PINEHILL

2007 ANNUAL REPORT

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

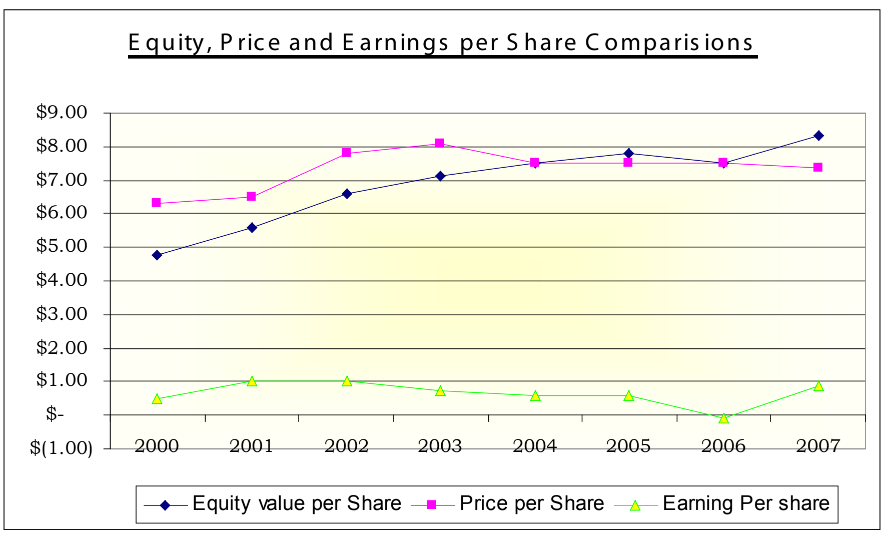
The notes to the enclosed proxy forms are incorporated in this notice.

Chairman's Statement

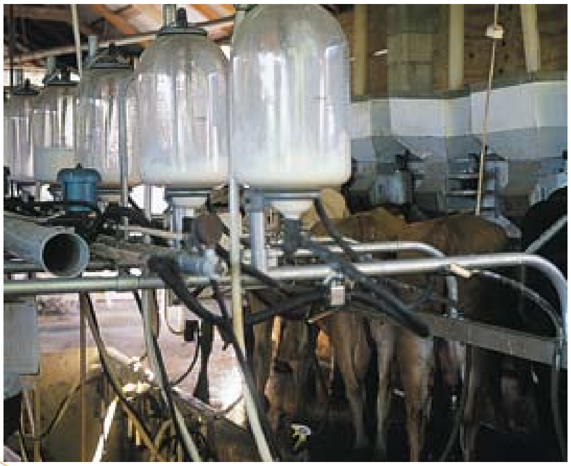
On behalf of our Board, I am pleased to report that financially, our year ended with an after tax profit of $4,051,559 compared to a loss of $429,198 for the previous year. This was achieved through consolidation and productivity improvements despite sizeable increases in the cost of inputs such as milk powders, fuel oils (energy) and concentrates.

During the year, the Barbados economy expanded for the fifth consecutive year with an estimated growth of 3.5%. This positive economic output was good for sales and Barbados Dairy Industries Ltd. recorded its highest sales number to date. Sales finished this year at $60,461,047 compared to $53,861,191 at the end of August 2006. This is an increase of $6,599,856 or 12.3%.

Our improved performance saw earnings per share increase to $0.86 from a loss per share of $0.09. Our working capital is up by $385,126 or 4%, finishing at $9,910,396. All our other economic indicators, are all satisfactory, allowing the Directors to declare a dividend of 15 cents per share.



The results of the financial year under review, though improved from the previous year, is a return to the levels of profitability of previous years. In recent years, we have invested heavily in new equipment and infrastructure to upgrade our production capabilities and information systems. These investments, along with the services of a competent and well trained team of employees, will position us to compete in a liberalised market.



Our SAP Enterprise Resource Planning software modules, which were installed in 2005, continue to provide opportunities for improvements in our operations. During the year, our accounts activities at the Dairy ceased. They were brought under one centralised accounting division within the Banks Holdings Group (BHL). This will lead to greater efficiencies during this financial year. We will continue to explore other opportunities, which will improve our productivity.

