PINEHILL
Annual Report
2009

the way to better health

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Annual Report
2009

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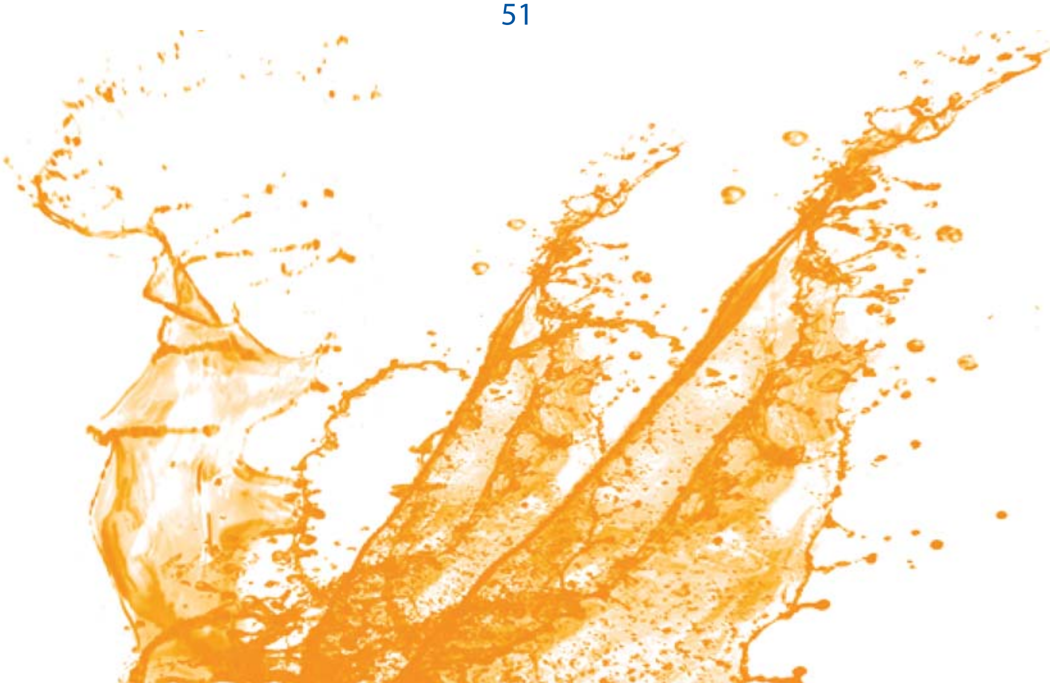

OUR MISSION
the way to better health

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.

board of

DIRECTORS

the way to better health

Barbados Dairy Industries Limited

Sir Allan **FIELDS**
Chairman

C. E. **GIBSON**
Managing Director

N. M. **BRACE**
Attorney-at-Law
Secretary

G. P. **MARSHALL**

N. McD. **BREWSTER**

P. D. **DAVIS**

C. R. **COZIER**

D. B. **STOUTE**

REGISTERED OFFICE
Pine, St. Michael

AUDITORS
Ernst & Young
Chartered Accountants

ATTORNEYS-AT-LAW
Patterson Cheltenham, Q.C.
Carrington & Sealy

BANKERS
FirstCaribbean International Bank

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NOTICE
of annual general meeting

Notice is hereby given that the Forty-fifth Annual General Meeting of the shareholders of Barbados Dairy Industries Limited will be held at: **PINE HILL DAIRY, THE PINE, ST. MICHAEL,** on **THURSDAY, 14th JANUARY, 2010, AT 10:00 A.M.** for the following purposes:

1. To receive and consider the Consolidated Statement of Income, Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet and the reports of the Directors and of the Auditors with respect to the year ended August 31, 2009.

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.

By Order of the Board

Natalie M. Brace

Natalie M. Brace
Secretary

18 November 2009

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

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CHAIRMAN'S statement

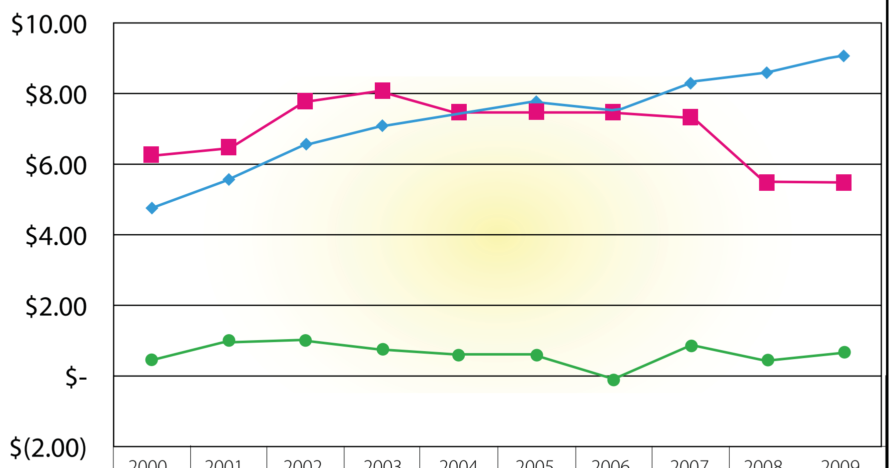
Sir Allan **FIELDS**
Chairman

On behalf of the Board of Directors, I am pleased to report that the financial year ending 31st August 2009 was another reasonable year for our Company. Last year, I stated that the emerging global economic climate would prove to be a major challenge during the year ahead of us and that it would be difficult to sustain continued growth. This proved to be true and to maintain sales at similar levels as the previous year is commendable.

Our sales finished at $67.9 million, the same as last year. In general, the sale of milk based products was solid while juice based beverages declined. The juice beverage sector of the market has become very crowded with fierce competition. Carving out success in this sector has never been more challenging. Whether it is labeling regulations, advances in packaging or knowing where the industry is heading, innovation and information have never been more important to our business.

