



**PINEHILL**  
**2008**

ANNUAL REPORT



# contents

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## Our Mission:

To manufacture and market high quality foods that consistently meet and exceed our customers' expectations while improving value for shareholders, ensuring the well-being of employees and being a responsible corporate citizen.



# Barbados Dairy Industries Limited

## DIRECTORS

Sir Allan Fields, K.C.M.G.  
*Chairman*

C. E. Gibson  
*Managing Director*

E.R. Cumberbatch

P.D. Davis

N. McD. Brewster

C.R. Cozier

D.B. Stoute

## SECRETARY

N.M. Brace  
*Attorney-at-Law*

## REGISTERED OFFICE

Pine, St. Michael

## AUDITORS

Ernst & Young  
Chartered Accountants

## ATTORNEY

Patterson Cheltenham, Q.C.

## BANKERS

First Caribbean International Bank

## Notice of Annual Meeting

Notice is hereby given that the Forty-third Annual General Meeting of the shareholders of Barbados Dairy Industries Limited will be held at: **PINE HILL DAIRY, ST. MICHAEL**, on **WEDNESDAY, 23RD JANUARY, 2008, AT 10:30 A.M. for the following purposes:**

1. To receive and consider the Statement of Income, Changes in Equity, the Balance Sheet and the reports of the Directors and of the Auditors with respect to the year ended August 31, 2007.
2. To elect Directors.
3. To appoint Auditors for the ensuing year.
4. To transact any other business which may be transacted at an annual meeting.

*Natalie Brace*

By order of the Board  
N.M. Brace  
Secretary

December 04, 2007

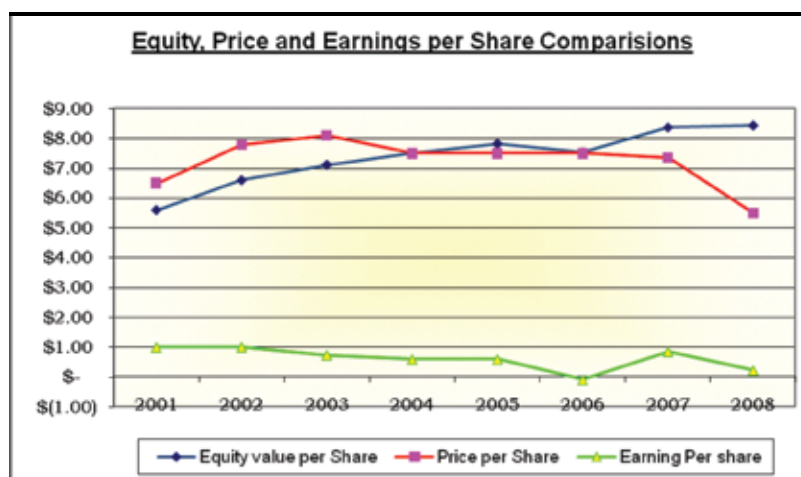
The notes to the enclosed proxy forms are incorporated in this notice.

## Chairman's Statement

It is a privilege to report on behalf of our Board, for the financial year ending 31st August 2008. The current global economic condition is our immediate concern as it will present many challenges in achieving continued growth for our Company. Our ability to continue to invest will very much depend on the consumption trends of our consumers. Our proven track record over the past decade, where emphasis has always been placed on continuous improvements, along with timely intervention and ensuring that we produce products of the highest quality, will serve us well and will allow us to prevail in these testing times.

Financially, the year ended with an after tax profit of \$1,022,239 compared to \$4,411,337 for the previous year. Changes in the allowable asset rate for the purposes of income tax calculation from 25% to 15% effective January 2008, resulted in a \$2,241,850 tax loss. Profit before tax was up on last year, finishing at \$3,264,089. This was achieved as a result of improved plant efficiencies during the year allowing for growth in sales of \$7,417,927 or 12%. Conversely, world market trends resulted in sizable increases in the cost of key ingredients and supplies. These increases drove our cost of sales up resulting in a lower net margin, as we were unable to recover the full cost through price increases of our finished products. There are signs that prices are softening and the current financial year should benefit from lower prices, especially in the latter half of the year.

Our after tax Earnings Per Share (EPS) declined from \$0.86 to \$0.22 per share. Before tax our EPS is \$0.69. Our working capital finished at \$13,244,317, which is an increase of \$3,618,230 or 38%. Our debt to equity ratio along with our other economic indicators, are all satisfactory, which allowed our Directors to declare a dividend of 15 cents per share, the same as last year.





The Barbados economy has been performing below expectations during 2008, recording the slowest rate of growth in real GDP since 2003. Managing in the current unfolding global economic crisis and the threat it poses to the social stability and the continued advancement of the Barbadian and regional economies will require changes in the way that we do business. We will have to undertake a thorough examination of our operations so as to achieve higher levels of

efficiencies. Such actions are necessary if we are to weather the current economic crisis and emerge as a competitive player in the region.

Our company has in the past demonstrated the ability to survive difficult economic downturns but neither the trajectory nor the cure of the unfolding crisis is clear. Therefore, I wish to assure you that quick and decisive action is being taken to ensure that our operations are functioning at their optimum. I am confident of the ability of our team entrusted with managing our operations and I am also confident that we will again come through this current economic downturn successfully.

Our restructuring programmes as we centralised activities within the BHL group is almost complete, with centralised procurement due to be implemented in January 2009. The benefits will be seen during the second half of this financial year and we expect that within a year the leverage, which will result will allow us drive our cost down and assist us in weathering out these challenging times.

During the year, the supply of fresh milk supplied by the dairy farmers was similar to last year. The anticipated increase in supply has not materialised as yet and as a result there continues to be seasonal shortages at the start of the winter tourist season. The price of powdered milk on the world market has moderated in recent months, as supply exceeded demand. There is anticipation that the leading dairy producing countries will again reduce their output and that within a year or so, the price will once more increase. We would like to see our local farmers take advantage of this opportunity to grow the local dairy industry as we are confident that we can market and sell all their output regionally.



Our quality management systems remain a priority for us and in April 2008, both our UHT and HTST plants retained their HACCP accreditation from Medina Quality Management Services, with excellent scores of 96% and 94% respectively. Employee training and development was also high on our agenda as several of our employees attended and were successful in completing training in Quality Assurance, Information Technology, Production Management as well specialised technical training.

Mr. Edward Cumberbatch resigned as a Director in July 2008, after many years of dedicated services. On behalf of Board of Directors and Management of Barbados Dairy Industries Ltd., I wish to thank him sincerely for his years of loyal service and to wish him well for the future.

I would also like to express my gratitude to you, the shareholders and to thank my fellow directors, the management and staff for their commitment and dedication, during the year. I must emphasise that the way we manage our business will be tested during the remainder of this financial year and we need to be extremely prudent. On behalf of the Board of Directors, I wish to thank our shareholders, for their continued loyalty and assure them that our Company is well positioned to survive the current economic challenges.



Sir Allan C. Fields KCMG  
Chairman

December 16th. 2008.

## Managing Director's Statement

### 1. FINANCIAL SUMMARY

The year under review was an extremely challenging one due to substantial increases in the price of critical supplies such as powdered milk, concentrate and energy. This, coupled with shortages as demand exceeded supply, made it difficult to control cost of sales as well as to plan production effectively. In the case of milk powder the increase was as much as 120% and in the case of energy over 100%. As a result, our cost of sales increased significantly, which forced us to implement two price increases to the cost of our finished goods, in our efforts to sustain a reasonable level of profitability.