There were no changes to the number of farmers supplying milk. The number remains at 18. July 2006 recorded the lowest milk intake, since 1991 and in last year's report I stated that the dairy industry was at a critical juncture as the low supply led to major shortages in the retail sectors. I am pleased to report that there appears to be a turn around. Several farmers, have utilised the incentives presented by The Prime Minister, and have invested in new milking and hay processing equipment. Improved output from these farmers have allowed the milk supply to meet demand for most of the year with only small shortages during late 2006. The importation of 80 heifers in February 2007 also contributed to the higher output.

During the year, the intake was encouraging with the quantity of milk supplied being higher than the previous year. This allowed us to increase the number of schools receiving fresh pasteurised milk from 20 to 31. Recent dramatic increases in the cost of dairy products, especially milk powders, have posed a challenge, which we continue to address. The global demand for dairy products is growing annually. In 2006, the demand outstripped supply by 3%. This presents an opportunity for the local farmers to increase their output to meet regional demands.

We continue to improve our operational procedures, which are driven primarily through our quality management programmes. In April 2007, both our UHT and HTST plants received HACCP accreditation by Medina Quality Management Services. Employee training and development was also high on our agenda. It is critical that we train and retrain all levels of staff, as we strive to remain globally competitive.

As customary, we continue our support of local culture, sports and community related activities through sponsorship both locally and regionally. We also facilitated educational tours of our plant by schools and we again provided opportunities for students from the Samuel Jackman Prescod Polytechnic, Barbados Community College and University of the West Indies to gain valuable work experience.

I would 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 another testing year. Once more, I would like to emphasise that the challenges to stay competitive in manufacturing remains difficult and it is imperative that we remain focused by paying attention to every detail. On behalf of the Board of Directors, I wish to thank our shareholders, for their loyal support during the year.

Senator Sir Allan C. Fields KCMG
Chairman

December 04, 2007

Managing Director's Statement

1. Financial Summary

I am pleased to report that as promised in last year's report, there was improvement. The net profit after tax finished at $4,051,559 compared to a loss of $429,198 for the previous year. This improvement resulted from better performances in both the UHT and HTST plants, which allowed us to better service the sales demand for our products. Price increases in December 2006, of mainly fresh pasteurised milks, also contributed to our higher sales and better profitability.

This positive result was achieved against very challenging world market conditions where the price of several key ingredients increased during the year. The price of concentrates increased significantly with citrus concentrates increasing by 36%, Bajan Cherry concentrate by 13% and Passion Fruit by 18%. Towards the end of the financial year, milk powder increased by 138%. We also experienced higher cost for ocean and air freight, along with increases in the cost of energy (fuel oils). We were able to mange our operational cost through improvements in yields and plant efficiencies, allowing our operational profit to improve despite increases in the cost of our inputs.

2. SALES

Last year, I stated that our goal was to recapture our lost sales both locally and regionally. I am pleased to report that this goal was achieved. Sales at the end of August 2007 are our highest to date, finishing at $60,461,047 compared to $53,861,191 at the end of August 2006. This is an increase of $6.6 million or 12.3%. As stated above, improved performances in our UHT and HTST plants allowed for growth in local and export sales. Local sales grew by 10.5% and export by 27.9%. Evaporated milk sales lead the way with recovered growth of 34.9% followed by UHT juices with 15.2%, fresh milk with 13.2% and Sweetened Condensed Milk with 17.9%. The introduction of the PINEHILL Coolers towards the end of the year in July also helped to boost sales.

Sales high-lights and low-lights are:

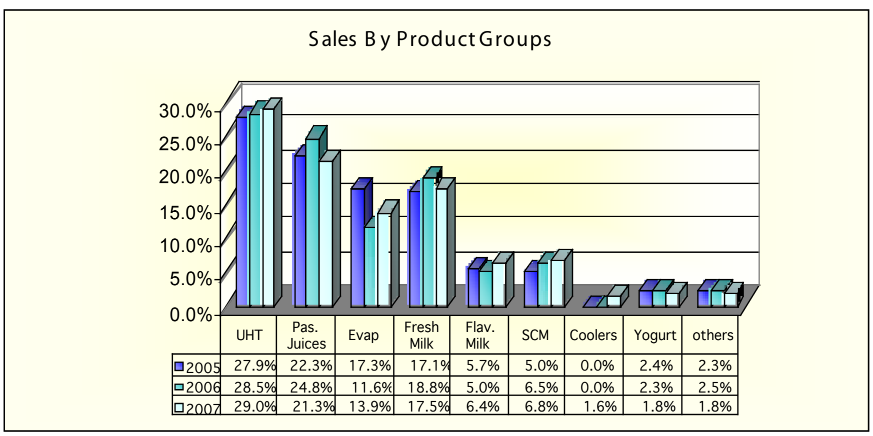
- UHT juices and milk products grew 15.2% over the previous year. Increased exports and strong sales of the one litre juices on the local market were the driving factors that lead to this improved performance.