Financially, the year ended with an after tax profit of $3,203,901 compared to $1,941,829 for the previous year. The before tax profit of $3,271,641 is similar to that of the prior year, which finished at $3,264,089. In the previous year, changes in the allowable asset rate, for the purposes of income tax calculation, resulted in a significant $2,342,680 tax charge. During the year, continued emphasis was placed on prudent management of our resources and the maintenance of effective control over expenses.

Equity, Price and Earnings per Share Comparisons



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Equity value per Share	$4.79	$5.58	$6.59	$7.11	$7.50	$7.82	$7.53	$8.33	$8.62	$9.15
Price per Share	$6.30	$6.50	$7.80	$8.10	$7.50	$7.50	$7.50	$7.50	$5.50	$5.49
Earnings Per Share	$0.47	$1.00	$1.01	$0.73	$0.60	$0.59	$(0.09)	$0.86	$0.41	$0.68

CHAIRMAN'S statement

The net result of this was reflected in the balance sheet with our current assets being reduced, our current liabilities were also reduced, resulting in our working capital improving by 7%. Our after tax Earnings Per Share (EPS) improved from $0.41 to $0.68 per share. Our debt to equity ratio remains strong, along with other economic indicators, which has allowed our Directors to declare a dividend of 15 cents per share, the same as last year.

The Barbados economy has performed below expectations during 2009. The global recession continues to restrict growth in Barbados, with a 4.4 per cent decline in the economy for the first three quarters of 2009. The January to September months also marked the worst slump in tourism for that period, in almost 20 years. This economic downturn is predicted to continue for the rest of the year, albeit at a slower rate. More than ever, managing in the current unfolding global economic crisis will require changes in the way that we do business.

In my report last year, I challenged the management of our Company to undertake a thorough examination of our operations with the objective of achieving higher levels of efficiency because such actions were necessary if we are to weather the current economic crisis and emerge as a competitive player in the region. I am pleased to report that the challenge was met and that capital expenditure amounting to $14.8 million has been approved for a major plant re-engineering that will result in the integration of our two manufacturing plants into one facility.

When completed in August 2010, the improvements will feature new state of the art processing equipment with modern centralized automated controls. These features will position Barbados Dairy Industries Limited as one of the most modern dairy and juice processing facilities in the Caribbean and Central America. The project duration is ten months, with the most intense activities starting around the middle of January 2010. It is a very demanding project which requires detailed planning in order to avoid any shortages of our products. At completion, our productivity and plant efficiency will be improved substantially and will allow us to sustain our ability to produce excellent quality products while allowing growth, through increased exports.

During the year under review, our quality programmes and good manufacturing practices were sustained with both our UHT and HTST plants retaining their HACCP certification. Preparations for ISO 22,000 certification are well underway with the necessary documentation of all our procedures and training for all levels of employees taking place to allow for accreditation in early 2010.

Fresh milk supplied by the dairy farmers increased during the year and we consistently met demand for the first time in several years. The importation of cows in recent years is responsible. It is anticipated, that with the projected decline in long stay tourist arrivals, there could be a surplus of locally supplied milk when production increases during the first half of 2010. To mitigate against

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CHAIRMAN'S statement

this, Barbados Dairy Industries Limited and the local dairy producers are in the process of developing a marketing programme aimed at increasing the consumption of milk. When the re-engineering of our plant is complete, we will be well positioned to export any excess milk and provide an opportunity for the growth of the local dairy industry.

I would like to take this opportunity to welcome Mr. Geoffrey Marshall to our Board. Mr. Marshall currently holds the position of Chief Financial Officer with our parent Company, Banks Holdings Limited (BHL). I would like to congratulate the management and staff for their dedication and commitment during the year and on their behalf, as well as on behalf of the Board of Directors, I wish to thank our many shareholders and the public in general for their continued support. Pine Hill Dairy's products are of an excellent quality and they are very competitive when compared with similar imports. Therefore, I would like to appeal to all Barbadians to support local manufacturing as we strive to maintain our level of employment in these challenging economic times.

Sir Allan C. Fields KCMG
Chairman
18 November 2009

MANAGING DIRECTOR'S statement

C. E. **GIBSON**
Managing Director

FINANCIAL SUMMARY

Our financial year, ended 31st August 2009, was not as expected when compared to our position at half year. Performance during the first half of the year was better than the second half as sales were generally stronger and more in line with budget. The second half saw depressed sales, starting in April 2009 as the impact of the global economic recession took effect on our economy. The last quarter (June, July & August) was our most challenging with sales reaching record lows leading to a loss during the quarter. Sales at $67.87 million were in line with last year's $67.88 million but substantially below budget.

The year finished with an after tax profit of $3.204 million compared to $1.942 million for the previous year. This is an improvement of 65%. Stringent cost control measures coupled with improved plant efficiencies and a reduction in the cost of energy were the main reasons for the improved performance. Our net margin after tax finished at 4.8%, which is low and must be improved if we are to sustain our position as a leading regional manufacturer.

Our Chairman in his report states that the beverage industry is one of the most crowded and fiercely contested markets and sustaining success in this sector has never been more challenging. Increasing the price of our finished goods to acquire an acceptable net margin will most likely further erode our sales volumes, hence, our strategy to deliver the desired margins will focus on major plant re-engineering using the latest plant automation controls and processing methods coupled with product re-branding and re-positioning. This process has started and will be completed towards the end of this financial year with the full benefits to be seen in our next financial year, 2010 to 2011.

SALES SUMMARY

As stated above, sales at the end of August 2009 finished at $67.87 million compared to $67.88 million at the end of August 2008. Despite price increases that were implemented in May 2008 and which were in effect for the full financial year, our cumulative sales revenue was flat, due to a decline in our sales volume of 3%. Volumetric sales of UHT juices, Sweetened Condensed Milk and pasteurized flavoured milks recorded modest growth, while pasteurized juices, pasteurized white milks, evaporated milks, UHT milks and milk shakes declined. Sales of yogurt were flat.

Declining sales of pasteurized juices has been a concern over the past three years and is due mainly to the increased competition from imported products. The growth seen in our UHT category of juices is also responsible for some of this decline as consumers continue to switch to the ambient or shelf stable retailed products. The introduction of our PineHill Caribbean Pride range of juices produced in Belize, in the new TGA 1000ml gable top carton, should enable us to stop this decline and regain market share.

