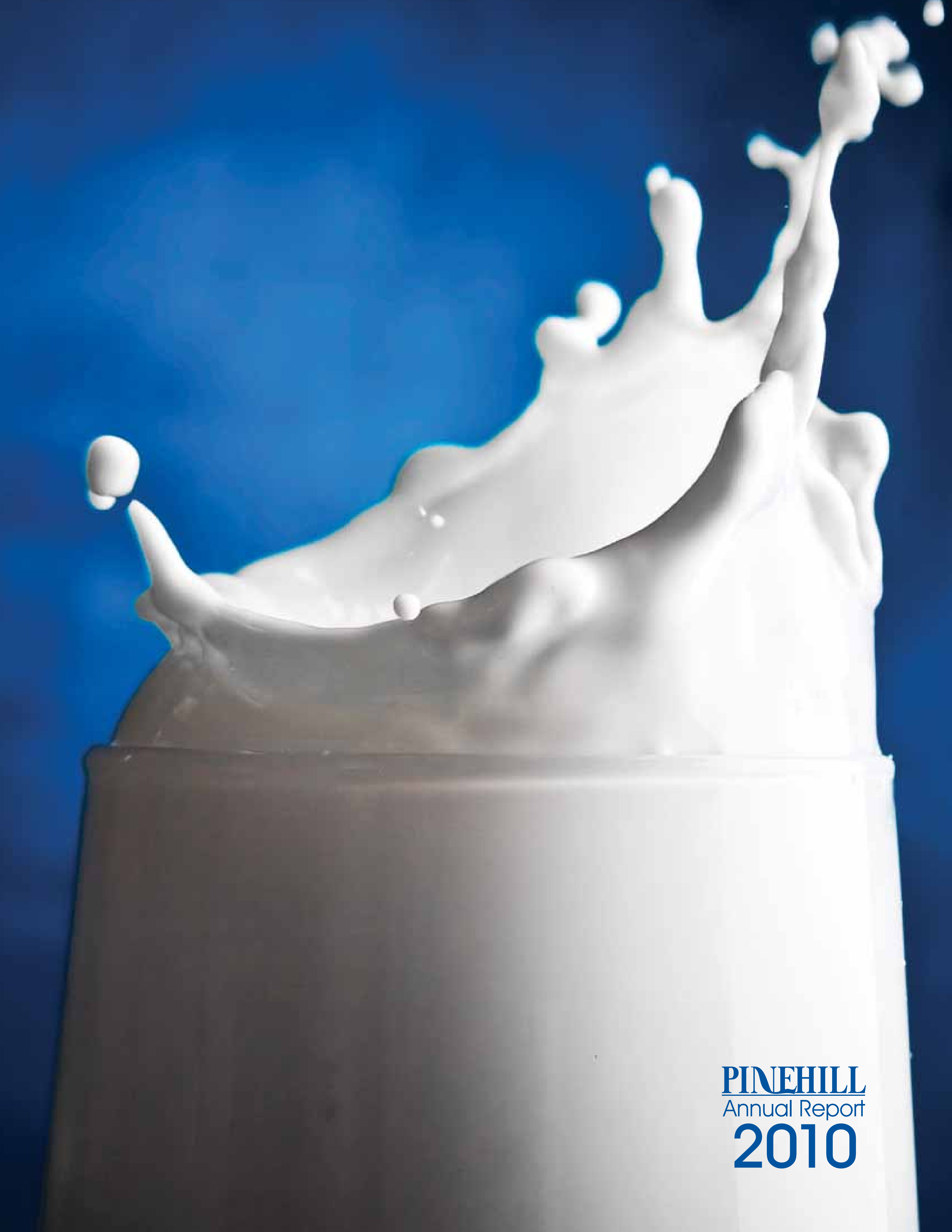


PINEHILL Annual Report 2010

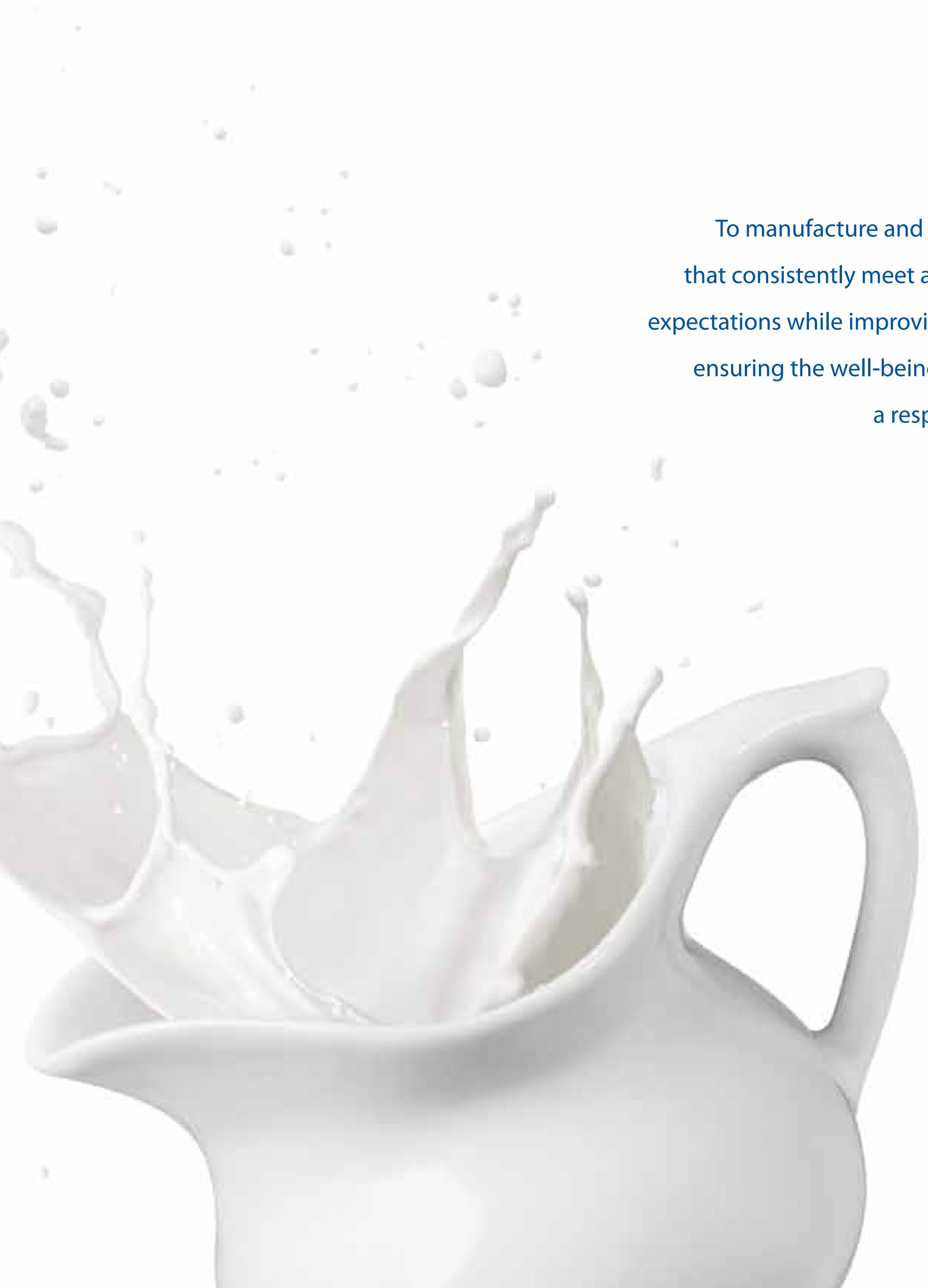
PINEHILL

the way to better health

Contents

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.



board of
DIRECTORS

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

ATTORNEY-AT-LAW
Carrington & Sealy

BANKERS
FirstCaribbean International Bank

NOTICE
of annual general meeting

Notice is hereby given that the Forty-sixth Annual General Meeting of the shareholders of Barbados Dairy Industries Limited will be held at: **PINE HILL DAIRY, ST. MICHAEL,** on **MONDAY, 14TH FEBRUARY, 2011 AT 10:00 A.M.** for the following purposes:

1. To receive and consider the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the reports of the Directors and of the Auditors with respect to the year ended August 31, 2010.