- Evaporated milk sales grew by 34.9% as we recovered much of the losses of the previous year. The major competing brand was unavailable, and expected to be off the market until early 2008, we can expect to gain and retain an even higher share of the local market. Regrettably, the massive increases in the price of milk powder necessitated a significant price increase, which could result in a decline of sales.

- Chilled Pasteurized flavoured milks grew by 44.8%, while white pasteurized milks grew by 4.8% for a net increase of 13.2%. More milk was delivered by the local dairy farmers. These increases in supply, coupled with the price increase mentioned above, are responsible for the growth.

- Sweetened Condensed Milk recorded an increase of 7.9%. This is the second consecutive year of growth, which is encouraging after several years of decline.

- Chilled pasteurized juices, yogurts, ice cream and milk shakes all recorded declines. With the exception of pasteurized juices, these declines occurred mainly as result of inconsistent availability of the products. The re-engineering of the yogurt plant will change this situation and we are looking at the possibility of Banks DIH producing our ice cream. See Table 1 below for more details.



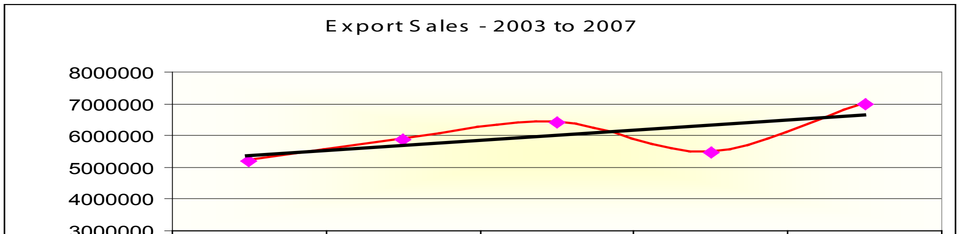
	UHT	Pas. Juices	Evap	Fresh Milk	Flav. Milk	SCM	Coolers	Yogurt	others
2005	27.9%	22.3%	17.3%	17.1%	5.7%	5.0%	0.0%	2.4%	2.3%
2006	28.5%	24.8%	11.6%	18.8%	5.0%	6.5%	0.0%	2.3%	2.5%
2007	29.0%	21.3%	13.9%	17.5%	6.4%	6.8%	1.6%	1.8%	1.8%

Table1

Export Sales

At year-end, export sales increased by 27.9%. All territories have performed well with Trinidad recording a growth of 121%, the USA 71%, Antigua 37%, Guyana 25% and St. Lucia 14%. St. Lucia remains our strongest market accounting for 32% of our total export sales.

Table 2 below shows export trends.



	1	2	3	4	5
Year	2003	2004	2005	2006	2007
$ Sales	$5,182,954	$5,862,999	$6,412,414	$5,462,524	$6,985,451

Table 2

Difficulties in procuring milk powder toward the end of the year prevented exports from being stronger. We continue to work with our suppliers to obtain the additional powdered milk to fulfill the strong regional demand of liquid milk products. Even at the extremely high world market prices, potential sales of liquid milks present our best opportunity for continued export growth.

3. CAPITAL PROJECTS

During the year capital expenditure totaling approximately $5,835,266 was committed to in order to sustain our competitiveness. Three major projects accounted for the majority of the expenditure. They were:

a) Miteco Continue Blending System

This in line blending system is designed to reduce waste and optimise yields. Installation and commissioning were completed in July 2007. To date, the equipment has performed well with no major challenges. This project has also improved our mixing efficiency allowing the mixing time to be significantly reduced.

b) The Tetra ALCIP 100

This project will improve the cleaning and sanitizing efficiencies in our UHT plant by automatically controlling the chemical usage and reduce cleaning time by allowing for simultaneous cleaning of two circuits as opposed to the present one circuit. The project is scheduled to be commissioned in December 2007.