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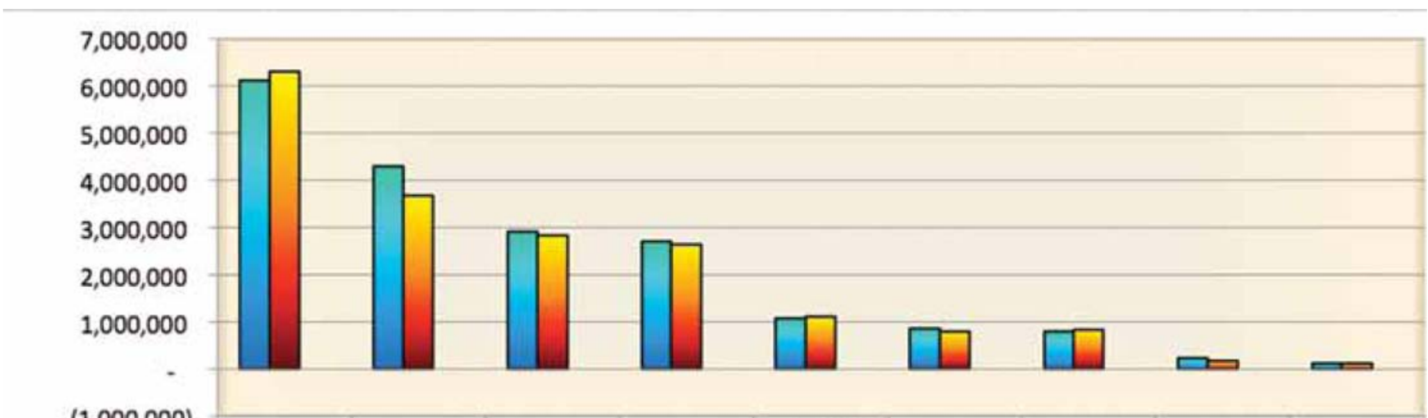
MANAGING DIRECTOR'S statement

The Caribbean Pride range was launched in late October 2009 with six products and to date sales have met projections.

There was a tradeoff between flavoured and un-flavoured pasteurized milks with the removal of VAT on flavoured milks during the second half of the year. This trend will be more obvious this year as the effect is seen over a full financial year. **Figure 1** below shows volumetric sales details for 2008 and 2009.



	UHT Juices	Pasteurised Juices	Pasteurisd White Milk	Evaporated Milk	Pasteurised Flavoured Milk	UHT Milks	SCM	Milk Shake	Yogurts
2008 sales in Litres	6,115,282	4,292,519	2,913,996	2,707,162	1,075,256	858,806	799,992	228,576	116,394
2009 sales in Litres	6,299,884	3,679,240	2,833,391	2,641,021	1,110,399	797,447	834,408	172,040	116,182
% Change	3%	-14%	-3%	-2%	3%	-7%	4%	-25%	0%

Figure **1**

Export sales revenue finished at $8.16 million compared to $8.38 million in 2008 registering a 2.6% decline. The case numbers or volume was, like local sales, down on the previous year. The Antigua and St. Lucia markets performed well with strong double digit growth whereas the Trinidad and Tobago market was a big disappointment as the sales to this market were down significantly. See **Figure 2** below for details.

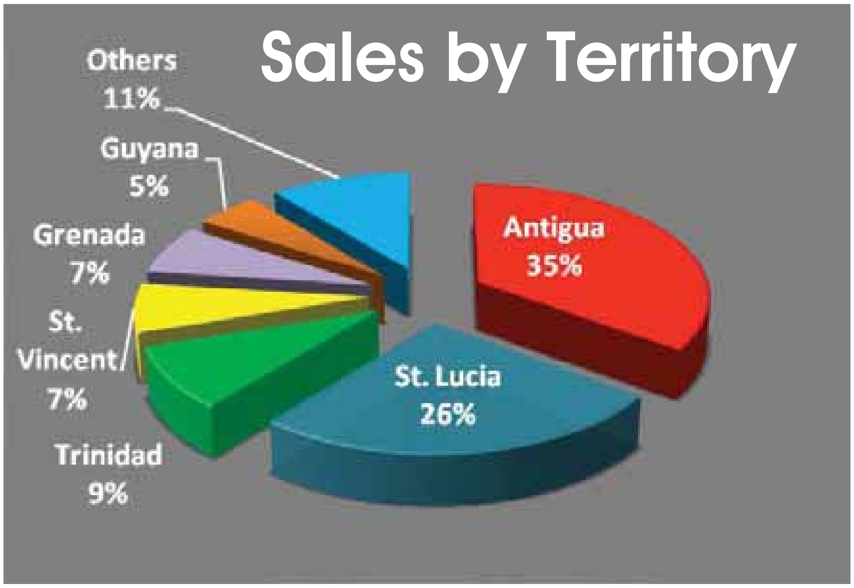


Figure **2**

Despite the challenging economic conditions, our export performance continues to be encouraging and we believe that this can be improved upon given the strong demand for the Pine Hill Brand in most of our export markets. Again, this year we have provided additional finance for a variety of advertising and promotional programs and with our planned strategy to turn around the Trinidad market through indent sales directly to the major retail chains, we should be well positioned to capitalize on our export opportunities as the global economic situation improves.

OPERATIONS

The year under review saw modest improvements in our overall operational efficiencies. Our inventories of both packaging and raw materials were well managed with no major shortages. Equipment performance/line efficiency is still low around 60% but there were times when acceptable efficiencies of between 75% and 80% were achieved.

The year ahead of us will be a busy one with a major plant re-engineering project taking place during the first nine months of the year as indicated by our Chairman. The objective is to turn around our low efficiencies, increase the quality of our products as well as improve the overall productivity. The major aspects of the plant re-engineering project involve:

Civil Works – Detailed specifications for all the required changes to the structure of our facility to allow all our mixing, processing, filling and packaging operations to be done under one roof were prepared, tendered and contracts awarded. Work has commenced

MANAGING DIRECTOR'S statement

and is expected to be completed by the end of March 2010.