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

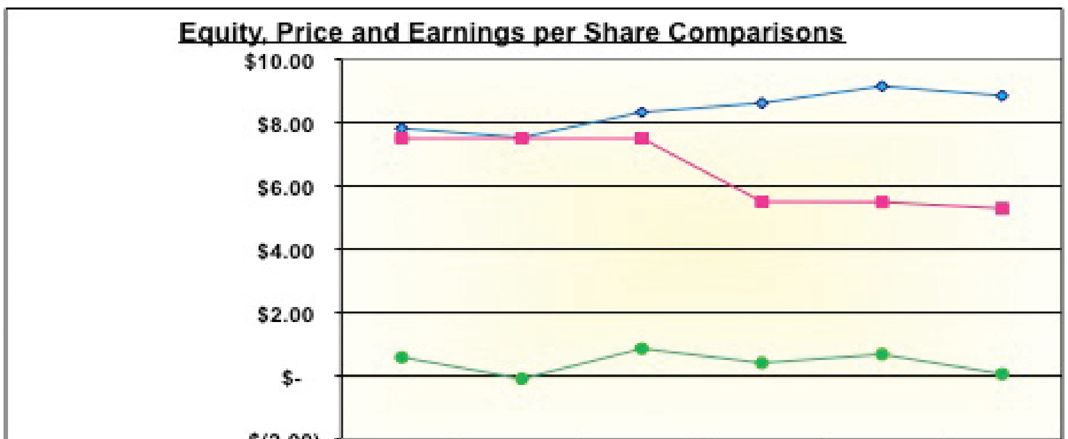
20 December 2010

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

CHAIRMAN'S
statement

Sir Allan **FIELDS**
Chairman

On behalf of our Board, I am pleased to present the Annual Report and Audited Financial Statements of Barbados Dairy Industries Limited for the year ended 31st August, 2010. Compared to recent years, the year under review is disappointing. We recorded a modest after tax profit of $306,597, which is down by $2,897,304 when compared to the previous year. This resulted in earnings per share of $0.06 compared to $0.68 per share last year. The working capital of the Company at the end of the financial year stood at $10.8 million compared to $14.1 million at the previous year-end due to an increase in long-term liabilities consisting of two finance leases and a bank loan to finance our plant re-engineering project. This project has resulted in higher than projected operational costs including severance and depreciation totalling $2.2 million. These increased expenses, coupled with a $5.1 million reduction in sales have placed immense strain on our cash flow and as a result, our Board of Directors has decided not to pay a dividend. The financial year under review can be considered a watershed year and we are confident that the Company will return to the normal levels of profitability.



	2005	2006	2007	2008	2009	2010
EQUITY VALUE PER SHARE	$7.82	$7.53	$8.33	$8.62	$9.15	$8.85
PRICE PER SHARE	$7.50	$7.50	$7.50	$5.50	$5.49	$5.29
EARNINGS PER SHARE	$0.59	$(0.09)	$0.86	$0.41	$0.68	$0.06

Sales declined by 7.5% finishing at $62.8 million compared to $67.9 million the previous year. Loss of revenue from the decline in sales along with the one-off non-recurring expenditure associated with the re-engineering project are responsible for our below par performance. During the year we invested $14.2 million in new assets, the majority of which was spent in upgrading our plant as we continue to strive to ensure that we are able to compete in a liberalised market. We believe that this investment in the new plant along with the necessary training of the personnel to operate this new technology will enable us to increase our sales especially through exports. Our PINEHILL brand has regional recognition and the current investments by our parent company, Banks Holdings Limited, in the region will also provide assistance with export growth.

In my report last year, I stated that new capital expenditure totaling $14.8 million was approved to consolidate our operations in one manufacturing facility. The transition to this modern aseptic processing and packaging facility was more difficult than anticipated and as a result, the benefits from this project are taking longer than projected to materialise. Initially our challenges were associated

CHAIRMAN'S
statement

with milk production as we installed, commissioned and trained our personnel on the new equipment and later with juice production as we encountered delays in getting the associated equipment settled into producing at acceptable levels of efficiencies. Corrective action has been on-going as we strive to complete this project and return our Company to the projected performance levels, during the second half of this financial year.