c) Invensys APV Yogurt Plant

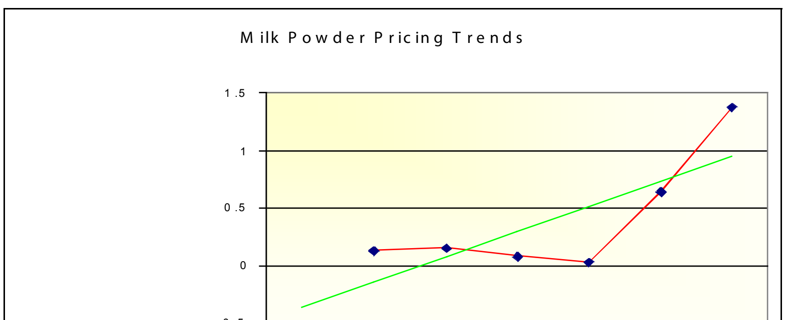
During the year, approval was obtained to re-engineer our yogurt plant. The new plant will allow for greater production volumes per batch as well as better control over the production process through automation. Our current plant is very manual and the batch sizes do not allow us to meet market demands.

APV successfully tendered and to date the project has been scoped and engineering drawings completed. Shipping of the equipment from the UK is scheduled for December and we expect to have the plant installed and commissioned during February 2008.

4. CHALLENGES

Milk Powder

This commodity is vital to our operations, especially for the production of evaporated milks, which accounts for 17.6% of our total sales. Towards the end of the year, the world market price of this commodity increased dramatically by approximately 140%. Naturally, this drove our cost of sales up and necessitated a 40% increase for this commodity. The price of milk powder is projected to remain high. Even at these high prices, availability is limited. We have procured adequate supplies to meet our needs up to April 2008. Below is a graph showing world market price trends for milk powder.



	2002	2003	2004	2005	2006	2007 Y-T-D	Current Quoted
% Change from Previous Year		13%	15%	7%	3%	65%	138%

Other Inputs

World crude oil prices continue to rise resulting in increased cost for our operations through the cost of fuel oils and freight. These, coupled with increasing prices of concentrates, will demand that we continue to strive to implement energy savings and cost controls measures. This will demand understanding and flexibility that will lead to timely changes as we respond to changing world trends and customer demands.

Human Resources

BDIL continues to benefit from the services of a very loyal and dedicated work force. Our relationship with their representative, the Barbados Workers Union, is good and we need to work even closer to ensure our productivity enhancement programmes, such as the performance management scheme, function as intended. Absenteeism in, a small but vital sector of our work force, remains a concern and needs to be resolved, if we are to obtain the productivity improvements that are necessary to assist in offsetting the rising prices of inputs.

5. FUTURE

Product Development

In June 2007 we launched the Pinehill Coolers in 500ml PET bottles. This is a joint effort between Barbados Bottling Company (BBC) and Pinehill. We are responsible for the product development and marketing while BBC executes the production and quality controls. The Coolers are currently available in five flavours with two other flavours being developed.

Sales to date are very encouraging surpassing budgeted numbers. We will be producing the product in half gallon bottles and 250ml Tetra Pak cartons in December 2007 and January 2008, respectively. Exports of the 500ml PET and 205ml Tetra are scheduled for the second half of this financial year. This new product group is projected to drive most of our sales growth and make a healthy contribution to our bottom line during this financial year.

Quality Programmes

Last year I advised that our PineHill Quality Management System (PHD QMS) was re-activated. This year I am pleased to report that it has already paid dividends. Our HTST and UHT plants received HACCP accreditation from Medina Quality Management Systems in April 2007 with the HTST plant receiving a gold accreditation with a score of 95 out of 100 and the UHT just missed gold by one percentage point with a score of 94%.These achievements were recognized by the Barbados Investment and Development Corporation and we were awarded the Exceptional Quality Award by that organization.

Quality, as expected, remains high on our agenda and we are on schedule to be audited for ISO 9001/2000 certification during the first quarter of 2008. Our quality programes will continue to be the main factors that will drive the improvement of our procedures and employee performance leading to continuous improvement of our operations.

6. CONCLUSION

I would like to thank all my fellow employees for their support during the year. Our efforts allowed us to return the Company to a level of profitability. However, our financial indicators, such return on assets, are still below acceptable levels and we will have to continue our efforts during this financial year to improve them. In closing, I would like to wish our employees, their immediate families as well as all our stakeholders a Merry Christmas and prosperous New Year.

