



Annual Report
2013

Barbados Dairy Industries Limited

Financial Statements

Year ended 31 August 2013
(Expressed In Barbados Dollars)

BARBADOS DAIRY INDUSTRIES LIMITED

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Year ended 31 August 2013

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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

Natalie M. Brace

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.

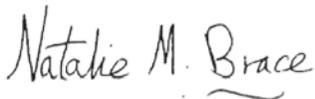
BARBADOS DAIRY INDUSTRIES LIMITED

Registered Office: The Pine
St Michael
Barbados

Notice is hereby given that the Forty-Ninth 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 13 January 2014 at 10:00 a.m. for the following purposes:

1. To receive and consider the Financial Statements of the Company for the Financial Year ended 31 August 2013 and the Auditors' Report thereon;
2. To elect Directors and if thought fit to pass the following resolutions:
 - (i) THAT the Directors to be elected be elected en bloc;
 - (ii) THAT, in accordance with the requirements of paragraph 4.4 of By-Law No. 2 of the Company, Mr Geoffrey Peter Marshall, Mr Paul Devere Davis and Mr Dan Bryan Stoute be and are hereby elected Directors of the Company to hold office until the close of the third Annual Meeting of the Shareholders of the Company following this 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



Natalie M. Brace
Corporate Secretary

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

13 December 2013

BARBADOS DAIRY INDUSTRIES LIMITED

Statement from the Board of Directors

Financial Overview

Sales were relatively flat as compared with 2012 despite some increases in volume for both the domestic and export markets. Considering the fact that the company discontinued the production and sale of yogurt during the year, this sales performance reflects some gains in the remaining categories of beverages.

Improvements in raw and packaging material yields coupled with other cost reduction initiatives substantially reduced production costs and this in turn resulted in a reduction in the Loss from Operations by \$2.7 million. We will continue to strive for further savings in this regard but as we improve across all activities, the incremental savings will likely decrease.

The Impairment of Decommissioned Equipment relates to the residual write-off of the equipment of one of our packaging lines. The decision to decommission this was due to the age of the equipment and the low efficiencies it delivered; that coupled with the available capacity on our newer packaging lines will result in a further reduction in operating costs in the new financial year.

Following three years of operational losses, a decision was taken to book a partial provision against the Deferred Tax Asset as a precaution against the available tax losses expiring before they can be utilised; this resulted in an increased Tax Charge of \$1.78 million.

Cash flow remains a concern. However, subsequent to the year end, we were able to reduce finished goods inventories; furthermore we are on track to conclude our “debt settlement” payments to Tetra Pak at the end of calendar 2013. These two elements will improve the cash flow situation in the coming financial year.

As we move towards achieving the optimum performance from our plant, process and systems the need for acceptable margins and accelerating sales growth, particularly with milk products, will become more acute. To this end, in consultation with our dairy farmer partners, we have prepared and submitted a comprehensive proposal to Government for consideration. The proposal reflects the need for major restructuring within the dairy industry so as to facilitate a better price to consumers whilst facilitating growth in output at the farm level. As of writing this report we are awaiting the scheduling of a meeting with Government regarding the implementation of the proposal.

Product Sales

Local

During the year we took several decisions to position the company for growth in economically viable categories whilst also exiting those where returns were negative. Chief among the latter was yogurt which, due to its high input and conversion costs, could not compete with the less expensive imports and was therefore discontinued from December 2012. The lost sales revenues from this category were made up largely from increased sales in the milk category, especially in flavoured milks which improved over last year due in large measure to the success following the launch of the “Cookies & Cream” option. Additionally a new flavoured milk 200ml line targeted at young consumers was launched and sales to date are encouraging. The decommissioning of the yogurt line provided us with an opportunity to re-enter the fresh pasteurised milk category as some of the equipment previously dedicated to yogurt was now available for this option. We therefore launched a half-gallon option in the fresh whole milk category and sales are increasing. In the new financial year we plan to expand the range with both a smaller package option as well as a ‘reduced fat’ alternative.

BARBADOS DAIRY INDUSTRIES LIMITED

Statement from the Board of Directors (cont'd)

During the year we also launched a 2% Reduced Fat Lactose Free Ultra-pasteurised milk product targeted at the lactose-intolerant consumer; this product has received very positive comments from consumers and sales are trending positively. We also took the opportunity towards the end of the financial year to undertake a major rebranding of the products in our milk categories; the new improved packaging designs present a more modern look to the products whilst also becoming compliant with the new label standards across all Caricom countries.

The evaporated milk sector experienced intense price competition from imported brands forcing us to match prices where the opportunity existed. To further respond to this trend we expanded the range of packaging for our Evaporated Milks with the introduction of a 500ml package with the resealable closure feature. This launch makes us the sole manufacturer in the region with a resealable option packaged at less than 1 litre and we expect that this will result in growth for us in that category.

Our range of juice products continued to experience heavy competition from cheaper imported brands in the single serve juice category within both the large retail and traditional grocery sectors. We responded to this with the launch of our Jungle Pak juices in the 200ml size. This section of the market is extremely price-sensitive and we will continue to closely monitor sales trends with a view to adding/deleting flavours as needed.

We implemented a necessary price increase on our 1 litre UHT juices in April as we transitioned into 100% TGA (gable top) packaging for the local market, this minor price increase did not impact sales and the transition is now mostly completed. This transition was required as we took the decision to decommission the packaging line relative to those juices; as noted earlier this was based on the higher operating costs of this “older” line and the availability of capacity on the “newer” TGA (gable top) line.

Exports

During 2013 we registered increases in sales over prior year as we regained significant ground in the juice category through improved sales performances in the Guyana and Trinidad markets.