Equipment & Automation Software – Final specifications for the four new pieces of equipment were finalized and the equipment orders placed with the respective suppliers. The equipment is scheduled to arrive in Barbados between Mid-December 2009 and early January 2010. Installation is scheduled to commence in mid-January 2010 and finish at the end of August 2010. Moving of existing equipment from our UHT plant to the new location in the chilled pasteurized plant will take place between April and July 2010. This aspect of the project is very challenging and has to be executed in a timely manner so as to avoid any stock outs of our finished products.

As early as April 2010, critical pieces of equipment will be operational and we should begin to see the benefits of the new and improved process. These benefits will lead to better plant operational efficiencies and improved yields as re-work and scrap will be decreased. We anticipate a reduction in the use of energy and maintenance costs as the total pieces of equipment used in the plant will be fewer. Upon final completion, this project will make us leaner in many areas and will allow us to improve plant productivity thereby consolidating our position as a leading regional manufacturer of high quality milk and juice based beverages.

Our quality programmes, namely HACCP and ISO, will take place simultaneously with the re-engineering of our production facilities. Significant training is planned and a number of our employees will benefit from schooling in the operation and maintenance of the new equipment as well as the procedures being developed or modified in order to maintain our quality programmes.

I wish to take this opportunity to thank our management team, our staff and the BHL employees who provided essential services for their commitment and support during the year. Finally, I trust that there will be an improvement in the current economic climate allowing our loyal customers and consumers to continue their support by purchasing our excellent products.

CLYDE E. GIBSON
Managing Director
18 November 2009

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DIRECTORS' report

1. The Directors present their annual report and the audited consolidated financial statements for the year ended 31 August 2009.

		$
2.	The consolidated net income for the year was	3,203,901
	To which is added the retained earnings brought forward of	39,776,690
	Giving retained earnings available for appropriation of	42,980,591
	Less dividend paid (15¢ per share)	(709,429)
	Giving retained earnings carried forward of	42,271,162

3. Subsequent to year-end, a dividend of 15¢ per share in respect of 2009 was approved by the Directors. This dividend will be accounted for as an appropriation of retained earnings in the year ending 2010.

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:

   C.R. Cozier and N. McD. Brewster

5. At 31 August 2009 and 18 November 2009 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	
	31.08.09	**18.11.09**
Banks Holdings Limited (BHL)	**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 M. Brace

N.M. Brace
Secretary
18 November 2009

Worthing Centre
Worthing,
Christ Church, Barbados.

Tel: (246) 430-3900
Fax: (246) 426-9551
(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 31 August 2009 and the consolidated statements of income, changes in equity and cash flows 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 31 August 2009 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst + Young

CHARTERED ACCOUNTANTS
18 November 2009
Barbados

Barbados Dairy Industries Limited
Consolidated Statement of Income
Year ended 31 August 2009

	Notes	2009 $	2008 $
Sales		67,874,198	67,877,975
Profit from operations before undernoted items	4	3,471,502	3,534,362
Interest income		6,052	12,226
Interest expense		(205,913)	(282,499)
Income before taxation		3,271,641	3,264,089
Taxation	6	(67,740)	(1,322,260)
Net income for the year		3,203,901	1,941,829
Earnings per share - basic and diluted	20	$0.68	$0.41

The accompanying notes form part of these financial statements.

Barbados Dairy Industries Limited
Consolidated Balance Sheet
As of 31 August 2009

	Notes	2009	2008
		$	$
Current assets			
Cash		226,578	840,508
Accounts receivable and prepayments	5	5,542,845	5,241,564
Inventories	7	14,671,645	15,740,994
Current portion of loans receivable	8	33,886	57,818
Due from related companies	9	1,062,811	2,839,334
		21,537,765	24,720,218
Current liabilities			
Bank overdraft	10	41,592	367,276
Accounts payable and accruals	11	5,225,297	6,917,682
Due to related companies	9	1,345,283	2,899,567
Current portion of long-term liabilities	12	722,888	1,291,378
Taxation payable	6	63,968	-
		7,399,028	11,475,903
Working capital		14,138,737	13,244,315
Deferred tax asset	6	4,530,665	4,534,437
Loans receivable	8	8,466	42,360
Long-term investment	13	1	1
Property, plant and equipment	14	22,641,555	23,704,992
Pension plan surplus	15	3,156,383	2,716,202
Post-employment medical liability	16	(471,912)	(407,597)
Long-term liabilities	12	(726,529)	(3,051,816)
		43,277,366	40,782,894
Shareholders' equity			
Share capital	17	1,006,204	1,006,204
Retained earnings		42,271,162	39,776,690
		43,277,366	40,782,894

The accompanying notes form part of these financial statements.

Approved by the Board of Directors on 18 November 2009 and signed on its behalf by:

....Chairman ....Director

Barbados Dairy Industries Limited
Consolidated Statement of Changes in Equity
Year ended 31 August 2009

	Share capital $	Retained earnings $	Total $
Balance at 31 August 2007	1,006,204	38,544,290	39,550,494
Net income for the year	-	1,941,829	1,941,829
Ordinary dividend paid (15¢ per share)	-	(709,429)	(709,429)
Balance at 31 August 2008	1,006,204	39,776,690	40,782,894
Net income for the year	-	3,203,901	3,203,901
Ordinary dividend paid (15¢ per share)	-	(709,429)	(709,429)
Balance at 31 August 2009	1,006,204	42,271,162	43,277,366

The accompanying notes form part of these financial statements.