CLYDE E. GIBSON
Managing Director

December 04, 2007

Directors' Report

1. The directors present their annual report and the audited consolidated financial statements for the year ended August 31, 2007.

		$
2.	The consolidated net income for the year was	4,051,559
	To which is added the retained earnings brought forward of	34,589,603
	Giving retained earnings available for appropriation of	38,641,162
	Less dividend paid (5¢ per share)	(236,476)
	Giving retained earnings available for appropriation of	38,404,686

3. Subsequent to year-end, a dividend of 15¢ per share in respect of 2007 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, 2007 and December 04, 2007 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	
	31.08.07	**04.12.07**
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

ERNST & YOUNG

Worthing Centre
Worthing,
Christ Church, Barbados.

Tel: (246) 430-3900
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(246) 429-6446
(246) 435-2079

Auditors' Report

To the Shareholders of Barbados Dairy Industries Limited

We have audited the accompanying consolidated financial statements of Barbados Dairy Industries Limited which comprise the consolidated balance sheet as of August 31, 2007 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, 2007 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst + Young

CHARTERED ACCOUNTANTS

Barbados
December 04, 2007


DEC 24 2007
KEEP REFRIGERATED
USE BEFORE DATE ABOVE
Vanilla flavoured Milk
PINEHILL
DAIRY
2 LITRES (67.6 fl.oz)
Tutti Frutti flavoured Milk
Strawberry flavoured Milk
1 LITRE

BARBADOS DAIRY INDUSTRIES LIMITED

Consolidated Income Statement
Year ended August 31, 2007

	Notes	2007 $	2006 $
Sales		60,461,047	53,861,191
Profit (loss) from operations before undernoted items	3	3,041,260	(1,111,942)
Interest income		3,805	13,000
Interest expense		(383,196)	(393,566)
Income (loss) before taxation		2,661,869	(1,492,508)
Taxation	4	1,389,690	1,063,310
Net income (loss) for the year		4,051,559	(429,198)
Earnings per share	16	$0.86	($0.09)

The accompanying notes form part of these financial statements.

BARBADOS DAIRY INDUSTRIES LIMITED

Consolidated Balance Sheet
As of August 31, 2007

	Notes	2007 $	2006 $
Current assets			
Cash		154,048	144,425
Accounts receivable		6,850,745	2,520,588
Prepaid expenses		100,083	60,000
Corporation tax refundable		22,729	22,729
Inventories	5	13,212,896	14,006,035
Current portion of loans receivable	6	87,189	164,848
Due from related companies	7	758,084	506,732
		21,185,774	17,425,357
Current liabilities			
Bank overdraft	8	1,987,871	1,086,638
Accounts payable and accrued expenses		6,047,361	5,195,655
Due to related companies	7	2,042,308	913,891
Current portion of long-term liabilities	9	1,197,838	703,903
		11,275,378	7,900,087
Working capital		9,910,396	9,525,270
Deferred taxation	4	5,096,113	3,706,423
Non-current asset classified as held for sale		-	413,922
Loans receivable	6	100,149	156,165
Long-term investments	10	1	1
Property, plant and equipment	11	24,334,949	22,256,986
Pension plan	12	2,026,274	1,476,862
Long-term liabilities	9	(2,056,992)	(1,939,822)
		39,410,890	35,595,807
Shareholders' equity			
Share capital	13	1,006,204	1,006,204
Retained earnings		38,404,686	34,589,603
		39,410,890	35,595,807

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

	Share capital $	Retained earnings $	Total $
Balance at August 31, 2005	1,006,204	35,964,707	36,970,911
Net loss for the year	-	(429,198)	(429,198)
Ordinary dividend paid (20¢ per share)	-	(945,906)	(945,906)
Balance at August 31, 2006	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	1,006,204	38,404,686	39,410,890

The accompanying notes form part of these financial statements.