A distributor’s conference was held again this year in June in a continued effort to increase direct communications with our 14 distributors and introduce the many new packages and ranges.

This financial year saw St. Lucia take the number one spot over Antigua as our largest export market. Guyana and Trinidad continued to show growth, with Trinidad expanding their portfolio into the milk category. The Jungle Pak Juices were introduced into export territories in March and continue to do well in Guyana, Trinidad and St. Lucia.

BARBADOS DAIRY INDUSTRIES LIMITED

Statement from the Board of Directors (cont'd)

Operations

Significant enhancements to our case mixing operation, finished goods and raw material warehousing logistics and maintenance facilities were made during the year. As indicated last year and after a thorough review, we discontinued our yogurt manufacturing operations in December. Elements of this equipment were subsequently incorporated into our refurbished milkshake operation whilst also enabling the re-launch of Fresh Pasteurised Whole Milk in the half-gallon HDPE (plastic) bottles. Response to this familiar cold chain product has been positive and plans are in place for expansion into other package sizes as well as a 2% Reduced Fat Milk option.

Our “Ultra Pasteurisation” process achieving longer shelf life of packaged milk in Tetra Gemini Aseptic (TGA) packaging enabled the launch of Lactose Free Milk during the second half of the year. Feedback from the target market, especially that section of the population who are lactose intolerant, has been positive.

As reported earlier, we decommissioned our TBA 8 Line and negotiated a price with Tetra Pak for the re-purchase of the entire line. The reduction in production costs associated with the discontinuation of the TBA packaging format is expected to begin to be realised by the end of the first quarter of the new financial year.

Dairy Initiative

Our interaction with the dairy farmers has improved and with it our relationship with these industry partners; during the year we held several meetings with them to discuss pertinent issues. This improved relationship facilitated better understanding and cooperation in establishing a need for and implementation of a reduction in the allocated milk quota in January; a direct result of a market where milk consumption was declining due to the depressed economic situation and pricing structure.

We are still in an unsettled market in this regard and are carefully monitoring milk intake and sales to ensure that further excess inventory situations are avoided. To this end a long term proposal designed to fuel future growth and reduced pricing with the Dairy Industry has been co-authored by Pine Hill and the Dairy Farmers and submitted to Government for consideration. It is hoped to have some elements of the proposal in place in early 2014.

Integrated Management Systems

We successfully advanced the implementation of our Integrated Management Systems and at the end of the year received our certification in the following four International 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)

BARBADOS DAIRY INDUSTRIES LIMITED

Statement from the Board of Directors (cont'd)

We are the only such certified Dairy in this region and are not aware of any Dairy world-wide to have received these four concurrent certifications. These certifications have opened export and co-packing opportunities and we are currently engaged in discussions with several principals relative to filling our spare production capacity.

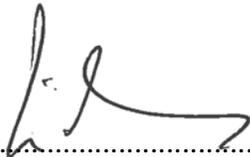
Capitalizing on the operational improvements that adoption of these standards bring, we are planning to add ISO 50001 (Energy Management) to our list of certifications in the coming year. We expect this standard to result in significant improvements to our energy consumption.

Human Resources

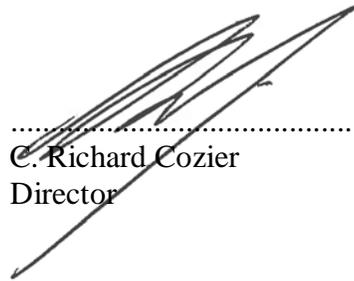
We continue to maintain a cordial relationship with our employees' representative, the Barbados Workers Union and we expect conclusion of our Collective Agreement within the first months of the New Year. The displacement of staff as a result of the discontinuation of the yogurt and TBA packaging lines was thoroughly discussed with all parties concluding with mutually acceptable resolutions. We wish to again thank all staff for the maturity that they continue to demonstrate during these operational changes.

The Future

While there still exists areas for operational improvements and we will continue to concentrate efforts in this regard, the most critical factor is the long term sustainability of the Dairy Industry. Throughout the past year Government has tangibly demonstrated their commitment to this and we anxiously await a positive response to the submitted proposal.



.....
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 Neal & Massy Holdings Board 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.

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.

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 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.

BARBADOS DAIRY INDUSTRIES LIMITED

Directors (cont'd)

Paul Devere Davis -

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

Dan Bryan Stoute –

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

Chiryl Josephine Newman –

Non-Executive Director – Citizen of Barbados – Mrs. Newman joined the Board on 19 December 2011. Mrs. Newman is a restaurateur by profession and the owner/Managing Director of Changers Restaurant & Wine Bar on the South Coast. Prior to establishing the restaurant 16 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 Chief Financial Officer of Banks Holdings Limited and has held this 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 19 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 2013.

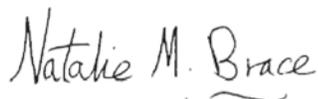
\$
2. The comprehensive loss for the year was (4,722,194)
To which is added restated retained earnings brought forward of 28,881,740
Giving retained earnings carried forward of 24,159,546
3. The Directors have declared that there will be no dividend in respect of 2013.
4. In accordance with the Company's 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 Paul Devere Davis
Mr Dan Bryan Stoute
Mr Geoffrey Peter Marshall
5. At 31 August 2013 and 28 November 2013, the following party held more than 5% of the share capital of the Company. No other party held more than 5% of the stated capital of the Company at those dates.