During the year, our shareholders approved the Board's recommendation to de-list our Company from trading on the Barbados Stock Exchange. This approval was obtained at an extra-ordinary shareholders meeting, held on the 27th May 2010. This was communicated to the Barbados Stock Exchange who approved our request in November 2010 and forwarded their approval to the Securities Commission for ratification. We expect that BDIL will be removed from the list of Companies trading, during January 2011. Our decision to de-list was taken because our Company has not benefited from being listed as borne out by the very low volume of shares traded. When the cost associated with staying listed was taken into consideration, financially it makes sense to de-list. I assure our shareholders that we will continue to manage our Company in keeping with established corporate controls and practices.

The quantity of fresh milk received showed a small decline of 20,362 Kgs (0.4%), moving from 5.197 million Kgs in 2009 to 5.177 million Kgs in 2010. During the year, there was further consolidation with one farmer selling his operation and another going out of business. The number of farmers delivering milk now total 16. In November 2010 the farmers through their association, The Barbados Dairy and Beef Farmers Producers Association sought an increase for their milk due to rising input cost with feed, their largest expense, increasing by 12%. Other inputs, such as utilities and fertiliser also increased. An increase of 15 cents per Kg or 6.5% was approved on 1st December, 2010 and as a consequence, the price of our products produced with local fresh milk also increased. We reaffirm our pledge to support the local dairy industry and we will continue to work closely with all stakeholders to ensure a viable and sustainable local dairy industry.

We continue our support of local culture, sports and community related activities through sponsorship both locally and regionally. We also provided opportunities for students from the Samuel Jackman Prescod Polytechnic, The Barbados Community College and The University of the West Indies to gain valuable work experience. We continue to enjoy a sound business relationship with the Barbados Workers Union (BWU) as we continue to transition our operations to compete in a liberalised trading environment.

I would like to thank the management and staff for their commitment and dedication, during another testing year. Once more, I would like to emphasise that the challenge to remain competitive in manufacturing remains a diffcult task 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, the public in general and most importantly our customers for their loyal support during a testing year.

Sir Allan C. Fields, KCMG
Chairman

20 December, 2010

MANAGING DIRECTOR'S statement

C. E. **GIBSON**
Managing Director

FINANCIAL SUMMARY

The year ended 31st August 2010 proved to be a very difficult one and our year-end results are a disappointment especially when compared to our position at half year. During the first half of the year, both our sales as well as our net profit results were stronger. However, the second half recorded sales that were well below budget, specifically in the juice and juice drink categories. The worsening of the global economic situation coupled with challenges arising from the extensive plant re-engineering activities that started in February 2010, led to some stock-out situations.

Sales at $62.8 million were 7.5% below last year's $67.9 million and also below the budgeted figure of $69.5 million. As a result, the year finished below budget and prior year recording an after tax profit of $0.3 million compared to a profit of $3.2 million in 2009. Non-recurring expenses associated with the plant re-engineering that includes severance payments, rental of property and accelerated depreciation on equipment, totaled $2.6 million. Additionally we incurred higher than normal production expenses, especially during the last half of the year as we operated in both the re-engineered plant as well as the existing facility. The combination of these expenses along with the reduction in sales is responsible for our reduced profit.

The beverage sector remains one of the most crowded and fiercely contested markets and sustaining success in this sector has never been more challenging. There is a wide array of regional and extra regional products on the market and maintaining our sales volumes will continue to be our biggest challenge. Our strategy to deliver the desired margins will be focused on cost containing measures, improvement of our Key Production Indicators (KPI's) such as yields and line efficiencies as well as effective route to market strategies.

We remain very confident that despite initial teething issues associated with getting the new and relocated equipment installed and settled, our decision to invest the significant sum of $14.2 million remains a sound one. When fully completed, our dairy and juice beverage operations will be one of the most modern and automated facilities in this region.

SALES SUMMARY

As stated earlier, the year under review was somewhat contrasting with the first half of the year recording sales that were more in line with budget and prior year. However, the second half of the year was more of a challenge as the current recessionary conditions became more prominent. Sales volumes of TGA ultra-pasteurised milks, UHT long-life milks and milk shakes recorded modest growth, while sales of juices, evaporated milks, sweetened condensed milk and yogurt declined.