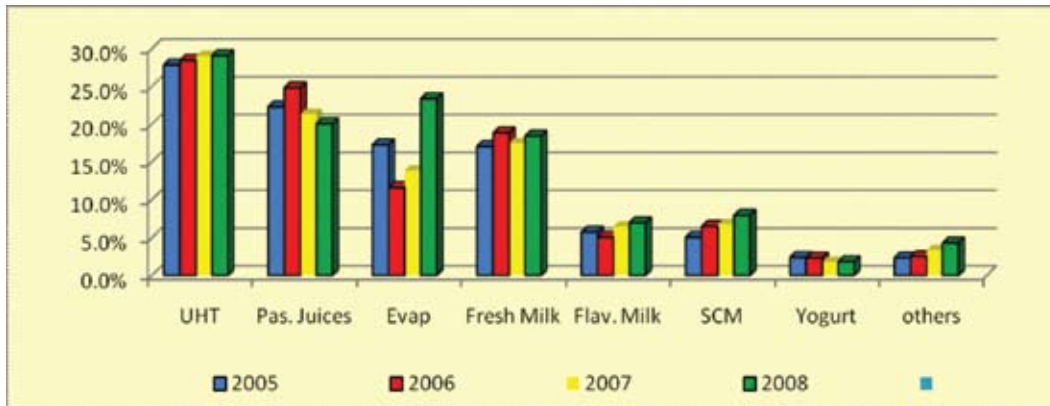
We succeeded in finishing the year with an after tax profit of \$1,022,239. This is a decline in profit of 77% when compared to \$4,411,337 for the previous year. \$2,241,850 of this difference is due to an Income Tax loss that resulted from a change in the allowable asset rate for tax purposes from 25% to 15%. Our profit before tax finished at \$3,264,089 and is up on last year by \$929,634 or 40%. Our sales increased by \$7.4 million or 12%, while our net margin before tax finished at 5% compared to a budgeted figure of 9%. Increases in the cost of inputs coupled with sales that fell short of budget by \$5 million dollars are responsible for the lower than budgeted net margin.

The increases in the price of our finished goods could not be implemented at the required level to sustain the required net margin, because the impact on the local cost of living and the potential loss of sales had to be taken into consideration. As a result, margin erosion occurred but I am pleased to report that our strategy delivered the desired results as the demand for our products remain strong and our sales volumes have been generally sustained across all product groups.

Prudent management of expenses, coupled with effective internal cost controls allowed us keep all other indirect and administrative cost under control. The price of inputs are showing signs of softening, especially the cost of energy. This, along with similar controls over our expenses will allow us to deliver an improved performance for this financial year.

### 2. SALES SUMMARY:

Cumulative Sales at the end of August 2008 finished at \$68,877,975 compared to \$60,461,047 at the end of August 2007. This is an increase of \$7,417,927 or 12%. Price increases of our finished products, accounted for the majority of this increase. However, solid unit/case sales of Evaporated Milk, UHT juices, Sweetened Condensed Milk, coupled with strong exports also contributed to the improved performance. Figure 1 below shows our sales as a percentage of gross sales.



### Sales high-lights and low-lights

Our category of UHT shelf stable juices and milk products faced the greatest competition during the year, with several new brands entering the market. This group of products accounted for 29% of our sales, with our one litre range growing by 12.5%, finishing at 194,155 cases versus 172,588 for the previous year. The 250ml group fell by 13.19% finishing at 562,378 cases versus 647,846 cases in 2007.

The increase of the one litre line was seen in both the export and the local sales. This is an encouraging sign as it shows that the consumers have accepted the taste profile of our UHT ambient juices, which are more easily distributed and presents significant opportunities for continued growth. The decline of the 250ml is due partly to the introduction of our coolers in 500ml PET bottles as well several new entries into the local market of the portion pack sizes.

Evaporated Milk sales finished the year at \$14,220,759 to record an impressive growth of 69%. Substantial price increases in the cost of milk powder necessitated two price increases, which accounted for the majority of the increase in dollar sales. However, there was also volume growth of 23%. The demand continues to be strong especially in the one litre product size.

Chilled pasteurized white milks grew by 11%, while pasteurized flavoured milks grew by 8%. These dollar values increases are also a result of price increases. Towards the end of the year, the Barbados Dairy and Beef Farmers Association increased the price of their farm gate raw milk by 15% and this was passed on to the consumer.

There were marginal declines in volumes, with white milk recording a 1% volume decline and flavoured milk a 0.5%. These reduced volumes are directly due to a small decline in the quantities of fresh milk supplied by the local dairy farmers. Plans to remove the VAT from flavoured milks appear as though it will finally happen. We have been advised by the Ministry of Finance that the VAT will be removed from Flavoured milks. We await notification of the effective date. This should be beneficial as it will increase the sales of flavoured milk.

Sweetened Condensed Milk recorded increased sales and now accounts for 8% of our total sales, up from 5% last year. This increase is directly from a price increase as the number of cases sold, remained the same as last year. During the year we were successful in our lobbying efforts to get the 20% duty and environmental levy removed from this item, which assisted greatly in keeping the price at a level that remains affordable to the lower income groups in our society.



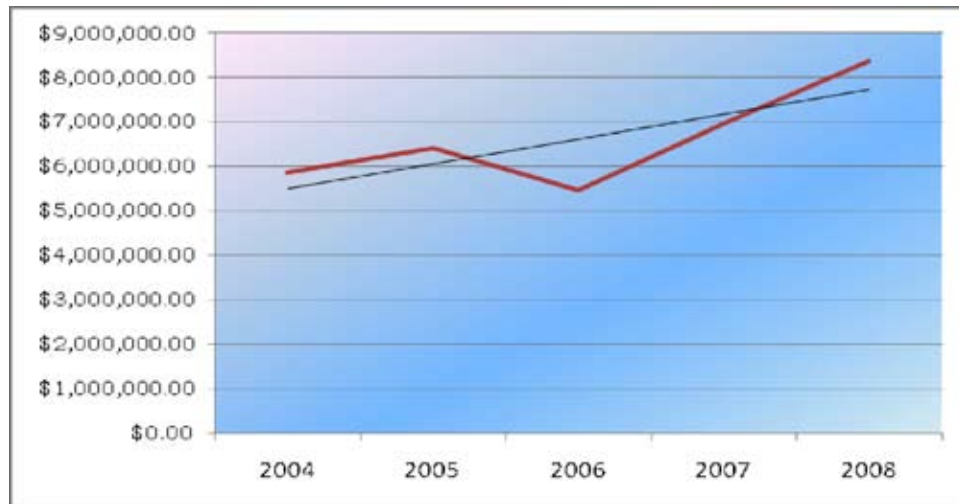
Yogurt sales grew by 3.1% again due mainly to a modest price increase in May 2008. With the new processing plant now fully commissioned and the quality of the finished product being consistent, we will be seeking to grow our export as well as to increasing our share of the local market through more aggressive marketing promotions.

Chilled pasteurized juice sales fell by 487,562 litres. This is the third consecutive year that sales have declined. We have evaluated these declines and results show that consumers are choosing UHT shelf stables products over the chilled products.

This applies to both our range of products as well as the growing range of imported ones. We will be monitoring this situation very closely and we will make the necessary process changes once we are certain that the timing is right to convert our chilled juice products to ambient or UHT long life aseptic products. If and when this is done, it will reduce our number of SKUs significantly and lead to a condensed and significantly more efficient plant.