	No. of Shares	
	31.08.13	28.11.13
Banks Holdings Limited	3,960,667 (84.43%)	3,960,667 (84.43%)

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 28 November 2013.
7. No service contracts were entered into between the Company and any of its Directors during the financial year and there were no contracts subsisting during or at the end of the financial year in which a Director of the Company was materially interested
8. The retiring auditors, Ernst & Young, Chartered Accountants, offer themselves for re-appointment.

BY ORDER OF THE BOARD



Natalie M. Brace
Corporate Secretary
28 November 2013

BARBADOS DAIRY INDUSTRIES LIMITED

Corporate Governance Statement

The Board of Directors is accountable to the shareholders of Barbados Dairy Industries Limited (‘the Company’) 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.

During the course of the financial year, 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. The Board is in the process of reviewing and 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 Evaluation and on-going Director Education as two areas worthy of focus in the coming financial year.

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 nine (9) Directors. Of the seven (7) Directors, five (5) are independent of the management of the Company. Two Directors, Mr Carl Richard Cozier and Mr Geoffrey Marshall are officers of Banks Holdings Limited, which provides management services to the Company.

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.

The Company is majority owned by Banks Holdings Ltd (“BHL”) and committees of the Board of Directors of BHL, such as the Finance & Audit Committee and the Governance & Compensation Committee, address matters pertaining to all subsidiaries of BHL including Barbados Dairy Industries Limited. The Board of Directors of Barbados Dairy Industries Limited has not appointed any standing Committees and the entire complement of Directors considers all matters requiring Board deliberation including those arising from the BHL Committees which are relevant to Barbados Dairy Industries Limited.

BARBADOS DAIRY INDUSTRIES LIMITED

Corporate Governance Statement (cont'd)

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.

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
Sir Allan Fields	3 out of 3	100%
C. Richard Cozier	5 out of 5	100%
Dan B. Stoute	5 out of 5	100%
Geoffrey P. Marshall	5 out of 5	100%
Neville McD. Brewster	5 out of 5	100%
Paul D. Davis	4 out of 5	80%
Chiryl Newman	5 out of 5	100%
G. Anthony King	1 out of 2*	50%

** Mr. G. Anthony King's appointment to the Board of Directors was approved at a Board Meeting on 9 April 2013. He was subsequently appointed Chairman of the Board at a meeting held on 13 September 2013.*

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. A total of \$56,417 in Directors' fees was paid for the Financial Year.



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246 435 2079
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Church, BB15008
Barbados, W.I.

AUDITORS' REPORT

To the Shareholders of Barbados Dairy Industries Limited

We have audited the accompanying financial statements of Barbados Dairy Industries Limited, which comprise the statement of financial position as of 31 August 2013 and the 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 2013 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.


CHARTERED ACCOUNTANTS
Barbados
28 November 2013

BARBADOS DAIRY INDUSTRIES LIMITED

Statement of Comprehensive Loss
Year ended 31 August 2013

	Notes	2013 \$	Restated 2012 \$
Sales		60,530,678	60,545,919
Loss from operations before undernoted items	4	(1,560,235)	(4,270,515)
Impairment of decommissioned equipment	23	(431,015)	-
Interest expense		(1,083,030)	(840,095)
Loss before taxation		(3,074,280)	(5,110,610)
Taxation	6	(1,647,914)	134,033
Total comprehensive loss for the year		(4,722,194)	(4,976,577)
Loss per share – basic and diluted as previously reported	19	(\$1.01)	(\$1.00)
Loss per share – basic and diluted as restated		(\$1.01)	(\$1.06)

The accompanying notes form part of these financial statements.

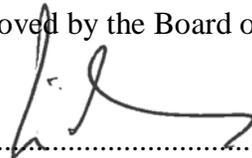
BARBADOS DAIRY INDUSTRIES LIMITED

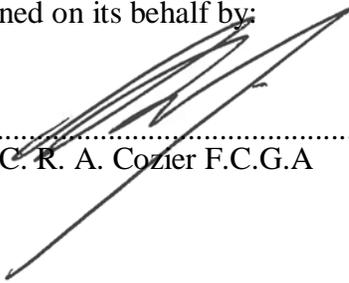
Statement of Financial Position
As of 31 August 2013

	Notes	2013 \$	Restated 2012 \$	Restated 2011 \$
Current assets				
Cash		286,050	180,658	454,691
Accounts receivable and prepayments	5	7,175,158	8,556,865	5,928,573
Inventories	7	13,637,295	12,875,212	14,171,108
Taxation recoverable		-	-	1,638
Due from related companies	8	315,130	716,885	313,561
		21,413,633	22,329,620	20,869,571
Asset classified as held for sale	23	400,000	-	-
		21,813,633	22,329,620	20,869,571
Current liabilities				
Bank overdraft	9	4,999,268	3,439,975	3,678,328
Accounts payable and accruals	10	9,479,735	10,436,534	9,518,729
Due to related companies	8	5,056,256	3,063,310	2,515,897
Current portion of long-term liabilities	11	6,101,342	6,519,974	6,544,393
Current portion of loan due to parent company	8	550,000	550,000	-
		26,186,601	24,009,793	22,257,347
Working capital deficiency		(4,372,968)	(1,680,173)	(1,387,776)
Deferred tax asset	6	3,953,884	5,601,798	5,466,127
Long-term investment	12	1	1	1
Property, plant and equipment	13	29,141,763	33,671,243	34,159,319
Pension plan asset	14	4,664,231	4,428,094	4,050,641
Post-employment medical liability	15	(610,295)	(605,328)	(585,131)
Long-term liabilities	11	(3,219,042)	(6,585,867)	(4,143,516)
Loan due to parent company	8	(4,400,000)	(4,950,000)	(2,500,000)
		25,157,574	29,879,768	35,059,665
Equity				
Share capital	16	998,028	998,028	1,006,204
Retained earnings		24,159,546	28,881,740	34,053,461
Total equity		25,157,574	29,879,768	35,059,665

The accompanying notes form part of these financial statements.