Production of our new Ultra-Pasteurised Milk using modern direct steam injection (VTIS) methods of sterilization, commenced in May 2010. There was adverse consumer reaction to this process change, despite our careful and meticulous approach prior to making our decision to acquire this new technology. Ongoing consultation with renowned dairy experts has confirmed that our process is delivering a high quality product that has comparable nutritional value to chilled pasteurized milk with superior shelf life, which has led to a significant reduction in spoilage at all the stages prior to and up to consumption. All reports from samples sent to Canada and Europe to obtain opinions from dairy specialists have revealed that the taste of our milk is extremely good and laboratory analysis has shown that our process can deliver ultra-pasteurized milk with very high quality.

To date sales figures are encouraging, with sales surpassing those of the same period last year. We look forward to an increase in production by our local dairy farmers, which will allow us to fully utilize our manufacturing capabilities and focus on export growth.

Declining sales of our juice categories continues to be our major concern. Sales volumes in recent years have been trending downward as a result of increased and aggressive competition from several imported brands from within and outside of CARICOM. Our marketing activities in 2011 will be heavily focused in this area with major rebranding and repositioning of our products planned as we establish the PineHill Caribbean Pride family of juices and juice drinks.

Export sales revenue finished at $7.1 million compared to $8.16 million in 2009 and $8.38 million in 2008 for a 13% decline. This decline is similar to the 12.3% recorded for UHT juice sales locally. UHT juices form the nucleus of our export sales. This performance is in keeping with trends seen locally. Exports to Trinidad accounted for 9% of our sales in 2009 and this year there were no exports to this market. The performance of the other export markets has been strong, considering that they experienced similar economic challenges to the local market. The Antigua, St. Lucia and Guyana markets were again leaders and cumulatively they accounted for 73% of our export sales.

The launch of the new TGA products, especially our milks, presents us with an excellent opportunity to recover and grow our exports. Regrettably, the authorities in Trinidad & Tobago have been using their interpretation of the label standards to prevent entry of our new products as currently labeled; the same products have been accepted across all other CARICOM States. This matter is being addressed at the highest levels and we expect a timely resolution. See Figure 1 below for trends.

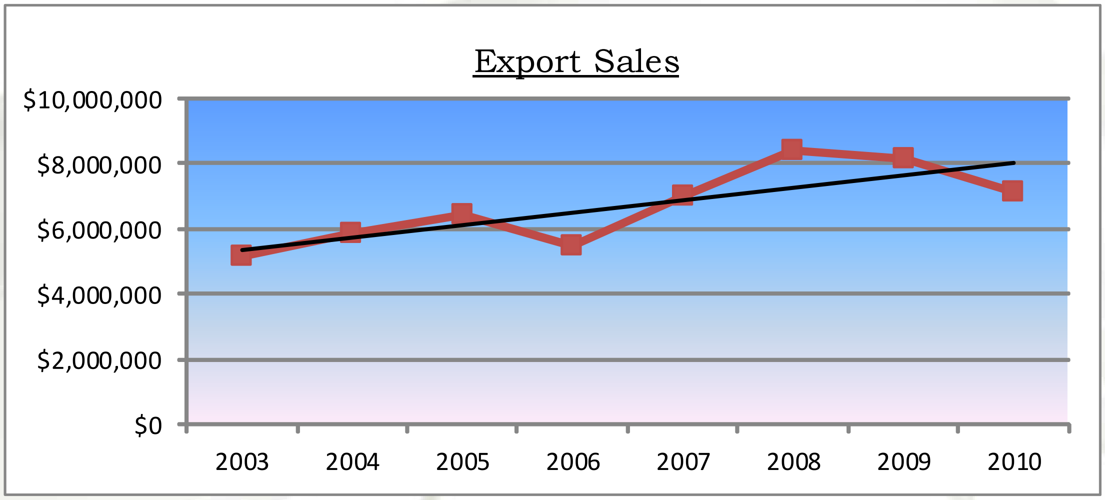


Figure **1**

MANAGING DIRECTOR'S statement

OPERATIONS

The year was extremely challenging for us as we ventured into a major re-engineering project to consolidate our two production facilities into one. In my report last year I alluded to the fact that the project would be a nine month project and that it was scheduled to take place during the first nine months of the financial year. I also stated that the objective of the project was to improve our efficiencies and yields and to increase the quality of our products.