#### Export Sales

Revenue recorded from export sales for the financial year September 2007 to August 2008 was BDS\$ 8,383,365.61 when compared to the previous year's earnings of BDS\$ 7,379,340.41. This represents an increase of \$ 1,004,025.20 or 13.61%. The following table shows the details.



#### Export Sales Trend

We enjoyed a relatively good export year and we believe that this can be improved upon given the strong demand for the Pine Hill Brand in most of our export markets. This year we have provided additional finance for a variety of advertising and promotional programmes, which will allow us to capitalize on our export opportunities.

#### PROJECT STATUS

This year, our capital expenditure totaled \$3,036,524 and consisted of three major capital projects. They were:

##### Miteco Continue Blending System

Since installation and commissioning in October 2007, this equipment has performed well with no major challenges. The major benefit is higher production yields, which have increased from between 92% to 94% to greater than 97%. More efficient mixing has been another benefit. We can now mix twice as much volume in the same time. The final installation cost finished at \$ 904,997

##### The Tetra ALCIP 100

This Automatic Local Cleaning In Place or sanitizing equipment has two pressure circuits which allow us to clean the UHT plant quicker and more consistently, giving us more time for actual production

of product. The effectiveness of the cleaning and sanitizing is now very reliable and has allowed our production staff to be confident of the process, eliminating the need for QA to carry out manual checks prior to starting production. The final installation cost was \$ 687,736.

#### Invensys APV Yogurt plant

This new plant was designed to deliver consistent processing parameters allowing for a repeated quality finished product. It has met this objective and has been working very reliably since commissioning in May 2008. We are evaluating new ingredients, which will reduce the processing time while improving the quality even further. Our next challenge is to rebrand our two lines of yogurt, focusing on improving the quality of the packing (cup), and enhanced graphics. We expect to accomplish this during Q2 of this financial year. A sum of \$1,445,272 was invested so that we can be competitive both in quantity and quality in this growing segment of the market.

#### Human Resources

BDIL continues to invest in its human resources by participating in a wide variety of training. During the year, special training courses relating to process engineering, integrated technology communications and management training were conducted along with our annual in-house Good Manufacturing Practices training for all employees. This training and sometimes re-training is essential and has started to show positive results as plant efficiencies are improving. Mr. Lennox Vaughan joined our team as Human Resources Officer in Q1 of the current financial year and his experience and competence will further enhance our achievements in this area. We must sustain our training efforts, even in these very tough economic times, if we are to accomplish our goal of achieving world class status.

After 37 years of loyal and dedicated service, Mr. Atland Daniel, our local Sales Manager will be leaving us. We thank him for his support and dedication to the Pinehill brand of products, which he assisted in growing to the level that they are now strongly recognized both locally and regionally. On behalf of our Board of Directors, fellow managers and employees, we wish him well and trust that his retirement will be a healthy and enjoyable one.

#### Product Development

In 2007 we launched five flavours of our Coolers in 500ml PET bottles and in November the same year, the same five flavours were launched in the 250ml Tetra Pak cartons. Initially, sales surpassed our budgeted numbers but have since settled to respective numbers and have contributed to our profit-

ability. Exports of the 500ml PET and 205ml Tetra started towards the end of the financial year and we expect that this new product group will contribute to our export sales growth.

### Quality Programmes

Our HTST and UHT plants retained their HACCP accreditation from Medina Quality Management Systems in April 2008 with the UHT plant receiving a gold accreditation with a score of 95 out of 100 and the HTST plant just missing gold. Quality, as expected, remains high on our agenda and our quality programs are focused at delivering continuous improvement to our operations. High quality inputs are essential to our operations and we are constantly evaluating our suppliers to ensure that all ingredients and packages that we receive are within specifications. This year the quality of raw milk from our local dairy farms was inconsistent causing us many challenges. This needs to be addressed. It was expected that matters such as this we be dealt with by the proposed Dairy Board, when it was established. It is concerning that for over a year we have heard nothing from the relevant ministries regarding the Dairy Board and it leaves the job of controlling the quality of raw milk solely up to Pinehill, which is not our primary role as a manufacturer.



### CONCLUSION

Once more, I would like to thank our employees for their continued support during the year. Our overall performance has improved as a result of an all round team effort. I also extend thanks to the staff of our member companies for their support during the year as we strive to centralise our operations within the BHL Group. In closing, I would like to wish our employees, their immediate families as well as all our stakeholders a healthy and prosperous New Year.

CLYDE E. GIBSON  
Managing Director

November 17, 2008

## Directors' Report

1. The Directors present their annual report and the audited consolidated financial statements for the year ended August 31, 2008.

	\$
2. The consolidated net income for the year was	1,022,239
To which is added the retained earnings brought forward of	38,544,290
Giving retained earnings available for appropriation of	<u>39,566,529</u>
Less dividend paid (15¢ per share)	(709,429)
Giving retained earnings available for appropriation of	<u><u>38,857,100</u></u>

3. Subsequent to year-end, a dividend of 15¢ per share in respect of 2008 was approved by the Directors. This dividend will be accounted for as an appropriation of retained earnings in the year ending 2008.
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:  
 E.R. Cumberbatch, P. D. Davis and D.B. Stoute.
5. At August 31, 2008 and November 20, 2008 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	
	31.08.08	20.11.08
Banks Holdings Limited	3,960,667 (83.74%)	3,960,667 (83.74%)

6. The retiring auditors, Ernst & Young, Chartered Accountants, offer themselves for re-appointment.

BY ORDER OF THE BOARD

*Natalie Brace*

N.M. Brace  
 Secretary  
 December 04, 2007



## Auditors' Report

We have audited the accompanying consolidated financial statements of Barbados Dairy Industries Limited which comprise the consolidated balance sheet as of August 31, 2008 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

### 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors' Responsibility

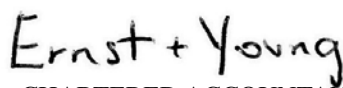
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 auditor's judgement, 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 consolidated financial statements present fairly, in all material respects, the financial position of Barbados Dairy Industries Limited as of August 31, 2008 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

  
CHARTERED ACCOUNTANTS  
November 20, 2008  
Barbados

**BARBADOS DAIRY INDUSTRIES LIMITED**

Consolidated Income Statement  
 Year ended August 31, 2008

	Notes	2008 \$	2007 \$
Sales		67,877,975	60,461,047
<b>Profit (loss) from operations before undernoted items</b>	4	<u>3,534,362</u>	<u>2,713,846</u>
Interest income		12,226	3,805
Interest expense		(282,499)	(383,196)
<b>Income (loss) before taxation</b>		<u>3,264,089</u>	<u>2,334,455</u>
Taxation	6	(2,241,850)	2,076,882
<b>Net income (loss) for the year</b>		<u>1,022,239</u>	<u>4,411,337</u>
Earnings per share	20	<u>\$0.20</u>	<u>\$0.93</u>

The accompanying notes form part of these financial statements.