BARBADOS DAIRY INDUSTRIES LIMITED

Consolidated Statement of Cash Flows
Year ended August 31, 2007

	2007 $	2006 $
Cash flows from operating activities		
Income (loss) before taxation	2,661,869	(1,492,508)
Adjustments for:		
Depreciation	3,264,724	3,156,404
Loss on disposal of property, plant and equipment	35,771	450,923
Gain on disposal of non-current asset held for sale	(86,153)	-
Interest income	(3,805)	(13,000)
Interest expense	383,196	393,566
Pension benefits	(549,412)	(381,945)
Operating profit before working capital changes	5,706,190	2,113,440
(Increase) decrease in accounts receivable	(4,330,157)	1,606,851
(Increase) decrease in prepaid expenses	(40,083)	1,122
Decrease (increase) in inventories	793,139	(224,269)
Increase in due from related companies	(251,352)	(439,149)
Increase in accounts payable and accrued expenses	851,706	281,748
Increase (decrease) in due to related companies	1,128,417	(550,819)
Cash generated from operations	3,857,860	2,788,924
Interest paid	(383,196)	(393,566)
Interest received	3,805	13,000
Net cash from operating activities	3,478,469	2,408,358
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	-	317,813
Purchase of property, plant and equipment	(5,388,070)	(1,444,208)
Decrease in loans receivable	133,675	57,614
Proceeds on disposal of non-current asset held for sale	509,687	-
Net cash used in investing activities	(4,744,708)	(1,068,781)
Cash flows from financing activities		
Net proceeds from long-term liabilities	611,105	481,320
Dividends paid	(236,476)	(945,906)
Net cash from (used in) financing activities	374,629	(464,586)
(Decrease) increase in bank overdraft less cash	(891,610)	874,991
Bank overdraft less cash – beginning of year	(942,213)	(1,817,204)
Bank overdraft less cash – end of year	(1,833,823)	(942,213)

The accompanying notes form part of these financial statements.

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Consolidated Financial Statements
Year ended August 31, 2007

1. Incorporation and principal activity

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 group 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

The financial statements have been prepared in accordance with International Financial Reporting Standards which comprise standards and interpretations approved by the International Accounting Standards Board and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect.

The most significant policies are summarised below:

a] **Basis of preparation**
These financial statements are prepared under the historical cost convention modified by the revaluation of long-term investments. No account is taken of the effects of inflation.

b] **Principles of consolidation**
The consolidated financial statements include the results and state of affairs of the company and its wholly-owned subsidiary, Pine Hill Marketing Limited.

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.

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Consolidated Financial Statements
Year ended August 31, 2007

2. Significant accounting policies (cont'd)

e] 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.

f] 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

g] Taxation

The company follows the liability method of accounting for taxation, whereby the future tax asset or liability arising from temporary differences is provided for at the estimated future corporation tax rate that is expected to apply to the period when the asset is realised or liability is settled.

h] Pensions

The company contributes to a Group contributory defined benefit pension plan administered on behalf of its employees. The assets of the pension plan are held in a separate fund administered by a Trustee. The pension plan is funded by payments 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 plan 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.

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Consolidated Financial Statements
Year ended August 31, 2007

2. Significant accounting policies (cont'd)

i] 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.

j] Use of estimates

The preparation of the financial statements, in conformity with International Financial Reporting Standards, requires that management make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. Although some variability is inherent in these estimates, management believes that the amounts provided are adequate.

k] 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.

Rentals payable under operating leases are charged against income on a straight-line basis over the lease term.

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.

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Consolidated Financial Statements
Year ended August 31, 2007

3. Profit (loss) from operations

	2007 $	2006 $
Sales	60,461,047	53,861,191
Cost of sales	(50,808,985)	(46,537,414)
Gross profit	9,652,062	7,323,777
Other income	212,357	185,704
	9,864,419	7,509,481
Selling, general and administrative expenses	(6,823,159)	(8,621,423)
Profit (loss) from operations	3,041,260	(1,111,942)

Profit from operations is after charging:

	2007 $	2006 $
Depreciation	3,264,724	3,156,404
Staff costs	9,442,951	10,230,128

4. Taxation

	2007 $	2006 $
Statement of income		
Deferred tax recovery	(1,389,690)	(1,063,310)

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Consolidated Financial Statements
Year ended August 31, 2007

4. Taxation (cont'd)

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

	2007 $	2006 $
Income (loss) before taxation	2,661,869	(1,492,508)
Taxed at the applicable rate of 25% (2006 – 25%)	665,467	(373,127)
Effects of tax deductible items not reducing accounting profit:		
Capital allowances	(538,806)	(105,753)
Other	13,479	15,744
Exempt profits	(1,422,726)	(1,827,853)
Group relief surrendered	23,287	1,227,679
Under accrual of prior year deferred tax	(130,391)	-
	(1,389,690)	(1,063,310)