Installation of the equipment did not commence until February 2010 as shipping delays due to adverse winter weather conditions in Europe, where most of the equipment was manufactured, resulted in later than planned arrival of the equipment at our facility. Delays in completing the civil works also impacted installation & commissioning, as did unusually high levels of teething problems in correctly programming the functionality of some of the newly installed equipment. The combination of the above resulted in the installation time being extended from nine months to a year; the revised schedule now calls for the entire project, including the robotic palletiser and the new warehouse flow rack system to be completed by the end of March 2011.

In closing, I wish to thank our distributors, both local and overseas, our loyal customers and our employees for their support and understanding during an extremely difficult year. I am confident that our Company remains well positioned to continue to provide high quality products thus ensuring our future success.

CLYDE E. GIBSON
Managing Director

20 December 2010

DIRECTORS' report

1. The Directors present their annual report and the audited financial statements for the year ended 31 August 2010.

		$
2.	The net income for the year was	306,597
	To which is added the retained earnings brought forward of	42,271,162
	Giving retained earnings available for appropriation of	42,577,759
	Less dividend paid (15¢ per share)	(709,429)
	Giving retained earnings carried forward of	41,868,330

3. The Directors have declared that there will be no dividend in respect of 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:

   P. D. Davis, D. B. Stoute and G. P. Marshall

5. At 31 August 2010 and 20 December 2010, 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	
	31.08.10	**20.12.10**
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
20 December 2010

ERNST & YOUNG

P.O. Box 261, Bridgetown, BB11000
Barbados, W.I.

Street Address
Worthing, Christ Church, BB15008
Barbados, W.I.

Tel: 246 430 3900
Fax: 246 426 9551
246 426 0472
246 435 2079
246 430 3879
www.ey.com

AUDITORS' REPORT
To the Shareholders of Barbados Dairy Industries Limited

We have audited the accompanying financial statements of Barbados Dairy Industries Limited which comprise the statement of financial position as of 31 August 2010 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory 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 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 auditors' 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 financial statements present fairly, in all material respects, the financial position of Barbados Dairy Industries Limited as of 31 August 2010 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

CHARTERED ACCOUNTANTS
20 December 2010
Barbados

Statement of Comprehensive Income

Year ended 31 August 2010

	Notes	2010 $	2009 $
Sales		62,795,340	67,874,198
(Loss) profit from operations before undernoted items	4	(759,271)	3,471,502
Interest income		88,590	6,052
Interest expense		(118,414)	(205,913)
(Loss) income before taxation		(789,095)	3,271,641
Taxation	6	1,095,692	(67,740)
Total comprehensive income for the year		306,597	3,203,901
Earnings per share - basic and diluted	20	$0.06	$0.68

The accompanying notes form part of these financial statements.

Barbados Dairy Industries Limited
Statement of Financial Position
As of 31 August 2010

	Notes	2010	2009
		$	$
Current assets			
Cash		219,388	226,578
Accounts receivable and prepayments	5	6,785,706	5,542,845
Inventories	7	14,110,296	14,671,645
Current portion of loans receivable	8	16,447	33,886
Taxation recoverable		1,638	-
Due from related companies	9	810,810	1,062,811
		21,944,285	21,537,765
Current liabilities			
Bank overdraft	10	945,841	41,592
Accounts payable and accruals	11	6,603,516	5,225,297
Due to related companies	9	-	1,345,283
Current portion of long-term liabilities	12	3,616,226	722,888
Taxation payable		-	63,968
		11,165,583	7,399,028
Working capital		10,778,702	14,138,737
Deferred tax asset	6	5,626,357	4,530,665
Loans receivable	8	-	8,466
Long-term investment	13	1	1
Property, plant and equipment	14	31,487,758	22,641,555
Pension plan surplus	15	3,844,153	3,156,383
Post-employment medical liability	16	(554,228)	(471,912)
Long-term liabilities	12	(8,308,209)	(726,529)
		42,874,534	43,277,366
Shareholders' equity			
Share capital	17	1,006,204	1,006,204
Retained earnings		41,868,330	42,271,162
		42,874,534	43,277,366

The accompanying notes form part of these financial statements.