Barbados Dairy Industries Limited
Consolidated Statement of Cash Flows
Year ended 31 August 2009

	2009 $	2008 $
Cash flows from operating activities		
Income before taxation	3,271,641	3,264,089
Adjustments for:		
Depreciation	3,323,206	3,564,689
Loss on disposal of property, plant and equipment	4,489	6,547
Interest income	(6,052)	(12,226)
Interest expense	205,913	282,499
Pension plan surplus	(440,181)	(689,928)
Post-employment medical liability	64,315	70,928
Operating profit before working capital changes	6,423,331	6,486,598
(Increase) decrease in accounts receivable and prepayments	(301,281)	1,709,264
Decrease (increase) in inventories	1,069,349	(2,812,409)
Decrease (increase) in due from related companies	1,776,523	(2,081,250)
(Decrease) increase in accounts payable and accruals	(1,692,385)	870,321
(Decrease) increase in due to related companies	(1,554,284)	857,259
Cash generated from operations	5,721,253	5,029,783
Interest paid	(205,913)	(282,499)
Interest received	6,052	12,226
Tax refund received	-	22,729
Net cash from operating activities	5,521,392	4,782,239
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	478,026	95,245
Purchase of property, plant and equipment	(2,742,284)	(3,036,524)
Repayment of loans receivable	57,826	87,160
Net cash used in investing activities	(2,206,432)	(2,854,119)
Cash flows from financing activities		
Net (repayment of) proceeds from long-term liabilities	(2,893,777)	1,088,364
Dividends paid	(709,429)	(709,429)
Net cash (used in) from financing activities	(3,603,206)	378,935
(Decrease) increase in cash and cash equivalents	(288,246)	2,307,055
Cash and cash equivalents – beginning of year	473,232	(1,833,823)
Cash and cash equivalents – end of year	184,986	473,232
Represented by:		
Cash	226,578	840,508
Bank overdraft	(41,592)	(367,276)
Cash and cash equivalents – end of year	184,986	473,232

The accompanying notes form part of these financial statements.

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 manufacturing, processing and distribution of dairy products and fruit juices.

The Company's registered office is located at the Pine, St. Michael, Barbados.

2. Significant accounting policies

a] Basis of accounting and financial statement preparation

The financial statements are prepared under the historical cost convention except for long-term investments, which are carried at fair value. The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

b] Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Company has adopted the following new and amended IFRS and IFRIC interpretations during the year.

IAS 39 (Amendment)	–	Financial instruments: Recognition and Measurement
IFRIC 9	–	Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement
IFRIC 11 / IFRS 2	–	Group and Treasury Share Transactions
IFRIC 12	–	Service Concession Arrangements
IFRIC 13	–	Customer Loyalty Programmes
IFRIC 14 / IAS 9	–	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 16	–	Hedges of a Net Investment in a Foreign Operation

Adoption of these revised standards and interpretations where relevant, did not have any effect on the financial performance or position of the Company.

The principal effects of these changes are as follows:

2. Significant accounting policies (cont'd)

b] Changes in accounting policies and disclosures (cont'd)

IAS 39 (Amendment) - Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures - Reclassification of Financial Assets (Ammendments)

An Amendment to IAS 39 was issued in October 2008, which permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances.

The Amendment also permits an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available-for-sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. The Company did not exercise this option and as such IAS 39 (amendment) had no impact on these financial statements.

IFRIC 9 – Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement

This Amendment to IFRIC 9 requires an entity to assess whether an embedded derivative must be separated from a host contact when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss. This interpretation had no impact on the Company.

IFRIC 11 / IFRS 2 - Group and Treasury Share Transactions

The Interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed. The Company has not issued instruments caught by this interpretation.

IFRIC 12 – Service Concession Arrangements

This Interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. No member of the Company is an operator and, therefore, this interpretation has no impact on the Company.

2. Significant accounting policies (cont'd)

b] Changes in accounting policies and disclosures (cont'd)

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. This 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 had no impact on the Company.

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

IFRIC Interpretation 14 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 country in which the Company operates has no minimum funding standards, therefore the adoption of this interpretation had no impact on the financial position or performance of the Company.

IFRIC 16 - Hedges of a Net Investment in a Foreign Operation

The Interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such, it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. The Interpretation had no impact on the Company.

c] Standards issued but not yet effective

New standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted by the Company are as follows:

Amendments to IFRS 1 –	First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements
IFRS 2 –	Share-based Payment: Vesting Conditions and Cancellations
IFRS 2 –	Share-based Payment: Group Cash-settled Share-based Payment Transactions
IFRS 3 –	Business Combinations and IAS 27R Consolidated and Separate Financial Statements
IFRS 7 –	Financial Instruments: Disclosures
IFRS 8 –	Operating Segments
IAS 1 –	Revised Presentation of Financial Statements

2. **Significant accounting policies (cont'd)**

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

IAS 23	–	Borrowing Costs
IAS 32	-	Financial Instruments: Presentation and IAS 1 - Puttable Financial Insruments and Obligations Arising on Liquidation
IAS 39	-	Financial Instruments: Recognition and Measurement - Eligible Hedged Items
IFRIC 17	-	Distributions of Non-cash Assets to Owners
IFRIC 18	-	Transfer of Assets from Customers

These new standards, interpretations and amendments do not apply to the activities of the Company or have no impact on its financial statements, with the exception of IAS 1 and IFRS 7. The Company will evaluate the impact of these latter standards and interpretations on the financial statements.

In May 2008, the International Accounting Standards Board issued "Improvements to IFRSs", which is part of its annual improvements project, and a vehicle for making non-urgent but necessary amendments to various IFRSs. These amendments primarily become effective for annual periods beginning on or after January 31, 2009 and are not expected to significantly impact the Company.

d] **Principles of consolidation**

The consolidated financial statements comprise of the financial statements of the Company and its wholly-owned subsidiary Pine Hill Marketing Limited. The financial statements of the subsidiary are prepared for the same reporing year as the parent company, using consistent accounting policies. All intercompany balances and transactions 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.

e] **Revenue recognition**

Revenue is recognized when the significant risks and rewards of ownersip of goods have passed to the buyer and the amount of revenue can be measured reliably. Interest income is recognized on an accural basis.

f] **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 that 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.

2. Significant accounting policies (cont'd)

g] 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 yet 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 agreement. The carrying amount of loans and receivables is reduced through use of an allowance account.

h] 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.