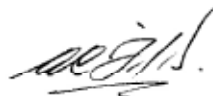

**BARBADOS DAIRY INDUSTRIES LIMITED**

Consolidated Balance Sheet  
 As of August 31, 2007

	Notes	2008 \$	2007 \$
<b>Current assets</b>			
Cash		840,508	154,048
Trade and other receivables	5	5,164,567	6,850,745
Prepaid expenses		76,997	100,083
Corporation tax refundable		-	22,729
Inventories	7	15,412,587	12,928,585
Current portion of loans receivable	8	57,818	87,189
Due from related companies	9	2,839,334	758,084
		24,391,811	20,901,463
<b>Current liabilities</b>			
Bank overdraft	10	367,276	1,987,871
Accounts payable and accrued expenses	11	6,589,275	6,047,361
Due to related companies	9	2,899,567	2,042,308
Current portion of long-term liabilities	12	1,291,378	1,197,838
		11,147,496	11,275,378
<b>Working capital</b>			
		13,244,315	9,626,085
Deferred taxation	6	3,614,847	5,856,697
Loans receivable	8	42,360	100,149
Long-term investments	13	1	1
<b>Property, plant and equipment</b>	14	23,704,992	24,334,949
Pension plan	15	2,716,202	2,026,274
Post-retirement medical liability	16	(407,597)	(336,669)
Long-term liabilities	12	(3,051,816)	(2,056,992)
		39,863,304	39,550,494

The accompanying notes form part of these financial statements.

Approved by the Board of Directors on December 4, 2007 and signed on its behalf by:


  
 .....Chairman .....Director

**BARBADOS DAIRY INDUSTRIES LIMITED**

Consolidated Statement of Changes in Equity  
 Year ended August 31, 2007

**BARBADOS DAIRY INDUSTRIES LIMITED**

Consolidated Statement of Changes in Equity  
 Year ended August 31, 2008

	Share capital \$	Retained earnings \$	Total \$
Balance at August 31, 2006, as previously stated	1,006,204	34,589,603	35,595,807
Prior period adjustment (Note 22)	-	(220,174)	(220,174)
Balance at August 31, 2006, as restated	1,006,204	34,369,429	35,375,633
Net income for the year	-	4,411,337	4,411,337
Ordinary dividend paid (5¢ per share)	-	(236,476)	(236,476)
<b>Balance at August 31, 2006</b>	1,006,204	34,589,603	35,595,807
Net income for the year	-	4,051,559	4,051,559
Ordinary dividend paid (5¢ per share)	-	(236,476)	(236,476)
Balance at August 31, 2007, as restated	1,006,204	38,544,290	39,550,494
Balance at August 31, 2007, as previously stated	1,006,204	38,404,686	39,410,890
Prior period adjustments (Note 22)	-	139,604	139,604
Balance at August 31, 2007, as restated	1,006,204	38,544,290	39,550,494
Net income for the year	-	1,022,239	1,022,239
Ordinary dividend paid (15¢ per share)	-	(709,429)	(709,429)
Balance at August 31, 2008	1,006,204	38,857,100	39,863,304

The accompanying notes form part of these financial statements.

**BARBADOS DAIRY INDUSTRIES LIMITED**

Consolidated Statement of Cash Flows  
 Year ended August 31, 2007

	<b>2007</b>	<b>2006</b>
	\$	\$
Cash flows from operating activities		
Income before taxation	3,264,089	2,334,455
Adjustments for:		
Depreciation	3,564,689	3,264,724
Loss on disposal of property, plant and equipment	6,547	35,771
Gain on disposal of non-current asset held for sale	-	(86,153)
Interest income	(12,226)	(3,805)
Interest expense	282,499	383,196
Pension benefits	(689,928)	(549,412)
Post-retirement medical expense	70,928	43,103
Operating profit before working capital changes	6,486,598	5,421,879
Decrease (increase) in accounts receivable	1,686,178	(4,330,157)
Decrease (increase) in prepaid expenses	23,086	(40,083)
(Increase) decrease in inventories	(2,484,002)	1,077,450
Increase in due from related companies	(2,081,250)	(251,352)
Increase in accounts payable and accrued expenses	541,914	851,706
Decrease in corporation tax refundable	22,729	-
Increase in due to related companies	857,259	1,128,417
Cash generated from operations	5,052,512	3,857,860
Interest paid	(282,499)	(383,196)
Interest received	12,226	3,805
Net cash from operating activities	4,782,239	3,478,469
<b>Cash flows from investing activities</b>		
<b>Proceeds from disposal of property, plant and equipment</b>	<b>95,245</b>	<b>-</b>
<b>Purchase of property, plant and equipment</b>	<b>(3,036,524)</b>	<b>(5,388,070)</b>
<b>Decrease in loans receivable</b>	<b>87,160</b>	<b>133,675</b>
Proceeds on disposal of non-current asset held for sale	-	509,687
Net cash used in investing activities	(2,854,119)	(4,744,708)
Cash flows from financing activities		
Net proceeds from long-term liabilities	1,088,364	611,105
Dividends paid	(709,429)	(236,476)
Net cash from financing activities	378,935	374,629
Increase (decrease) in bank overdraft less cash	2,307,055	(891,610)
Bank overdraft less cash – beginning of year	(1,833,823)	(942,213)
Bank overdraft less cash – end of year	473,232	(1,833,823)

The accompanying notes form part of these financial statements.

**BARBADOS DAIRY INDUSTRIES LIMITED**

Notes to the Consolidated Financial Statements  
 Year ended August 31, 2008

1. Incorporation, ownership and principal place of business

The Company and its subsidiary are incorporated in Barbados.

The Company is a subsidiary of Banks Holdings Limited, a company incorporated under the Laws of Barbados.

The principal activity of the Company during the year was the manufacture, 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 consolidated financial statements have been prepared on a historical cost basis, modified by the revaluation of long-term investments. No account is taken of the effects of inflation.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The accounting policies adopted are consistent with those of the previous year except that the Company has adopted the following new and revised IFRS and IFRIC (International Financial Reporting Interpretations Committee) interpretations that are mandatory for annual accounting periods beginning on or after January 1, 2007 and which are relevant to the Company's operations.

Adoption of these new/revised standards and interpretations did not have any effect on the financial performance or position of the Company; however they gave rise to additional disclosures.

IFRS 7	Financial instruments: Disclosures
IAS 1	Presentation of Financial Statements
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment
IFRS 7	Financial Instruments Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Company's financial instruments and the nature and extent of risks arising from those financial instruments. While there has been no effect on the financial position or results, comparative information has been revised where required. The new disclosures are included throughout these statements but mainly in Note 23.

IAS 1 – Presentation of Financial Instruments

This amendment requires the Company to make new disclosures to enable users of the financial statements to evaluate the Company's objectives, policies and processes for managing capital. These new disclosures are shown in Note 24.

#### IFRIC 8 – Scope of IFRS 2

This interpretation requires IFRS 2 to be applied to any arrangements in which the Company cannot identify specifically some or all of the goods received, in particular where equity instruments are issued for consideration which appears to be less than fair value. This interpretation had no impact on the Company.

#### IFRIC 9 – Reassessment of Embedded Derivatives

This interpretation establishes that the date to assess the existence of an embedded derivative is the date on which an entity first becomes party to the contract, with reassessment only if there is a change that significantly modifies the cash flows. This interpretation had no impact on the Company.

#### IFRIC 10 – Interim Financial Reporting and Impairment

This interpretation requires that the Company must not reverse an impairment loss recognized in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. This interpretation had no impact on the Company.

#### Standards issued but not yet effective

The Company has not early adopted the following new and revised IFRS's and IFRIC interpretations that have been published and are mandatory for the Company's accounting period beginning on or after January 1, 2008 or later.

#### IFRIC11 – Group and Treasury Transactions

IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving Group entities (for example, options over a Parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the Parent and Group companies. This interpretation had no impact on the Company.

The Company has not early adopted the following new and revised IFRS's and IFRIC interpretations that have been published but are not yet effective.

#### IFRIC 12 – Service Concession Arrangements

IFRIC Interpretations 12 was issued in November 2006 and becomes effective for annual periods beginning on or after 1 January 2008. This interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. This interpretation will have no impact on the Company.