	2007 $	2006 $
Balance sheet		
Corporation tax refundable	22,729	22,729
Deferred taxation		
Balance, beginning of year	3,706,423	2,643,113
Deferred tax recovery	1,389,690	1,063,310
Balance, end of year	5,096,113	3,706,423
Deferred tax balance is made up as follows:		
Pension asset	(506,569)	(369,216)
Unutilised tax losses	2,894,846	2,059,051
Accelerated depreciation for accounting purposes	2,707,836	2,016,588
	5,096,113	3,706,423

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Consolidated Financial Statements
Year ended August 31, 2007

4. Taxation (cont'd)

Tax losses

The company has unrelieved tax losses of $11,579,382 (2006 – $8,236,205) 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
2006	3,346,343	2015
2007	3,343,177	2016
	11,579,382	

Under the provisions of the Fiscal Incentives Act Cap. 71A, the profits of the subsidiary are exempt from corporation tax for a period of 10 years, which commenced from August 1, 1992. The company was granted a further five year extension until 2007.

5. Inventories

	2007 $	2006 $
Raw materials	8,711,707	8,960,675
Finished goods	1,491,700	1,440,698
Spares and supplies	3,009,489	3,604,662
	13,212,896	14,006,035

The amount of write-down of inventories recognized as an expense is $304,648 (2006 – $417,117). This expense is included in cost of sales as disclosed in Note 3.

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Consolidated Financial Statements
Year ended August 31, 2007

6. Loans receivable

	2007 $	2006 $
Loans receivable due at end of year	187,338	321,013
Less: Current portion	(87,189)	(164,848)
Long-term portion	100,149	156,165

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 10.65% (2006 – 8.5%) 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.

7. 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:

	2007 $	2006 $
Sales to a related company	14,955,364	12,923,696
Sales to associated companies	15,758,711	11,552,020
Purchases from related companies	1,318,767	4,442,550
Management fees paid to parent company	420,000	420,000
Interest paid to parent company	-	7,049
Interest paid to a related company	-	868
Lease payments to parent company	24,003	12,101

Compensation of key management personnel of the Company:

	2007 $	2006 $
Short-term employee benefits	910,465	553,845

8. Bank overdraft

The security for the bank overdraft limit of $2,000,000 is disclosed in Note 9 (ii).

Interest is charged and payable monthly on the overdraft balance at prime plus 1% per year. The rate at year-end was 11.15% (2006 – 10.65%).

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Consolidated Financial Statements
Year ended August 31, 2007

9. Long-term liabilities

		2007	2006
		$	$
i)	Grassland Development loans	-	134,883
ii)	FirstCaribbean International Bank	826,090	1,518,760
iii)	Tetra Pak TBA/8	2,428,740	990,082
		3,254,830	2,643,725
Less: current portion		(1,197,838)	(703,903)
Long-term portion		2,056,992	1,939,822

i) There is a facility of $1,000,000 with the Group's bank to be drawn in tranches of $100,000 each for lending to farmers. There is a one-year moratorium on the repayment of the principal from the date of draw down. Interest at the rate of 10.65% (2006 – 10.15%) per annum was charged.

ii) The bank loans bear interest at rates between 8.65% and 10.65% (2006 – 8.15% and 8.65%) and are repayable in various instalments of principal and interest. The loans and the overdraft facility 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.

iii) 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 $739,211 (2006 – $733,852). Lease payments due after one year total $1,689,529 (2006 – $256,230).

10. Long-term investments

	2007	2006
	$	$
Barbados Agro Processing Company Limited (in receivership)	1	1

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Consolidated Financial Statements
Year ended August 31, 2007

11. Property, plant and equipment

	At August 31, 2006 $	Additions $	Disposals $	Transfers $	At August 31, 2007 $
Cost					
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
	56,393,537	5,388,070	(53,657)	(17,743)	61,710,207
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
	34,136,551	3,264,724	(17,886)	(8,131)	37,375,258
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
	22,256,986				24,334,949

The company has plant and equipment with a net book value of $1,145,012 (2006 – $1,225,764) secured under a finance lease. During 2007, plant and machinery with a carrying value of $9,612 (2006 – $413,922) was transferred to non-current assets classified as held for sale.