2. Significant accounting policies (cont'd)

i] Depreciation

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

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

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

j] Impairment of non-financial assets

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

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the recoverable amount. 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.

2. Significant accounting policies (cont'd)

k] 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.

l] Pensions

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

The pension accounting costs are accrued using the projected unit credit method. Under this method, the cost of providing pensions is charged to the statement of income so as to spread the regular cost over the service lives of the employees in accordance with the advice of independent qualified actuaries who carry out a full valuation of the plans every three years. The pension obligation is measured as the present value of the estimated future cash flows using interest rates of Government Securities which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses are spread forward over the average remaining service lives of employees.

The Company also operates a contributory defined contribution pension scheme. Contributions are charged to the statement of income in the year to which they relate.

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

m] 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.

2. Significant accounting policies (cont'd)

n] 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.

o] 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.

3. Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Impairment of financial assets

When the fair value declines or when there is objective evidence of impairment, management makes assumptions about the declines in value to determine whether it is an impairment that should be recognized in income.

Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all other non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon likely timing and level of future taxable profits together with future tax planning strategies.

3. Significant accounting judgments, estimates and assumptions (cont'd)

Employee retirement benefits

The cost of the defined benefit pension plan and other post-employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets of the plan, future pension increases, future salary increases, proportion of employees opting for early retirement, future changes in the NIS ceiling and inflation. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Assumptions used are disclosed in Notes 15 and 16.

4. Profit from operations

	2009 $	2008 $
Sales	67,874,198	67,877,975
Cost of sales	(58,860,612)	(59,610,589)
Gross profit	9,013,586	8,267,386
Other income	683,058	1,008,759
	9,696,644	9,276,145
Selling, general and administrative expenses	(6,225,142)	(5,741,783)
Profit from operations	3,471,502	3,534,362

Profit from operations is after charging:

	2009 $	2008 $
Depreciation	3,323,206	3,564,689
Staff costs	9,266,534	9,232,223

5. Accounts receivable and prepayments

	2009 $	2008 $
Trade receivables	4,843,734	3,664,046
Other receivables and prepayments	699,111	1,577,518
	5,542,845	5,241,564

	2009 $	2008 $
Gross trade receivables	4,854,706	3,829,660
Provision for doubtful debts	(10,972)	(165,614)
Trade receivables	4,843,734	3,664,046

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

As at 31 August 2009, trade receivables at a nominal value of $10,972 (2008-$165,614) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	Total $
At 31 August 2007	225,472
Charge for the year	148,699
Write offs	(208,557)
At 31 August 2008	165,614
Write offs	(154,642)
At 31 August 2009	10,972

5. Accounts receivable and prepayments (cont'd)

As at 31 August, the ageing analysis of trade receivables is as follows:

			Past due but not impaired				
	Total	**Neither past due nor impaired**	**< 30 days**	**30-60 days**	**60-90 days**	**90-120 days**	**>120 days**
	$	$	$	$	$	$	$
2009	4,843,734	2,071,617	1,490,099	97,482	180,547	70,212	933,777
2008	3,664,046	1,601,725	698,410	260,274	255,971	13,112	834,554

With respect to trade receivables and other receivables and prepayments that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will default on payment obligations since the Company trades only with recognized creditworthy third parties.

6. Taxation

	2009	**2008**
	$	$
Statement of income		
Deferred tax charge (recovery) for the year	152,821	(1,020,420)
Underprovision of prior year deferred tax asset	(149,049)	-
Effect of change in tax rate	-	2,342,680
Corporation tax expense	63,968	-
	67,740	1,322,260

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

	2009	**2008**
	$	$
Income before taxation	3,271,641	3,264,089
Taxed at the applicable rate of 15% (2008-15%)	490,746	489,613
Capital allowances	(705,081)	(164,019)
Other	(85,363)	(61,976)
Exempt profits	-	(1,284,038)
Group relief surrendered	661,023	-
Underprovision of prior year deferred tax asset	(149,049)	-
Effect of change in tax rate	-	2,342,680
Losses expired	(144,536)	-
	67,740	1,322,260

6. Taxation (cont'd)

	2009	2008
	$	$
Deferred tax asset		
Balance, beginning of year	4,534,437	5,856,697
Deferred tax (charge) recovery	(152,821)	1,020,420
Underprovision of prior year deferred tax asset	149,049	-
Effect of change in tax rate	-	(2,342,680)
Balance, end of year	4,530,665	4,534,437

	2009	2008
	$	$
Deferred tax asset is made up as follows:		
Pension plan surplus	(473,457)	(407,430)
Post-employment medical liability	70,787	61,140
Unutilized tax losses	2,838,599	2,330,650
Accelerated depreciation for accounting purposes	2,094,736	2,550,077
	4,530,665	4,534,437

Tax losses

The Company has unrelieved tax losses of $18,923,996 (2008-$15,537,670) 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
	$	
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	3,405,539	2016
2008	4,111,367	2017
2009	4,285,891	2018
	18,923,996	

7. Inventories

	2009 $	2008 $
Raw materials	9,221,490	9,725,299
Finished goods	2,164,133	2,783,633
Spares and supplies	3,286,022	3,232,062
	14,671,645	15,740,994

The amount of write-down of inventories recognized as an expense is $505,542 (2008-$467,043). This expense is included in cost of sales as disclosed in Note 4.

8. Loans receivable

	2009 $	2008 $
Loans receivable due at end of year	42,352	100,178
Less: Current portion	(33,886)	(57,818)
Long-term portion	8,466	42,360

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% (2008-9.15%) 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:

	2009 $	2008 $
Sales to a related company	13,669,207	17,116,368
Sales to affiliated companies	37,924,554	21,212,713
Purchases from related companies	823,754	734,803
Management fees paid to parent company	1,863,000	828,000
Lease payments to parent company	11,705	24,003

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

Compensation of key management personnel of the Company:

	2009	2008
	$	$
Short-term employment and retirement benefits	976,464	948,024

10. Bank overdraft

The security for the bank overdraft facility 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 9.55% (2008-10.4%).