Approved by the Board on 28 November 2013 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 2013

	Share capital \$	Retained earnings \$	Total \$
Balance at 31 August 2011 as previously reported	1,006,204	35,215,995	36,222,199
Prior period adjustment (Note 24)	-	(1,162,534)	(1,162,534)
Balance at 31 August 2011 as restated	1,006,204	34,053,461	35,059,665
Total comprehensive loss for the year	-	(4,976,577)	(4,976,577)
Share repurchase (note 16)	(8,176)	(195,144)	(203,320)
Balance at 31 August 2012 as restated	998,028	28,881,740	29,879,768
Balance at 31 August 2012 as previously reported	998,028	30,334,141	31,332,169
Prior period adjustment (Note 24)	-	(1,452,401)	(1,452,401)
Balance at 31 August 2012 as restated	998,028	28,881,740	29,879,768
Total comprehensive loss for the year	-	(4,722,194)	(4,722,194)
Balance at 31 August 2013	998,028	24,159,546	25,157,574

The accompanying notes form part of these financial statements.

BARBADOS DAIRY INDUSTRIES LIMITED

Statement of Cash Flows
Year ended 31 August 2013

	2013 \$	Restated 2012 \$
Cash flows from operating activities		
Loss before taxation	(3,074,280)	(5,110,610)
Adjustments for:		
Depreciation	4,793,834	4,683,244
Loss (gain) on disposal of property, plant and equipment	4,580	(53,542)
Impairment of decommissioned equipment	431,015	-
Interest expense	1,083,030	840,095
Pension plan asset	(236,137)	(377,453)
Post-employment medical liability	4,967	20,197
Operating profit before working capital changes	3,007,009	1,931
Decrease (increase) in accounts receivable and prepayments	1,381,707	(2,628,292)
(Increase) decrease in inventories	(762,083)	1,295,896
Decrease (increase) in due from related companies	401,755	(403,324)
(Decrease) increase in accounts payable and accruals	(956,799)	917,805
Increase in due to related companies	1,992,946	547,413
Cash generated from (used in) operations	5,064,535	(268,571)
Interest paid	(1,083,030)	(840,095)
Net cash from (used in) operating activities	3,981,505	(1,108,666)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	16,843	784,348
Purchase of property, plant and equipment	(1,116,792)	(4,925,974)
Net cash used in investing activities	(1,099,949)	(4,141,626)
Cash flows from financing activities		
(Repayment) proceeds of long-term liabilities	(3,785,457)	2,417,932
(Repayment) proceeds of loan due to parent company	(550,000)	3,000,000
Repurchase of shares	-	(203,320)
Net cash (used in) from financing activities	(4,335,457)	5,214,612
Decrease in cash for the year	(1,453,901)	(35,680)
Cash – beginning of year	(3,259,317)	(3,223,637)
Cash – end of year	(4,713,218)	(3,259,317)
Represented by:		
Cash	286,050	180,658
Bank overdraft	(4,999,268)	(3,439,975)
Cash – end of year	(4,713,218)	(3,259,317)

The accompanying notes form part of these financial statements.

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2013

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 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:

IAS 1 – Presentation of items of Other Comprehensive Income – Amendments to IAS 1 (effective 1 July 2012)

The amendments to IAS 1 introduce a grouping of items presented in Other Comprehensive income (OCI). Items that be reclassified ("recycled") to profit or loss at a future point in time (e.g net loss or gain on available for sale financial assets) have to be separately from items that will not be reclassified (e.g, revaluation of land and buildings). The amendments had no impact on the Company's financial position or performance.

IAS 12 – Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets (effective 1 January 2012)

The amendment clarifies the determination of deferred tax on investment property measured at fair value by introducing a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying value amount will be recovered through sale. Furthermore, the amendment introduces the requirement to calculate deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 to always be measured on the sale basis of the asset. The adoption of this standard had no effect of the financial position or performance of the Company.

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2013

2. Significant accounting policies (cont'd)

b] Changes in accounting policies and disclosures (cont'd) *IAS 16 – Property, plant and equipment (Amendment)*

During the year the Company early adopted the amendment on the classification of servicing equipment, which becomes effective for annual periods beginning on or after 1 January 2013. This amendment clarifies that major spare parts and servicing equipment which meet the definition of property, plant and equipment are not inventory (note 24).

c] Standards issued but not yet effective

Standards and interpretations issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The Company intends to adopt these standards when they become effective. The Company is currently assessing the impact of adopting these standards and interpretations, where applicable, since the impact of adoption depends on the assets held by the Company at the date of adoption. It is not practical to quantify the effect at this time.