#### IFRIC 13 – Customer Loyalty Programmes

This interpretation was issued in June 2007 and becomes effective for annual periods beginning on or after 1 July 2008. The interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. This interpretation will have no impact on the Company.

#### IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

This interpretation was issued in July 2007 and becomes effective for annual periods beginning on or after 1 January 2008. This interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under IAS 19 Employee Benefits. The impact of this interpretation is being assessed by management.

#### IAS 1(Revised) – Presentation of Financial Statements

IAS 1 (Revised) was issued in September 2007 and becomes effective for financial years beginning January 1, 2009. The standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of income and expenses recognized in the income statement together with all other items of recognized income and expense, either in one single statement, or in two linked statements.

#### IAS 3R – Business Combinations and IAS 27R Consolidated and Separate Financial Statements

The revised standards were issued in January 2008 and become effective for financial years beginning on or after July 1, 2009. IFRS 3R introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by IFRS 3R and IAS 27R must be applied prospectively and will affect future transactions with minority interests.

#### IAS 23 – Borrowing Costs

A revised IAS 23 was issued in March 2007, and becomes effective for financial years beginning on or after 1 January 2009. The standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the standard, the Company will adopt this as a prospective change. Accordingly, borrowing costs will be capitalized on qualifying assets with a commencement date after 1 January 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

#### Amendments to IAS 32 and IAS 1- Puttable Financial Instruments

Amendments to IAS 32 and IAS 1 were issued in February 2008 and become effective for annual periods beginning on or after January 1, 2009. The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria's are met. The amendment to IAS 1 requires disclosure of certain information relating to puttable instruments classified as equity. The Company does not expect these amendments to impact the financial statements.

#### IFRS 2 Share-Based Payments – Vesting Conditions and Cancellations

This amendment to IFRS 2 Share-based payments was published in January 2008 and becomes effective for financial years beginning on or after January 1, 2009. The Standard restricts the definition of “vesting condition” to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The Company does not expect this standard to impact the financial statements.

#### IFRS 8 – Operating Segments

This standard is effective for accounting period beginning on or after January 1, 2009. It replaces the existing IAS 14: “Segment Reporting”, and requires a “management approach” for segment reporting. The Company does not expect this standard to impact the financial statements.



b] Principles of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary. The financial statements of its wholly-owned subsidiary, Pine Hill Marketing Limited are prepared for the same reporting year as the parent company, using consistent accounting policies. All intercompany balances and transactions, including unrealized profits from intra-group transactions have been eliminated in full. The subsidiary is fully consolidated from the date of acquisition, being the date on which the Company obtains control and continue to be consolidated until the date that such control ceases.

c] 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. Interest income is recognized on an accrual basis.

d] Currency

These financial statements are expressed in Barbados dollars. Monetary assets and liabilities denominated in currencies other than Barbados dollars are translated at the rate of exchange ruling at the balance sheet 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.

e] Impairment of financial assets

The Company assesses at each balance sheet 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.

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 invoice. The carrying amount of loans and receivables is reduced through use of an allowance account.

f] 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.

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

g] Depreciation

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

Depreciation of other fixed assets 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:

Motor vehicles	-	5 years
Plant and machinery	-	10 and 15 years
Furniture, fittings and equipment	-	10 years
Computer equipment	-	4 years
Containers	-	5 years

h] Impairment of other non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

i] 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.

j] Pensions

The Company operates a number of defined benefit plans, the assets of which are held in a separate fund administered by Trustees. The pension plans are funded by payments from the relevant Group companies 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 income statement 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 income in the year to which they relate.

The Company also provides post-retirement 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.

k] Long-term investment

The Company's investment, which has been classified as at 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 income.

l] 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.

m] 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 against income.

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 other 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.

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.

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.

#### 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.

The Company has not early adopted the following new and revised IFRS's and IFRIC interpretations that have been published but are not yet effective.

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IFRIC Interpretations 12 was issued in November 2006 and becomes effective for annual periods beginning on or after 1 January 2008. This Interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. This interpretation will have no impact on the Company.

#### IFRIC 13 – Customer Loyalty Programmes

This Interpretation 13 was issued in June 2007 and becomes effective for annual periods beginning on or after 1 July 2008. The Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. This interpretation will have no impact on the Company.

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IFRIC Interpretation was issued in July 2007 and becomes effective for annual periods beginning on or after 1 January 2008. This Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under IAS 19 Employee Benefits. The impact of this interpretation is being assessed by management.

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The revised standards were issued in January 2008 and become effective for financial years beginning on or after July 1, 2009. IFRS 3R introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by IFRS 3R and IAS 27R must be applied prospectively and will affect future transactions with minority interests.

#### IAS 23 – Borrowing Costs

A revised IAS 23 was issued in March 2007, and becomes effective for financial years beginning on or

after 1 January 2009. The standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the standard, the Group will adopt this as a prospective change. Accordingly, borrowing costs will be capitalized on qualifying assets with a commencement date after 1 January 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

#### Amendments to IAS 32 and IAS 1- Puttable Financial Instruments

Amendments to IAS 32 and IAS 1 were issued in February 2008 and becomes effective for annual periods beginning on or after January 1, 2009. The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria's are met. The amendment to IAS 1 requires disclosure of certain information relating to puttable instruments classified as equity. The Company does not expect these amendments to impact the financial statements.

#### IFRS 2 Share-Based Payments – Vesting Conditions and Cancellations

This amendment to IFRS 2 Share-based payments was published in January 2008 and becomes effective for financial years beginning on or after January 1, 2009. The Standard restricts the definition of “vesting condition” to a condition that includes an explicit or implicit requirement to provided services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of the either the entity or the counterparty, this must be accounted for as a cancellation. The Group does not expect this standard to impact the financial statements.

#### IFRS 8 – Operating Segments

This standard is effective for accounting period beginning on or after January 1, 2009. It replaces the existing IAS 14: “Segment Reporting”, and requires a “management approach” for segment reporting. The Company does not expect this standard to impact the financial statements.

#### b] Principles of consolidation

The consolidated financial statements comprise the financial statements of the company and its subsidiary. The financial statements of its wholly-owned subsidiary, Pine Hill Marketing Limited are prepared for the same reporting year as the parent company, using consistent accounting policies. All intercompany balances and transactions, including unrealized profits from intra-group transactions have been eliminated in full. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control and continue to be consolidated until the date that such control ceases.

#### c] 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. Interest income is recognized on an accrual basis.

#### d] Currency

These financial statements are expressed in Barbados dollars. Monetary assets and liabilities denominated in currencies other than Barbados dollars are translated at the rate of exchange ruling at the balance sheet 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.

e] Impairment of financial assets

The Company assesses at each balance sheet 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.

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 invoice. The carrying amount of loans and receivables is reduced through use of an allowance account.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in income is transferred from equity to income. Reversals in respect of equity instruments classified as available-for-sale are not recognized in income. Reversals of impairment losses on debt instruments are reversed through income if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized income.

f] 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.

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

g] Depreciation

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

Depreciation of other fixed assets 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:

Motor vehicles	-	5 years
Plant and machinery	-	10 and 15 years
Furniture, fittings and equipment	-	10 years
Computer equipment	-	4 years
Containers	-	5 years

h] Impairment of other non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset maybe 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.

For assets excluding goodwill, 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 recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

i] 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.

j] Pensions

The Company operates a number of defined benefit plans, the assets of which are held in a separate fund administered by Trustees. The pension plans are funded by payments from the relevant Group companies 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 income statement 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 income in the year to which they relate.