11. Accounts payable and accruals

	2009	2008
	$	$
Trade payables	4,610,359	5,988,374
Other payables	614,938	929,308
	5,225,297	6,917,682

Terms and conditions of the above liabilities

- Trade payables are non-interest bearing and are normally settled on 30-60 day terms.
- Other payables are non-interest bearing and are normally settled within three months.
- Interest payable is normally settled monthly throughout the financial year.

12. Long-term liabilities

		2009 $	2008 $
i.	FirstCaribbean International Bank	241,388	2,653,665
ii.	Tetra Pak TBA/8	1,208,029	1,689,529
		1,449,417	4,343,194
Less: current portion		(722,888)	(1,291,378)
Long-term portion		726,529	3,051,816

i) The bank loan bears interest at a rate of 7.55% (2008-8.4%) and is repayable in various instalments of principal and interest. The loan 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 and a guarantee endorsed by the parent company, Banks Holdings Limited, limited to $4,631,000.

ii) 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 certain equipment (See Note 14). Future lease payments due within one year are $481,500 (2008-$481,500). Lease payments due after one year total $726,529 (2008-$1,208,029).

13. Long-term investment

	2009 $	2008 $
Barbados Agro Processing Company Limited (in receivership)	1	1

14. Property, plant and equipment

	At 31 August 2008	Additions	Disposals	At 31 August 2009
	$	$	$	$
Cost				
Buildings on leasehold land	12,868,409	-	-	12,868,409
Plant and machinery	41,982,112	1,184,047	(5,569,030)	37,597,129
Motor vehicles	1,646,909	229,199	(156,927)	1,719,181
Furniture, fixtures and equipment	6,557,902	278,432	(1,790,945)	5,045,389
Containers	1,519,776	-	(806,357)	713,419
Construction in progress	-	1,050,606	-	1,050,606
	64,575,108	2,742,284	(8,323,259)	58,994,133
Accumulated depreciation				
Buildings on leasehold land	6,725,971	258,249	-	6,984,220
Plant and machinery	25,785,346	2,486,648	(5,339,343)	22,932,651
Motor vehicles	1,412,728	119,351	(131,069)	1,401,010
Furniture, fixtures and equipment	5,689,694	320,269	(1,563,975)	4,445,988
Containers	1,256,377	138,689	(806,357)	588,709
	40,870,116	3,323,206	(7,840,744)	36,352,578
Net book value				
Buildings on leasehold land	6,142,438			5,884,189
Plant and machinery	16,196,766			14,664,478
Motor vehicles	234,181			318,171
Furniture, fixtures and equipment	868,208			599,401
Containers	263,399			124,710
Construction in progress	-			1,050,606
	23,704,992			22,641,555

The Company has plant and equipment with a net book value of $657,009 (2008-$972,373) secured under a finance lease.

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

	At 31 August 2007	Additions	Disposals	Transfers	At 31 August 2008
	$	$	$	$	$
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				-
	24,334,949				23,704,992

15. Pension plan surplus

	2009	2008
	$	$
Balance sheet		
Present value of funded obligations	10,920,477	9,663,662
Fair value of plan assets	(15,516,295)	(16,458,149)
	(4,595,818)	(6,794,487)
Unrecognized actuarial gains	1,439,435	4,078,285
Net asset recognized in the balance sheet	(3,156,383)	(2,716,202)
Statement of income		
Current service cost	245,751	277,692
Interest cost	735,973	762,438
Expected return on plan assets	(1,253,023)	(1,220,346)
Net actuarial gains recognized in the year	(168,882)	(146,065)
Total, included in staff costs	(440,181)	(326,281)
Actual return on plan assets	(228,807)	1,234,891

15. Pension plan surplus (cont'd)

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

	$
Defined benefit obligation at 31 August 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 obligation at 31 August 2008	9,663,662
Interest cost	735,973
Current service cost	360,575
Transfer out liabilities	(132,825)
Benefits paid	(695,046)
Actuarial loss on obligation	988,138
Defined benefit obligation at 31 August 2009	10,920,477

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

	$
Fair value of plan assets at 31 August 2007	15,273,157
Expected return	1,220,346
Contributions by employer and employee	470,499
Transfer out liabilities	(12,241)
Benefits paid	(508,157)
Actuarial losses on obligation	14,545
Fair value of plan assets at 31 August 2008	16,458,149
Expected return	1,253,023
Contributions by employer and employee	114,824
Transfer out assets	(132,825)
Benefits paid	(695,046)
Actuarial losses on obligation	(1,481,830)
Fair value of plan assets at 31 August 2009	15,516,295

15. Pension plan surplus (cont'd)

The Company expects to contribute Nil (2008 - $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:

	2009	**2008**
	%	%
Bonds	18	13
Mortgages	10	10
Equities	40	41
Mutual funds	19	20
Loans	4	9
Real estate	1	4
Other	8	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.

	2009	**2008**
Principal actuarial assumptions as at 31 August were:		
Discount rate at end of year	7.50%	7.75%
Expected return on plan assets at end of year	7.50%	7.75%
Future promotional salary increases	2.00%	2.00%
Future inflationary salary increase	4.00%	4.25%
Future increases in NIS ceiling for earnings	4.00%	4.25%
Future pension increases	3.50%	3.75%

16. Post-employment medical liability

	2009	2008
	$	$
The amounts recognized in the balance sheet are as follows:		
Present value of funded obligation	609,000	465,921
Unrecognized actuarial losses	(137,088)	(58,324)
Liability recognized in the balance sheet	471,912	407,597

	2009	2008
	$	$
The amounts recognized in the statement of income are as follows:		
Current service cost	28,182	29,038
Interest on obligation	38,181	37,650
Net actuarial loss recognized	839	4,240
Total, included in staff costs	67,202	70,928

	2009	2008
Movements in the net liability recognized in the balance sheet are as follows:		
Net liability, beginning of year	407,597	336,669
Net expense recognized in the statement of income	64,315	70,928
Net liability, end of year	471,912	407,597

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

	$
Obligation at 31 August 2007	336,669
Interest cost	37,650
Current service cost	29,038
Net actuarial loss recognized in year	4,240
Obligation at 31 August 2008	407,597
Interest cost	38,181
Current service cost	28,182
Benefits paid	(2,887)
Net actuarial loss recognized in year	839
Obligation at 31 August 2009	471,912

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

	2009	2008
Principal actuarial assumptions used for accounting purposes at 31 August were as follows:		
Discount rate at end of year	7.50%	7.75%
Future medical claims/premium inflation	4.75%	5.00%

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

	Increase	Decrease
2009	$	$
Effect on the aggregate current service cost and interest cost	81,872	54,452
Effect on the obligation	738,222	506,952
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.