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Consolidated Financial Statements
Year ended August 31, 2007

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

	At August 31, 2005 $	Additions $	Disposals $	Transfers $	At August 31, 2006 $
Cost					
Buildings on leasehold land	12,719,335	46,789	-	-	12,766,124
Plant and machinery	36,481,987	1,175,283	(2,146,361)	(638,915)	34,871,994
Motor vehicles	1,539,604	51,938	-	-	1,591,542
Furniture, fixtures and equipment	5,712,559	81,795	-	-	5,794,354
Containers	1,281,120	88,403	-	-	1,369,523
	57,734,605	1,444,208	(2,146,361)	(638,915)	56,393,537
Accumulated depreciation					
Buildings on leasehold land	5,955,892	254,930	-	-	6,210,822
Plant and machinery	21,027,752	1,971,338	(1,377,625)	(224,993)	21,396,472
Motor vehicles	853,592	216,850	-	-	1,070,442
Furniture, fixtures and equipment	3,987,150	495,810	-	-	4,482,960
Containers	758,379	217,476	-	-	975,855
	32,582,765	3,156,404	(1,377,625)	(224,993)	34,136,551
Net book value					
Buildings on leasehold land	6,763,443				6,555,302
Plant and machinery	15,454,235				13,475,522
Motor vehicles	686,012				521,100
Furniture, fixtures and equipment	1,725,409				1,311,394
Containers	522,741				393,668
	25,151,840				22,256,986

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Consolidated Financial Statements
Year ended August 31, 2007

12. Pension plan

	2007	2006
	$	$
Balance sheet		
Present value of funded obligations	9,592,281	10,230,820
Fair value of plan assets	(15,273,157)	(14,305,256)
	(5,680,876)	(4,074,436)
Unrecognized actuarial gains	3,654,602	2,597,574
Net asset recognized in the balance sheet	(2,026,274)	(1,476,862)
Statement of income		
Current service cost	285,694	344,702
Interest cost	689,510	731,685
Expected return on plan assets	(981,053)	(952,192)
Net actuarial gains recognized in the year	(76,926)	(41,301)
Total, included in staff costs	(82,775)	82,894
Actual return on plan assets	1,548,323	620,629

Movement in the net amount recognized in the balance sheet:

	2007	2006
	$	$
Net asset, beginning of year	(1,476,862)	(1,094,917)
Net (income) expense recognized in the income statement	(82,775)	82,894
Contributions paid	(466,637)	(464,839)
Net asset, end of year	2,026,274	(1,476,862)

	2007	2006
Principal actuarial assumptions as at August 31, were:		
Discount rate at end of year	8.0%	7.0%
Expected return on plan assets at end of year	8.0%	7.0%
Future promotional salary increases	2.5%	2.5%
Future inflationary salary increase	4.0%	3.0%
Future increases in NIS ceiling for earnings	4.5%	3.5%
Future pension increases	4.0%	3.0%

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Consolidated Financial Statements
Year ended August 31, 2007

13. Share capital

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

	2007	2006
	$	$
Stated and issued:		
4,729,529 (2006 – 4,729,529) common shares	1,006,204	1,006,204

14. Operating lease commitment

The lease expense for the year for motor vehicles was $81,251 (2006 – $189,826). Future lease payments due within one year total $24,003 (2006 – $81,251) and due between one and five years total $72,009 (2006 – $153,260).

15. 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 $850,927 (2006 – $1,360,000) was approved by the Directors of which $193,727 (2006 – $681,600) is subject to contract.

16. Earnings per share

Earnings per share are based on net income of $4,051,559 (2006 – net loss of $429,198) and shares 4,729,529 (2006 – 4,729,529) in issue during the year.

17. Comparatives

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

18. Dividends

Subsequent to year end, the Directors approved a dividend of 15¢ per share amounting to $709,429 (2006 – 5¢ per share amounting to $236,476). This dividend will be accounted for as an appropriation of retained earnings in the next financial year.

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Consolidated Financial Statements
Year ended August 31, 2007

19. Financial instruments

Fair values
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
Long-term loans receivable and payable are at variable rates and consequently their fair values approximate their carrying values.

Credit risk
The company sells its products to customers primarily in Barbados and provides loans as detailed in Note 6. Credit risk arises from the possibility that customers and 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. The company performs ongoing credit reviews of its customers and counterparties, and provisions are set aside against amounts deemed irrecoverable.

Interest rate risk
The company is exposed to interest rate risk as detailed in Notes 6, 8 and 9.

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:-

Nominee for Director	**Present Principal Occupation**
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 sucessor 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.

NOTES

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.

CUT HERE