- IAS 19 – Employee Benefits (Amendment) (effective 1 January 2013)
- IAS 28 – Investments in Associates and Joint Ventures (effective 1 January 2013)
- IAS 32 – Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014)
- IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36 (effective 1 January 2014)
- IAS 39 – Novation of Derivative and Continuation of Hedge Accounting – Amendments to IAS 39 (effective 1 January 2014)
- IFRS 1 – Government Loans – Amendments to IFRS 1 (effective 1 January 2013)
- IFRS 7 – Disclosures – Offsetting Financial Assets and Financial Liabilities (effective 1 January 2013)
- IFRS 9 – Financial Instruments: Classification and Measurement (Phase 1) (effective 1 January 2015)
- IFRS 10 – Consolidated Financial Statements (effective 1 January 2013)
- IFRS 11 – Joint Arrangements (effective 1 January 2013)
- IFRS 10, IFRS 12 and IAS 27 – Investment Entities (Amendments) (effective 1 January 2014)
- IFRS 12 – Disclosure of Interests in Other Entities (Amendments) (effective 1 January 2013)
- IFRS 13 – Fair Value Measurement (effective 1 January 2013)
- IFRIC 20 – Stripping Costs in the Production Phase of a surface Mine (effective 1 January 2013)
- IFRIC 21 – Levies (effective 1 January 2014)

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2013

2. Significant accounting policies (cont'd)

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

Annual Improvements May 2012 (effective 1 January 2013)

These improvements include:

IAS 1 – Presentation of Financial Statements

IAS 16 – Property, Plant and Equipment

IAS 32 – Financial Instruments, Presentation

IAS 34 – Interim Financial Reporting

IFRS 1 – First-time Adoption of International Financial Reporting Standards

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.

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.

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2013

2. Significant accounting policies (cont'd)

f] Impairment of financial assets (cont'd)

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

g] Inventories

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

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

h] Depreciation

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

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

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

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.

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2013

2. Significant accounting policies (cont'd)

i] Impairment of non-financial assets (cont'd)

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.

k] Pensions

The Company operates a defined benefit plan, the assets of which are held in a separate fund administered by Trustees. The pension plans are funded by payments from the Company taking into account the recommendations of independent qualified actuaries.

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. Actuarial gains and losses are spread forward over the average remaining service lives of employees.

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. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the expected average service lives of the related employees. These obligations are valued by independent qualified actuaries.

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2013

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 2013

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. Assumptions used are disclosed in Notes 14 and 15.

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2013

4. Profit from operations

	2013	Restated
	\$	2012
		\$
Sales	60,530,678	60,545,919
Cost of sales	(57,223,771)	(60,161,165)
	<hr/>	<hr/>
Gross profit	3,306,907	384,754
Other income	263,037	480,289
	<hr/>	<hr/>
Selling, general and administrative expenses	3,569,944	865,043
	(5,130,179)	(5,135,558)
	<hr/>	<hr/>
Loss from operations	(1,560,235)	(4,270,515)
	<hr/> <hr/>	<hr/> <hr/>

Loss from operations is after charging:

	2013	Restated
	\$	2012
		\$
Depreciation (Note 13)	4,793,834	4,683,244
	<hr/>	<hr/>
Staff costs	8,261,332	8,506,957
	<hr/> <hr/>	<hr/> <hr/>

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2013

5. Accounts receivable and prepayments

	2013	2012
	\$	\$
Trade receivables (net)	6,630,003	6,044,628
Other receivables and prepayments	545,155	2,512,237
	<u>7,175,158</u>	<u>8,556,865</u>
	<u><u>7,175,158</u></u>	<u><u>8,556,865</u></u>
	2013	2012
	\$	\$
Gross trade receivables	6,677,778	6,069,453
Provision for doubtful debts	(47,775)	(24,825)
	<u>6,630,003</u>	<u>6,044,628</u>
	<u><u>6,630,003</u></u>	<u><u>6,044,628</u></u>

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

As at 31 August 2013, trade receivables at a nominal value of \$47,775 (2012 - \$24,825) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	Total
	\$
At 31 August 2011	41,166
Charge for the year	21,795
Write-offs	(38,136)
	<u>24,825</u>
At 31 August 2012	24,825
Charge for the year	22,950
Write-offs	-
	<u>47,775</u>
As at 31 August 2013	<u><u>47,775</u></u>

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2013

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 \$
2013	6,630,003	5,974,348	399,661	17,100	-	238,894
2012	6,044,628	5,977,283	37,575	9,475	-	20,295

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 since the Company trades only with recognized credit worthy third parties. With respect other receivables and prepayments no amounts have been provided (2012 - \$46,110 has been provided) for in respect of a non-trade receivable balance.

6. Taxation

	2013 \$	2012 \$
Statement of comprehensive loss		
Deferred tax (recovery) charge for the year	1,647,914	(135,671)
Write-off of corporation tax refundable	-	1,638
	<u>1,647,914</u>	<u>(134,033)</u>

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2013

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:

	2013	2012
	\$	\$
Loss before taxation	(3,074,280)	(5,110,610)
Taxed at the applicable rate of 15% (2012 - 15%)	(461,142)	(766,592)
Depreciation on assets not qualifying for capital allowances	(23,492)	(39,935)
Balancing allowance	(56,099)	(141,161)
Manufacturing allowance	19,542	86,271
Expenses not deductible	1,724	-
Write-off of corporation tax refundable	-	1,638
Over-provision of prior year deferred tax asset	216,940	83,332
Deferred tax asset not recognized	725,753	280,148
Deferred tax asset impaired	1,162,076	308,645
Losses expired	-	7,466
Impairment of decommissioned equipment	64,652	
Other	(2,040)	46,155
	<u>1,647,914</u>	<u>(134,033)</u>
	<u>2013</u>	<u>2012</u>
	\$	\$
Deferred tax asset		
Balance, beginning of year	5,601,798	5,466,127
Deferred tax (charge) credit	(1,647,914)	135,671
Balance, end of year	<u>3,953,884</u>	<u>5,601,798</u>

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2013

6. Taxation (cont'd)

	2013	2012
	\$	\$
Deferred tax asset is made up as follows:		
Pension plan asset	(699,635)	(664,214)
Post-retirement medical liability	91,544	90,799
Unutilized tax losses	3,391,322	4,787,630
Accelerated depreciation for accounting purposes	1,170,643	1,387,583
	<u>3,953,884</u>	<u>5,601,798</u>

Tax losses

The Company has unrelieved tax losses of \$41,982,078 (2012 - \$43,543,563) available to be carried forward and applied against future taxable income. The losses have not been agreed by the Commissioner of Inland Revenue but are not in dispute.