	2009	2008
	$	$
Issued:		
4,729,529 (2008 - 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 $11,705 (2008 – $24,003).

	2009	2008
	$	$
Future minimum lease payments under operating leases are as follows:		
Within one year	11,705	24,003
After one year but no more than five years	2,926	48,006
	14,631	72,009

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 Grass Land Loan Scheme respectively.

Capital expenditure of $14,839,012 (2008-$1,081,571) was approved by the Directors of which $12,928,893 (2008-Nil) is subject to contract.

20. Earnings per share

Earnings per share are based on net income of $3,203,901 (2008 - $1,941,829) and 4,729,529 (2008 - 4,729,529) common 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 (2008 - 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. 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.

22. Risk management (cont'd)

The following table demonstrates the sensitivity to a reasonable possible change in interest rate, with other variables held constant of the Company's income before taxation. There is no impact on the Company's equity.

	2009	2008
	$	$
Increase/decrease in basis points	Effect on profit before tax	Effect on profit before tax
+-50	1,415	23,552

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 59% (2008-58%) 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

	ECD	EUR	US	BDS	GBP	Total
	($)	($)	($)	($)	($)	($)
31 August 2009	2,528	17,838	2,181,003	2,386,274	22,716	4,610,359
31 August 2008	60,702	16,745	4,967,674	941,051	2,202	5,988,374

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.

22. Risk management (cont'd)

Concentration of credit risk

Concentrations of credit risk may arise from exposures to a single debtor or to groups of debtors having a common characteristic such that their ability to meet their obligations is expected to be affected similarly by changes in economic or other conditions.

Substantially, all the assets of the Company are located in Barbados and there are no significant concentrations of credit risk.

The Company trades only with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed at Note 5. The Company does not offer credit terms without the approval of Management.

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

Liquidity risk

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

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

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

Year ended 31 August 2009

	On Demand	1 year	1 to 5 years	Total
	$	$	$	$
Bank overdraft	41,592	-	-	41,592
Accounts payable	-	4,610,359	-	4,610,359
Due to related companies	1,345,283	-	-	1,345,283
Long-term liabilities	-	592,462	882,063	1,474,525

22. Risk management (cont'd)

Year ended 31 August 2008

	On Demand	1 year	1 to 5 years	Total
	$	$	$	$
Bank overdraft	367,276	-	-	367,276
Accounts payable	-	5,988,374	-	5,988,374
Due to related companies	2,899,567	-	-	2,899,567
Long-term liabilities	-	1,491,096	3,317,980	4,809,076

23. 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 31 August 2009 and 31 August 2008.

24. 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	
	2009	2008	2009	2008
	$	$	$	$
Financial assets				
Cash	226,578	840,508	226,578	840,508
Loans receivable	42,352	100,178	42,352	100,178
Accounts receivable	4,843,734	3,664,046	4,843,734	3,664,046
Due from related companies	1,062,811	2,839,334	1,062,811	2,839,334
Financial liabilities				
Bank overdraft	41,592	367,276	41,592	367,276
Accounts payable	4,610,359	5,988,374	4,610,359	5,988,374
Due to related companies	1,345,283	2,899,567	1,345,283	2,899,567
Long-term liabilities	1,449,417	4,343,194	1,449,417	4,343,194

24. Fair value of financial instruments (cont'd)

The methods and assumptions used to estimate the fair value of each class of financial instruments are as follows:

i) Short-term financial assets and liabilities
The carrying value of these assets and liabilities is a reasonable estimate of their fair value because of the short maturity of these instruments. Short-term financial assets comprise cash, accounts receivable and due from related companies. Short-term financial liabilities comprise bank overdraft, accounts payable and due to related companies.

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

25. Comparatives

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

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-fifth Annual Meeting of Shareholders of Barbados Dairy Industries Limited (hereinafter called "the Company") to be held on Thursday, January 14th, 2010 at 10:00 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 12th, 2010 being two business days 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 Monday, December 7th, 2009 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 Monday, December 7th, 2009, 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.

Election of Directors

The Board of Directors consists of members who will retire in rotation annually. On November 18th, 2009 there were seven (7) Board members. The number of Directors of the Company to be elected at the meeting is two (2). 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
Mr. C. R. Cozier	Non-Executive Director
Mr. N. McD. Brewster	Non-Executive Director

With respect to the two (2) 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. C. R. Cozier and N. McD. Brewster the two (2) nominees are now Directors of the Company and will retire at the close of the Forty-fifth 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 Forty-second annual general meeting held on January 17th, 2007 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 judgment of the proxy nominee. Similar discretionary authority is conferred with respect to amendments to the matters identified in the notice of the meeting. The contents of this Management Proxy Circular and the sending thereof to the holders of the common shares of the Company have been approved by the Directors of the Company.

BARBADOS DAIRY INDUSTRIES LIMITED

COMPANY NO. 3382

PROXY FORM

The undersigned shareholder of BARBADOS DAIRY INDUSTRIES LIMITED ("the Company") 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 45th Annual General Meeting of the Shareholders of the Company to be held on Thursday, January 14th, 2010 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 2010

....

Name of Shareholder

....

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 12th, 2010.

CUT HERE

Notes

BARBADOS DAIRY INDUSTRIES LIMITED

A MEMBER OF THE BANKS HOLDINGS (BHL) GROUP

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BB14000, Barbados, West Indies
www.thebhlgroup.com