates</b>
<b>KARNANI, Naresh</b>	Chief Financial Controller	4,996		0
<b>JONES, Cherie</b>	Company Secretary	0		0

The following Directors of the Company hold positions as disclosed which, together with other persons control or direct shares in the Company. These Directors do not have sole control over such shares.

1. Carl Richard Cozier together with other persons is an Executor of the Estate of Ruth Taylor, Deceased, which holds 8,464 shares in the name of HT Investments in the Company.
2. Carl Richard Cozier together with other persons is a Trustee of the Banks Employee Share Trust, which holds 35,459 shares in the Company.
3. Gerald Anthony King together with other persons are members of the Board of Trustees of the BS&T Defined Benefit Pension Plan which holds 1,224,441 shares of the Company.
4. Gerald Anthony King is one of two Executors of the Estate of Heather Aguilar-Swan, Deceased, which holds 14,141 shares of the Company.

**APPENDIX D**  
**(Regulation 14 (a)(ii) of the Companies (Take-Over Bid) Regulations, 2002)**

Principal holders of shares of Banks Holdings Limited:

<b>Name</b>	<b>Address</b>	<b>Shares</b>	<b>Percentage</b>
<b>SLU Beverages Ltd.</b>	McNamara Corporate Services Inc., 20 Micoud Street, Castries, St. Lucia	26, 420, 728	40.7%
<b>BWPL Holdings Ltd.</b>	PKF Corporate Services Ltd. Adjodha Building, Laborie Street P.O. Box 201, Castries, St. Lucia	8,446,546	13.02%



## FAIR TRADING COMMISSION

No: 3/13/69

Date: 2015-10-22

*In replying, the above number and date of this letter should be quoted.*

*All correspondence should be addressed to the Chief Executive Officer.*

**BY HAND**

Mr. Richard Cozier  
Chief Executive Officer  
Banks Holdings Limited  
Pine Hill Dairy Complex  
The Pine  
**ST. MICHAEL**

Dear Mr. Cozier,

**Re: Fair Competition Act CAP 326C. Inquiry - Proposed Acquisition of Banks Holdings Limited by SLU Beverages Ltd. and ANSA McAL**

The Fair Trading Commission (the 'Commission') makes reference to the publicised bids by SLU Beverages Ltd. and ANSA McAL for the acquisition of control of Banks Holdings Limited (BHL).

The Commission takes this opportunity to remind BHL that under section 20 of the Fair Competition Act CAP 326C all mergers by an enterprise that by itself controls or together with any other enterprise with which it intends to effect the merger is likely to control not less than 40 per cent of any market are prohibited unless permitted by the Commission. Section 20 (4) specifically includes any public bid for the control of an entity in this requirement.

It should be noted that according to Section 2 of the Act "merger" means the cessation of two or more enterprises from being distinct, whether by amalgamation, by one or more enterprises acquiring control over another or otherwise; or the engagement in a joint venture between enterprises which results in two or more enterprises ceasing to be distinct entities.

In view of the above the Act requires that such enterprises apply to the Commission for permission to effect any merger meeting the above threshold.

...2/

## APPENDIX E ('cont'd)

Page 2

2015/10/22

Mr. Richard Cozier  
Chief Executive Officer  
Banks Holdings Limited

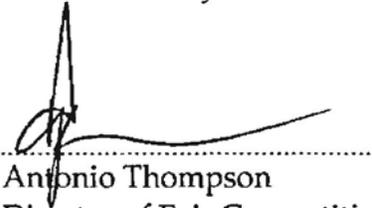
Therefore, the Commission advises BHL that it should submit any relevant information and notify shareholders and the companies which are seeking to acquire controlling interests of these legislative requirements.

For ease of reference please find enclosed copies of the following:

- Sections 20 through 22 of the Fair Competition Act CAP 326C;
- S.I. 2009 No. 104 Fair Trading Commission Act Cap. 326B Fair Trading Commission (Fair Competition Merger Fees) Regulations, 2009; and
- S.I. 2009 No. 105 Fair Competition Act Cap. 326C Fair Competition (Merger) Rules, 2009

More details on the process can be obtained from our offices should you so require.

Yours faithfully,



Antonio Thompson  
Director of Fair Competition

:scs

Enc.