Income Year	Amount \$	Expiry Date
2005	2,004,489	2014
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>41,982,078</u>	

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2013

7. Inventories

	2013	Restated 2012
	\$	\$
Raw materials	8,211,700	8,096,540
Finished goods	5,321,774	4,638,700
Marketing materials	24,030	-
Fuel and factory supplies	79,791	139,972
	<hr/>	<hr/>
	13,637,295	12,875,212
	<hr/> <hr/>	<hr/> <hr/>

The amount of write-down of inventories recognized as an expense is \$550,651 (2012 - \$1,241,207). 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. Repayment of the loan commenced in September 2012 with 120 monthly principal instalments of \$45,833.

	2013	2012
	\$	\$
Loan due to parent company	4,950,000	5,500,000
Less: current portion	(550,000)	(550,000)
	<hr/>	<hr/>
Long-term portion	4,400,000	4,950,000
	<hr/> <hr/>	<hr/> <hr/>

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2013

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

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

	2013	2012
	\$	\$
Sales to a related company	15,238,635	17,208,164
Sales to affiliated companies	44,195,660	42,456,061
Purchases from affiliated companies	8,287,292	15,296,086
Management fees paid to parent company	1,008,000	1,008,000
Rent charged to parent company	280,000	-

Compensation of key management personnel of the Company:

	2013	2012
	\$	\$
Short-term employee benefits	56,417	52,200

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 (2012 – prime plus 1% per year). The rate at year-end was 9.05% (2012 - 9.05%).

10. Accounts payable and accruals

	2013	2012
	\$	\$
Trade payables	6,242,225	7,840,569
Other payables and accruals	3,237,510	2,595,965
	<u>9,479,735</u>	<u>10,436,534</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 2013

11. Long-term liabilities

	2013	2012
	\$	\$
i) FirstCaribbean International Bank	3,520,203	4,377,247
ii) Tetra Pak, S.A.	5,800,181	8,728,594
	<hr/>	<hr/>
	9,320,384	13,105,841
Less: current portion	(6,101,342)	(6,519,974)
	<hr/>	<hr/>
Long-term portion	3,219,042	6,585,867
	<hr/> <hr/>	<hr/> <hr/>

- i) The loan bears an interest rate of 7.05% (2012 - 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 2013, the Company was in breach of one of the covenants of the loan but received a letter from the lender subsequent to year 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 \$2,581,139 (2012 - \$2,581,139). Lease payments due after one year total \$3,219,042 (2012- \$6,147,455).

12. Long-term investment

	2013	2012
	\$	\$
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 2013

13. Property, plant and equipment

	Restated 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	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	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	-	-	434,587
Containers	310,071	124,516	-	-	2,197,930
	<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	26,153,115				21,659,613
Motor vehicles	20,886				-
Furniture, fixtures and equipment	286,482				151,978
Containers	184,435				59,918
Construction-in-progress	-				317,648
	<u>33,671,243</u>				<u>29,141,763</u>

The Company has plant and equipment with a net book value of \$12,742,114 (2012 - \$14,069,621) secured under a finance lease. During the year, machinery with a net book value amounting to \$831,015 was transferred to asset held for sale (note 23).

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2013

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

	Restated At 31 August 2011 \$	Additions \$	Disposals \$	Transfers \$	Restated At 31 August 2012 \$
Cost					
Buildings on leasehold					
land	15,120,110	2,824	-	-	15,122,934
Plant and machinery	43,292,927	4,232,226	(651,127)	683,835	47,557,861
Motor vehicles	590,968	-	(498,682)	-	92,286
Furniture, fixtures and equipment	2,150,880	64,276	-	31,214	2,246,370
Containers	467,533	26,972	-	-	494,505
Construction-in-progress	115,373	599,676	-	(715,049)	-
	61,737,791	4,925,974	(1,149,809)	-	65,513,956
Accumulated depreciation					
Buildings on leasehold					
land	7,611,112	378,698	-	-	7,989,810
Plant and machinery	17,538,319	3,975,704	(109,277)	-	21,404,746
Motor vehicles	348,028	33,098	(309,726)	-	71,400
Furniture, fixtures and equipment	1,920,737	145,949	-	-	2,066,686
Containers	160,276	149,795	-	-	310,071
	27,578,472	4,683,244	(419,003)	-	31,842,713
Net book value					
Buildings on leasehold					
land	7,508,998				7,133,124
Plant and machinery	25,754,608				26,153,115
Motor vehicles	242,940				20,886
Furniture, fixtures and equipment	230,143				179,684
Containers	307,257				184,434
Construction-in-progress	115,373				-
	34,159,319				33,671,243

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2013

14. Pension plan asset

	2013	2012
	\$	\$
Statement of financial position		
Present value of funded obligation	(9,852,402)	(9,918,452)
Fair value of plan assets	14,564,276	14,365,520
	<hr/>	<hr/>
	4,711,874	4,447,068
Unrecognized actuarial gains	(47,643)	(18,974)
	<hr/>	<hr/>
Net asset recognized in the statement of financial position	4,664,231	4,428,094
	<hr/> <hr/>	<hr/> <hr/>
Statement of comprehensive loss		
Current service cost	105,557	106,713
Interest cost	749,295	726,483
Expected return on plan assets	(1,089,895)	(1,163,396)
	<hr/>	<hr/>
Total, included in staff costs	(235,043)	(330,200)
	<hr/> <hr/>	<hr/> <hr/>
Actual return on plan assets	803,479	459,625
	<hr/> <hr/>	<hr/> <hr/>