The Company also provides post-retirement healthcare benefits to its employees, pensioners and their registered dependants. These benefits are funded by contributions from relevant group companies. 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.

k] Long-term investments

The Company's investments, which have been classified as at fair value through profit and loss, are recorded at their fair value. The fair value of these privately held investments, 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 income.

l] 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.

m] 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 against income.

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.

Operating lease commitments

The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases.

Impairment of other non-financial assets

The Company assesses whether there are any indicators of impairment for all other non-financial assets at each reporting date. Goodwill is tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

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.

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.

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

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 15 and 16.

4.	Profit from operations	2008	2007
		\$	\$
	Sales	67,877,975	60,461,047
	Cost of sales	(57,289,135)	(50,808,985)
	Gross profit	10,588,840	9,652,062
	Other income	1,008,759	212,357
		11,597,599	9,864,419
	Selling, general and administrative expenses	(8,063,237)	(7,150,573)
	Profit (loss) from operations	3,534,362	2,713,846

	Profit from operations is after charging:	2008	2007
		\$	\$
	Depreciation	3,564,689	3,264,724
	Staff costs	9,851,223	9,442,951

5.	Trade and other receivables	2008	2007
		\$	\$
	Trade receivables	3,664,046	4,806,619
	Other receivables	1,500,521	2,044,126
		5,164,567	6,850,745
	Gross trade receivables	3,829,660	5,032,091
	Provision for doubtful debts	(165,614)	(225,472)
	Trade receivables (net)	3,664,046	4,806,619

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

As at August 31, 2008, trade receivables at a nominal value of \$165,614 (2007-\$225,472) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	Total \$
As at September 1, 2006	203,837
Charge for the year	165,000
Write offs	(143,365)
<hr/>	
At August 31, 2007	225,472
Charge for the year	148,699
Write offs	(208,557)
<hr/>	
At August 31, 2008	165,614
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As at August 31, 2008, the ageing analysis of trade receivables is as follows:

**Past due but not impaired**

**Neither past due nor**

		<b>&lt; 30 days</b>	<b>30-60 days</b>	<b>60-90 days</b>	<b>90-120 days</b>	<b>&gt;120 days</b>	
<b>Total impaired</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	
<b>2008</b>	3,664,046	1,601,725	698,410	260,274	255,971	13,112	834,554
<b>2007</b>	4,806,619	2,352,119	1,794,536	222,896	57,285	87,226	292,557

With respect to trade receivables and other receivables, 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 creditworthy third parties.

Taxation

	2008 \$	2007 \$
Statement of income		
Deferred tax recovery		(1,389,690)

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

	2008 \$	2007 \$
Income (loss) before taxation	3,264,089	2,334,455
Taxed at the applicable rate of 15% (2007-25%)	489,613	583,614
Effects of tax deductible items not reducing accounting profit:		
Capital allowances	(538,806)	
Other	13,479	
Exempt profits	(1,422,726)	
Group relief surrendered	23,287	
Under accrual of prior year deferred tax	(130,391)	
	(1,389,690)	
Balance sheet		
Corporation tax refundable	-	22,729
Deferred taxation		
Balance, beginning of year	3,706,423	
Deferred tax recovery	1,389,690	
Balance, end of year	5,096,113	
Deferred tax balance is made up as follows:		
Pension asset	(506,569)	
Unutilized tax losses	2,894,846	
Accelerated depreciation for accounting purposes	2,707,836	
	5,096,113	

#### Tax losses

The Company has unrelieved tax losses of (2007-\$11,579,382) 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
1999	151,431	2008
2000	963,575	2009
2001	48,007	2010
2002	111,120	2011
2003	49,755	2012
2004	672,058	2013
2005	2,893,916	2014
2007	3,346,343	2015
2008	3,343,177	2016
	11,579,382	

7. Inventories

	2008	2007
	\$	\$
Raw materials	9,396,892	8,711,707
Finished goods	2,783,633	1,491,700
Spares and supplies	3,232,062	2,725,178
	15,412,587	12,928,585
	15,412,587	12,928,585

The amount of write-down of inventories recognized as an expense is \$584,850 (2007-\$304,648). This expense is included in cost of sales as disclosed in Note 4.

8. Loans receivable

	2008	2007
	\$	\$
Loans receivable due at end of year	100,178	87,338
Less: Current portion	(57,818)	(87,189)
	42,360	100,149
	42,360	100,149

The loans are mainly secured advances to farmers for the purchase of equipment. Interest on the loans is being charged at the commercial banks' prime rate plus ½% per annum. Interest at the rate of 9.15% (2007-10.65%) per annum was charged. The loans are repayable over a period of 4 years with a one-year moratorium on the repayment of principal. The loans are secured by the assets of the respective farmers.

9. Related party transactions and balances

The amounts due from/to related companies are unsecured, interest free and have no fixed terms of repayment.

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

	2008	2007
	\$	\$
Sales to a related company	17,116,368	14,955,364
Sales to associated companies	21,212,713	15,758,711
Purchases from related companies	734,803	1,318,767
Management fees paid to parent company	828,000	20,000
Lease payments to parent company	24,003	24,003

Compensation of key management personnel of the Company:

	2008 \$	2007 \$
Short-term employee benefits	948,024	910,465

10. Bank overdraft

The security for the bank overdraft limit of \$3,000,000 is disclosed in Note 12.

Interest is charged and payable monthly on the overdraft balance at prime plus 1% per year. The rate at year-end was 10.4% (2007-11.15%).

Accounts payable

	2008 \$	2007 \$
Trade payables	5,659,967	4,906,580
Other	929,308	1,140,781
	<u>6,598,275</u>	<u>6,047,361</u>

Terms and conditions of the above financial liabilities

- Trade payables are non-interest bearing and are normally settled on 60-day term.
- Other payables are non-interest bearing and have an average of three months.
- Interest payable is normally settled quarterly throughout the financial year.

12. Long-term liabilities

	2008 \$	2007 \$
FirstCaribbean International Bank	2,653,665	826,090
Tetra Pak TBA/8	1,689,529	2,428,740
	<u>4,343,194</u>	<u>3,254,830</u>
Less: current portion	(1,291,378)	(1,197,838)
Long-term portion	<u>3,051,816</u>	<u>2,056,992</u>

The bank loans bear interest at rates between 8.4% and 8.5% (2007-8.15% and 10.65%) and are repayable in various instalments of principal and interest. The loans and the overdraft facility (disclosed at Note 10) 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, a negative pledge by the Company and a guarantee endorsed by the parent company, Banks Holdings Limited, limited to \$4,631,000.

The finance lease from Tetra Pak is repayable over five years in equal instalments. No interest is charged on the lease and as a result, the present value of the future lease payments approximates the carrying value. It is secured by the asset related to the lease. Future lease payments due within one year are \$481,500 (2007-\$739,211). Lease payments due after one year total \$1,208,029 (2007-\$1,689,529).