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2013

14. Pension plan asset (cont'd)

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

	\$
Defined benefit obligation at 1 September 2011	9,631,468
Interest cost	726,483
Current service cost	161,421
Transfers out – liabilities	(56,398)
Benefits paid	(1,262,275)
Actuarial loss on obligation	717,753
	<hr/>
Defined benefit obligation at 31 August 2012	9,918,452
Interest cost	749,295
Current service cost	152,584
Benefits paid	(652,845)
Actuarial gain on obligation	(315,084)
	<hr/>
Defined benefit obligation at 31 August 2013	<u>9,852,402</u>

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

	\$
Fair value of plan assets at 1 September 2011	15,122,607
Expected return	1,163,396
Contributions by employer and employee	101,961
Transfers out – assets	(56,398)
Benefits paid	(1,262,275)
Actuarial loss on plan assets	(703,771)
	<hr/>
Fair value of plan assets at 31 August 2012	14,365,520
Expected return	1,089,895
Contributions by employer and employee	48,121
Benefits paid	(652,845)
Actuarial loss on plan assets	(286,415)
	<hr/>
Fair value of plan assets at 31 August 2013	<u>14,564,276</u>

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2013

14. Pension plan asset (cont'd)

The Company expects to contribute \$1,701 to its defined benefit pension plans in 2014.

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

	2013	2012
	%	%
Bonds	23	22
Mortgages	8	8
Equities	27	25
Mutual funds	15	16
Real estate	22	22
Other	5	7

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.

	2013	2012
	%	%
Principal actuarial assumptions as at 31 August were:		
Discount rate at end of year	7.75	7.75
Expected return on plan assets at end of year	7.75	7.75
Future promotional salary increases	2.00	2.00
Future inflationary salary increase	2.50	3.00
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 2013

14. Pension plan asset (cont'd)

	2013	2012
	\$	\$
Defined benefit obligation	(9,852,402)	(9,918,452)
Plan assets	14,564,276	14,365,520
	<hr/>	<hr/>
Surplus	4,711,874	4,447,068
	<hr/> <hr/>	<hr/> <hr/>
Experience adjustments on plan liabilities	251,987	(618,433)
Experience adjustments on plan assets	(286,415)	(703,771)

15. Post-employment medical liability

	2013	2012
	\$	\$
The amounts recognized in the statement of financial position are as follows:		
Present value of funded obligation	288,908	298,762
Unrecognized actuarial gains	321,387	306,566
	<hr/>	<hr/>
Liability recognized in the statement of financial position	610,295	605,328
	<hr/> <hr/>	<hr/> <hr/>

	2013	2012
	\$	\$
The amounts recognized in the statement of comprehensive loss are as follows:		
Current service cost	10,498	13,125
Interest on obligation	23,531	28,180
Net actuarial gain recognized	(18,421)	(13,888)
Past service costs – vested benefits	618	2,771
	<hr/>	<hr/>
Total, included in staff costs	16,226	30,188
	<hr/> <hr/>	<hr/> <hr/>

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2013

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

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

	2013	2012
	\$	\$
Net liability, beginning of year	605,328	585,131
Net expense recognized in the statement of loss	16,226	30,188
Contributions	(11,259)	(9,991)
	<hr/>	<hr/>
Net liability, end of year	610,295	605,328
	<hr/> <hr/>	<hr/> <hr/>

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

	\$
Obligation at 1 September 2011	344,113
Interest cost	28,180
Current service cost	13,125
Past service costs – vested benefits	2,771
Benefits paid	(9,991)
Actuarial gain on obligation	(79,436)
	<hr/>
Obligation at 31 August 2012	298,762
Interest cost	23,531
Current service cost	10,498
Past service costs – vested benefits	618
Benefits paid	(11,259)
Actuarial gain on obligation	(33,242)
	<hr/>
Obligations at 31 August 2013	288,908
	<hr/> <hr/>

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements

Year ended 31 August 2013

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

	2013	2012
	%	%

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

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 increase in healthcare costs would have the following effects:

	Increase	Decrease
	\$	\$
2013		
Effect on the aggregate current service cost and interest cost	40,809	28,716
Effect on the obligation	334,283	252,126
2012		
Effect on the aggregate current service cost and interest cost	49,596	34,762
Effect on the obligation	347,010	259,781

Post-retirement medical

Defined benefit obligation	288,908	298,762
Experience adjustments on plan liabilities	33,242	79,437

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			
	2013	2012	2013	2012
			\$	\$
Balance, beginning of year	4,691,094	4,729,529	998,028	1,006,204
Repurchased during the year	-	(38,435)	-	(8,176)
Balance, 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 2013

17. Operating lease commitment

The lease expense for the year for motor vehicles was \$40,555 (2012 - \$12,771).

	2013	2012
	\$	\$
Future minimum lease payments under operating leases are as follows:		
Within one year	42,803	42,632
After one year but no more than five years	129,237	106,078
	172,040	148,710
	172,040	148,710

18. Commitments and contingencies

Capital expenditure of \$643,621 (2012 - \$1,039,165) was approved by the Directors and there were no amounts subject to contract in 2013 or 2012.

19. Earnings per share

Earnings per share are based on a net loss of \$4,722,194 (2012 - net loss of \$4,976,577) and a weighted average of 4,691,094 (2012 - 4,710,312) 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 2013

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	2013 Effect on profit before tax \$	2012 Effect on profit before tax \$
+50	71,598	85,210

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 57% (2012 - 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.

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.

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2013

20. Risk management (cont'd)

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

Liquidity risk

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

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

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

Year ended 31 August 2013

	On Demand \$	<1 year \$	1 to 5 years \$	Total \$
Bank overdraft	4,999,268	-	-	4,999,268
Accounts payable	-	6,242,225	-	6,242,225
Due to related companies	-	5,056,056	-	5,056,256
Loan due to parent company	-	550,000	4,400,000	4,950,000
Long-term liabilities	3,520,203	2,652,637	3,310,279	9,483,119

Year ended 31 August 2012

	On Demand \$	<1 year \$	1 to 5 years \$	Total \$
Bank overdraft	3,439,975	-	-	3,439,975
Accounts payable	-	7,840,569	-	7,840,569
Due to related companies	-	3,063,310	-	3,063,310
Loan due to parent company	-	550,000	4,950,000	5,500,000
Long-term liabilities	4,377,247	2,407,937	6,849,324	13,634,508

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2013

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 2013 and 31 August 2012.

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	
	2013	2012	2013	2012
	\$	\$	\$	\$
Financial assets				
Cash	286,050	180,658	286,050	180,658
Accounts receivable	6,630,003	6,044,628	6,630,003	6,044,628
Due from related companies	315,130	716,885	315,130	716,885
Financial liabilities				
Bank overdraft	4,999,268	3,439,975	4,999,268	3,439,975
Accounts payable	6,242,225	7,840,569	6,242,225	7,840,569
Due to related companies	5,056,256	3,063,310	5,056,256	3,063,310
Loan due to parent company	4,950,000	5,500,000	4,950,000	5,500,000
Long-term liabilities	9,320,384	13,105,841	9,320,384	13,105,841

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 assets and liabilities
Loans receivable and long-term liabilities are at variable rates and consequently their fair values approximate their carrying values.

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements
Year ended 31 August 2013

23. Asset classified as held for sale

During the year, the Company decided to decommission and dispose of certain packaging equipment with a net book value of \$831,015. The sale of this equipment is expected to be completed within twelve months after year end. An impairment loss amounting to \$431,015 has been recognised in the statement of comprehensive loss.

24. Prior period adjustment

During the year the Company early adopted an amendment to IAS 16 – Property, Plant and Equipment, which becomes effective for accounting periods beginning on or after 1 January 2013, and as a result, implemented the policy of classifying spare parts as property, plant and equipment. This change has been accounted for retrospectively and the comparative statements for 2011 and 2012 have been restated to conform to the changed policy.

Consequently, as of 31 August 2011, property, plant and equipment increased by \$1,707,154 while retained earnings and inventory decreased by \$1,162,534 and \$2,869,688 respectively. As of 31 August 2012, property, plant and equipment increased by \$1,446,265 while retained earnings and inventory decreased by \$1,452,401 and \$2,898,666 respectively. Net income for the year ended 31 August 2012 decreased by \$289,867.

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 Forty-Ninth (49th) 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 **Monday 13 January 2014 at 10.00 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 Thursday 9 January 2014** being two (2) business days preceding the day of the meeting, or any adjournment thereof.

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

BARBADOS DAIRY INDUSTRIES LIMITED
MANAGEMENT PROXY CIRCULAR (cont'd)

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. In accordance with the Companies Act, the statutory record date applies. Only shareholders on record at the close of business on the day immediately preceding the day on which notice is given under Section 109(1) of the Companies Act 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 three (3). 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. Geoffrey Peter Marshall	Corporate Executive
Mr. Paul Devere Davis	Farmer
Mr. Dan Bryan Stoute	Retired Corporate Executive

BARBADOS DAIRY INDUSTRIES LIMITED
MANAGEMENT PROXY CIRCULAR (cont'd)

With respect to the three (3) 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. The 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 Geoffrey Peter Marshall, Mr Paul Devere Davis and Mr Dan Bryan Stoute are presently Directors of the Company and will retire at the close of the Forty-Ninth 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. They were elected at the Forty-Sixth Annual General Meeting of the Company held on Monday 14 February 2011 for a period ending at the close of the third Annual General Meeting after their election.

Appointment of Auditors

It is proposed to nominate the firm Ernst & Young, the incumbent auditors of the accounts of the Company, as auditors of the Company to hold office until the next annual meeting of shareholders. In accordance with Section 11 (2) of the *Financial Services Commission Act, 2010 – 21*, the approval of the Financial Services Commission has been sought for this appointment. There is no standing Audit Committee of the Board. However, all matters normally reviewed by such a Committee are reviewed by the full complement of Directors as a matter of course. This may be reviewed during the coming year.

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 11 of this Report.

**BARBADOS DAIRY INDUSTRIES LIMITED
MANAGEMENT PROXY CIRCULAR (cont'd)**

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 Forty-Ninth (49th) 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 13 January 2014** 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.

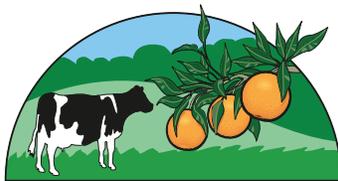
Dated this day of , 201.....

.....
(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 9 January 2014.**



BARBADOS DAIRY INDUSTRIES LIMITED

A MEMBER OF THE BANKS HOLDINGS (BHL) GROUP

P.O. Box 56B, The Pine, St. Michael,
BB14000, Barbados, West Indies
www.thebhlgroup.com