13. Long-term investment

	2008 \$	2007 \$
Barbados Agro Processing Company Limited (in receivership)	1	1

14. Property, plant and equipment

	At August 31, 2005 \$	Additions \$	Disposals \$	Transfers \$	At August 31, 2006 \$
Cost					
Buildings on leasehold land	12,787,271	81,138	-	-	12,868,409
Plant and machinery	38,016,296	2,604,609	(145,248)	1,506,455	41,982,112
Motor vehicles	1,673,284	-	(26,375)	-	1,646,909
Furniture, fixtures and equipment	6,406,880	125,901	-	25,121	6,557,902
Containers	1,497,564	63,595	-	(41,383)	1,519,776
Construction in progress	1,328,912	161,281	-	(1,490,193)	-
	61,710,207	3,036,524	(171,623)	-	64,575,108
Accumulated depreciation					
Buildings on leasehold land	6,467,721	258,250	-	-	6,725,971
Plant and machinery	23,471,097	2,338,425	(45,214)	21,038	25,785,346
Motor vehicles	1,268,424	168,921	(24,617)	-	1,412,728
Furniture, fixtures and equipment	5,058,382	631,312	-	-	5,689,694
Containers	1,109,634	167,781	-	(21,038)	1,256,377
	37,375,258	3,564,689	(69,831)	-	40,870,116
Net book value					
Buildings on leasehold land	6,319,550				6,142,438
Plant and machinery	14,545,199				16,196,766
Motor vehicles	404,860				234,181
Furniture, fixtures and equipment	1,348,498				868,208
Containers	387,930				263,399
Construction in progress	1,328,912				-
	<u>24,334,949</u>				<u>23,704,992</u>

	At August 31, 2005 \$	Additions \$	Disposals \$	Transfers \$	At August 31, 2006 \$
Buildings on leasehold					
land	12,766,124	21,147	-	-	12,787,271
Plant and machinery	34,871,994	3,162,045	-	(17,743)	38,016,296
Motor vehicles	1,591,542	135,399	(53,657)	-	1,673,284
Furniture, fixtures and equipment	5,794,354	612,526	-	-	6,406,880
Containers	1,369,523	128,041	-	-	1,497,564
Construction in progress	-	1,328,912	-	-	1,328,912
	<u>56,393,537</u>	<u>5,388,070</u>	<u>(53,657)</u>	<u>(17,743)</u>	<u>61,710,207</u>
Accumulated depreciation					
Buildings on leasehold					
land	6,210,822	256,899	-	-	6,467,721
Plant and machinery	21,396,472	2,082,756	-	(8,131)	23,471,097
Motor vehicles	1,070,442	215,868	(17,886)	-	1,268,424
Furniture, fixtures and equipment	4,482,960	575,422	-	-	5,058,382
Containers	975,855	133,779	-	-	1,109,634
	<u>34,136,551</u>	<u>3,264,724</u>	<u>(17,886)</u>	<u>(8,131)</u>	<u>37,375,258</u>
Net book value					
Buildings on leasehold					
land	6,555,302				6,319,550
Plant and machinery	13,475,522				14,545,199
Motor vehicles	521,100				404,860
Furniture, fixtures and equipment	1,311,394				1,348,498
Containers	393,668				387,930
Construction in progress	-				1,328,912
	<u>22,256,986</u>				<u>24,334,949</u>

15. Pension plan surplus		
	2008	2007
	\$	\$
Balance sheet		
Present value of funded obligations	9,663,662	9,592,281
Fair value of plan assets	(16,458,149)	(15,273,157)
	(6,794,487)	(5,680,876)
Unrecognized actuarial gains	4,078,285	3,654,602
Net asset recognized in the balance sheet	(2,716,202)	(2,026,274)
Statement of income		
Current service cost	277,692	285,694
Interest cost	762,438	689,510
Expected return on plan assets	(1,220,346)	(981,053)
Net actuarial gains recognized in the year	(146,065)	(76,926)
Total, included in staff costs	(326,281)	(82,775)
Actual return on plan assets	1,234,891	1,548,323
Movement in the net amount recognized in the balance sheet:		
	2008	2007
	\$	\$
Net asset, beginning of year	(2,026,274)	(1,476,862)
Net income recognized in the income statement	(326,281)	(82,775)
Contributions paid	(363,647)	(466,637)
Net asset, end of year	(2,716,202)	(2,026,274)
Changes in the present value of the defined benefit surplus are as follows:		
		\$
Defined benefit surplus at September 1, 2006	10,230,820	
Interest cost	689,510	
Current service cost	403,292	
Benefits paid	(1,164,656)	
Actuarial gains on obligation	(566,685)	
Defined benefit surplus at August 31, 2007	9,592,281	
Interest cost	762,438	
Current service cost	384,544	
Transfer out liabilities	(12,241)	
Benefits paid	(508,157)	
Actuarial gains on obligation	(555,203)	



Defined benefit surplus at August 31, 2008, 9,663,662 Changes in the fair value of plan assets are as follows:

	2008
	\$
Fair value of plan assets at September 1, 2006	14,305,256
Expected return	981,053
Contributions by employer	584,234
Benefits paid	(1,164,656)
Actuarial losses on obligation	567,270
Fair value of plan assets at August 31, 2007	15,273,157
Expected return	1,220,346
Contributions by employer	470,499
Transfer out liabilities	(12,241)
Benefits paid	(508,157)
Actuarial losses on obligation	14,545
Fair value of plan assets at August 31, 2008	16,458,149

The Group expects to contribute \$428,714 to its defined benefit pension plans in 2009.

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

	2008	2007
	%	%
Bonds	13	13
Mortgages	10	10
Equities	41	41
Mutual funds	20	20
Loans	9	9
Real estate	4	4
Other	4	4

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.

	2008	2007
Principal actuarial assumptions as at August 31, were:		
Discount rate at end of year	7.75%	8.0%
Expected return on plan assets at end of year	7.75%	8.0%
Future promotional salary increases	2.00%	2.5%
Future inflationary salary increase	4.25%	4.0%
Future increases in NIS ceiling for earnings	4.25%	4.5%
Future pension increases	3.75%	4.0%

16. Post-retirement medical benefits

	2008	2007
	\$	\$
The amounts recognized in the balance sheet are as follows:		
Present value of funded obligations	465,921	441,581
Unrecognized actuarial losses	(58,324)	(104,912)
	-----	
Liability recognized in the balance sheet	407,597	336,669
	=====	
The amounts recognized in the income statement are as follows:		
Current service cost	29,038	21,078
Interest on obligation	37,650	22,025
Net actuarial gains recognized	4,240	-
Total, included in staff costs	70,928	43,103

Movements in the net liability recognized in the balance sheet are as follows:

Net liability, beginning of year	336,669	293,566
Net expense recognized in the income statement	70,928	43,103
Net liability, end of year	407,597	336,669

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

		\$
Obligation at September 1, 2006		293,566
Interest cost	22,025	
Current service cost	21,078	
Net actuarial loss recognized in year		104,912
		-----
Obligation at August 31, 2007		441,581
Interest cost	37,650	
Current service cost	29,038	
Net actuarial gain recognized in year		(42,348)
		-----
Obligation at August 31, 2008	465,921	=====

	2008	2007
Principal actuarial assumptions used for accounting purposes at August 31, were as follows:		
Discount rate at end of year	7.75%	8.00%
Future medical claims/premium inflation	5.00%	5.25%

A one percentage point change in the assumed rate of increase in healthcare costs would have the following effects:

	Increase	Decrease
2008	\$	\$
Effect on the aggregate current service cost and interest cost	82,340	54,520
Effect on the obligation	571,963	382,698

17. Share capital

Authorized:

The Company is authorized to issue an unlimited number of shares without nominal or par value designated as common shares.

	2008	2007
	\$	\$
Stated and issued:		
4,729,529 (2007-4,729,529) common shares	1,006,204	1,006,204

18. Operating lease commitment

The lease expense for the year for motor vehicles was \$24,003 (2007 – \$81,251).

	2008	2007
	\$	\$
Future minimum lease payments under operating leases are as follows:		
Within one year	24,003	24,003
After one year but no more than five years	48,006	72,009
	-----	-----
	72,009	96,012

19. Commitments and contingencies

The Company has guaranteed \$500,000 and \$1,000,000 in respect of the Housing Loan Fund for staff and the Farmers Gross Land Loan Scheme respectively.

Capital expenditure of \$1,081,571 (2007-\$850,927) was approved by the Directors of which \$Nil (2007-\$193,727) is subject to contract.

20. Earnings per share

Earnings per share are based on net income of \$1,022,239 (2007-\$4,411,337) and 4,729,529 (2007-4,729,529) shares in issue during the year.

21. Dividends

Subsequent to year end, the Directors approved a dividend of 15¢ per share amounting to \$709,429 (2007-15¢ per share amounting to \$709,429). This dividend will be accounted for as an appropriation of retained earnings in the next financial year.

22. Prior period adjustments

Post-retirement medical benefits were excluded in error from the consolidated financial statements in prior years and have now been corrected retrospectively. The comparative figures were restated for the earlier periods presented. The effect of the correction was a reduction in opening retained earnings of \$336,669 and prior year net income of \$32,327 with an increase in the opening balance for deferred tax asset of \$84,167.

Inventory was overstated by \$284,311 as at August 31, 2007. The amount has been treated as a prior

The deferred tax asset was understated by \$676,411 as at August 31, 2007. The amount has been treated as a prior period adjustment to retained earnings and the 2007 comparatives have been restated accordingly.

23. Risk management

The Company's principal financial liabilities comprise bank overdrafts, trade payables and long term liabilities which comprise bank loans and a finance lease. 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, 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.

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.

	2008	2007
Increase/decrease in basis points	Effect on profit before tax	Effect on profit before tax
+50	15,139	14,070

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 58% 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.

The aggregate value of assets and liabilities are denoted in Barbados dollars, except for the following:-

Accounts payable and accrued liabilities

	ECD (\$)	EUR (\$)	US (\$)	BDS (\$)	GBP (\$)	Total (\$)
August 31, 2008	60,702	16,745	4,639,267	1,870,359	2,202	6,589,275
August 31, 2007	41,888	678,395	3,407,793	1,919,285	-	6,047,361

#### 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 in Note 5. For transactions that do not occur in the country of the relevant operating unit, the Company does not offer credit terms without the approval of Management. There are no significant concentrations of credit risk within the Company.

### 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 August 31, based on contractual undiscounted payments.

#### Year ended August 31, 2008

	On Demand	1 year	1 to 5 years	Total
<b>Bank overdraft</b>	367,276	-	-	67,276
<b>Accounts payable and accrued expenses</b>	-	6,589,275	-	6,589,275
<b>Due to related companies</b>	-	2,899,567	-	2,899,567
<b>Long term liabilities</b>	-	1,291,377	3,051,817	4,343,194

#### Year ended August 31, 2007

	On Demand	1 year	1 to 5 years	Total
Bank overdraft	1,987,871	-	-	1,987,871
Accounts payable and accrued expenses	-	6,047,361	-	6,047,361
Due to related companies	-	2,042,308	-	2,042,308
Long term liabilities	-	1,197,838	2,056,992	3,254,830

## 24. 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 of capital to shareholders or issue new shares. No changes were made in the objectives, policies

or processes during the years ended August 31, 2008 and August 31, 2007.

25. 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	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Financial assets</b>				
<b>Cash</b>	840,508	154,048	840,508	154,048
Loans receivable	100,178	187,338	100,178	187,338
Accounts receivable	5,164,567	6,850,745	5,164,567	6,850,745
Due from related parties	2,839,334	758,084	2,839,334	758,084
<b>Financial liabilities</b>				
<b>Bank overdraft</b>	367,376	1,987,861	367,376	1,987,861
Accounts payable and accrued expenses	6,589,275	6,047,361	6,589,275	6,047,361
Due to related parties	2,899,567	2,042,308	2,899,567	2,042,308
Long-term liabilities	4,343,194	3,254,830	4,343,194	3,254,830

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 accrued expenses 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.

26. Comparatives

Certain comparative amounts have been reclassified to conform to the current year's presentation.



**NOTES**

**NOTES**

**BARBADOS DAIRY INDUSTRIES LIMITED**  
**MANAGEMENT PROXY CIRCULAR**

Company No 3382

Management is required by the Companies Act Cap. 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-third Annual Meeting of Shareholders of Barbados Dairy Industries Limited (hereinafter called “the Company”) to be held on Wednesday, January 23rd, 2008 at 10.30 am (hereinafter called “the meeting”) and is furnished in connection with the solicitation by the management of the Company of proxies for use at the meeting, or any adjournment thereof. It is expected that 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.

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 4.15 pm on Tuesday, January 22nd, 2008 being 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.

**RECORD DATE, NOTICE OF MEETING AND VOTING SHARES**

The Directors of the Company have fixed Tuesday, December 18th, 2007 as the record date for determining the shareholders who are entitled to receive notice of the meeting and have given notice thereof by advertisement as required by the Companies Act. Only shareholders of record at the close of business on Tuesday, December 18th, 2007, 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 4,729,529 common shares without par value of the Company issued and outstanding.

**BARBADOS DAIRY INDUSTRIES LIMITED**  
**MANAGEMENT PROXY CIRCULAR**

**ELECTION OF DIRECTORS**

The Board of Directors consists of members who will retire in rotation annually. On December 4th 2007 there were 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 herewith enclosed:-

<b>Nominee for Director</b>	<b>Present Principal Occupation</b>
E.R. Cumberbatch	Non-Executive Director
P.D. Davis	Non-Executive Director
D.B. Stoute	Executive Director

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 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. Messrs E.R. Cumberbatch, P.D. Davis and D.B. Stoute the three (3) nominees are now directors of the Company and will retire at the close of the Forty-third Annual General Meeting in accordance with the provision of Clause 4.4 of By-Law No 2 of the Company but, being qualified, are eligible for re-election. They were elected as directors at the Fortieth annual general meeting held on January 31st, 2005 for a period of three years.

**APPOINTMENT OF AUDITORS**

It is proposed to nominate the firm Ernst & Young, the present auditors of the consolidated accounts of the Company, as auditors of the Company to hold office until the next annual meeting of shareholders.

**DISCRETIONARY AUTHORITY**

Management knows of no matter to come before the meeting other than the matters referred to in the notice of 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 judgement 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.

BARBADOS DAIRY INDUSTRIES LIMITED

COMPANY NO. 3382

**PROXY FORM**

The undersigned shareholder of BARBADOS DAIRY INDUSTRIES LIMITED hereby

appoints .....

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 43rd Annual General Meeting of the Shareholders of the said company to be held on Wednesday, January 23rd, 2007, and at any adjournment or adjournments 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 ..... day of ..... 2008

.....  
Signature of shareholder

Notes 1. (a) A shareholder who is entitled to vote at a meeting of 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 meetings of shareholders may be given by an individual authorised by a resolution of the directors or governing body of that body corporate or association to represent it at meetings of shareholders of the company.

2. A proxy must be executed in writing by the shareholder or his attorney authorised in writing.

3. Proxy appointments are required to be deposited at the registered office of the company not later than 4.15 p. m. on Tuesday, January 22nd, 2007.

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# PINEHILL 2008

ANNUALREPORT

**PINEHILL**  
**2008**  
ANNUAL REPORT