Approved by the Board of Directors on 20 December 2010 and signed on its behalf by:

....Chairman ....Director

Statement of Changes in Equity

Year ended 31 August 2010

	Share capital $	Retained earnings $	Total $
Balance at 31 August 2008	1,006,204	39,776,690	40,782,894
Total comprehensive 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
Total comprehensive income for the year	-	306,597	306,597
Ordinary dividend paid (15¢ per share)	-	(709,429)	(709,429)
Balance at 31 August 2010	1,006,204	41,868,330	42,874,534

The accompanying notes form part of these financial statements.

Barbados Dairy Industries Limited
Statement of Cash Flows
Year ended 31 August 2010

	2010	2009
	$	$
Cash flows from operating activities		
(Loss) income before taxation	(789,095)	3,271,641
Adjustments for:		
Depreciation	4,560,440	3,323,206
(Gain) loss on disposal of property, plant and equipment	(88,497)	4,489
Interest income	(88,590)	(6,052)
Interest expense	118,414	205,913
Pension plan surplus	(687,770)	(440,181)
Post-employment medical liability	82,316	64,315
Operating profit before working capital changes	3,107,218	6,423,331
Increase in accounts receivable and prepayments	(1,242,861)	(301,281)
Decrease in inventories	561,349	1,069,349
Decrease in due from related companies	252,001	1,776,523
Increase (decrease) in accounts payable and accruals	1,378,219	(1,692,385)
Decrease in due to related companies	(1,345,283)	(1,554,284)
Cash generated from operations	2,710,643	5,721,253
Interest paid	(118,414)	(205,913)
Interest received	88,590	6,052
Taxes paid	(65,606)	-
Net cash from operating activities	2,615,213	5,521,392
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	911,619	478,026
Purchase of property, plant and equipment	(14,229,765)	(2,742,284)
Net repayment of loans receivable	25,905	57,826
Net cash used in investing activities	(13,292,241)	(2,206,432)
Cash flows from financing activities		
Net proceeds from (repayment of) long-term liabilities	10,475,018	(2,893,777)
Dividends paid	(709,429)	(709,429)
Net cash from (used in) financing activities	9,765,589	(3,603,206)
Decrease in cash and cash equivalents	(911,439)	(288,246)
Cash and cash equivalents – beginning of year	184,986	473,232
Cash and cash equivalents – end of year	(726,453)	184,986
Represented by:		
Cash	219,388	226,578
Bank overdraft	(945,841)	(41,592)
Cash and cash equivalents – end of year	(726,453)	184,986

The accompanying notes form part of these financial statements.

1. Incorporation, ownership and principal place of business

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.

IFRS 2 - Share-based Payment (Revised)
The IASB issued an amendment to IFRS 2 which clarifies the definition of vesting conditions and prescribes the treatment for an award that is cancelled. The IASB also issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. It did not have an impact on the financial position or performance of the Company.

IFRS 3 – Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)
This change to the scope of IFRS 3 increases the number and types of transactions to which the standard must be applied, for example by including combinations of mutual entities and combinations without consideration. The more significant changes include changes to the measurement of non-controlling interest at each business combination, changes in the treatment of previously held interests and goodwill in step acquisitions, changes to the measurement of contingent consideration and the treatment of acquisition-related costs.

2. Significant accounting policies (cont'd)

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

IFRS 3 - Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) (cont'd)

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests.

The Company had no new business combinations for the year and as such, the adoption of these standards had no effect on its financial position or performance.

IFRS 7 - Financial Instruments: Disclosures (Amendments)

This standard has been amended to enhance disclosures about fair value measurement and liquidity risk. The enhanced disclosures on fair value measurement include disclosures on the source of the inputs in determining fair value using a three-level hierarchy that distinguishes between quoted prices (level 1), inputs other than quoted prices that are based on observable market data (level 2) and those that are not based on observable market data (level 3). This information must be given by class of financial instrument.

The amendment to disclosures on liquidity risk includes a disclosure of the maturity analysis of financial assets held for managing liquidity risk in addition to the financial liabilities that were previously disclosed.

The adoption of this amendment had no effect on the financial position or performance of the Company.

IFRS 8 - Operating Segments

This standard replaces IAS 14 (Segment Reporting), and adopts a full management approach to identifying, measuring and disclosing the results of operating segments by reporting information based on the method used by the chief operating decision maker for internal evaluation of the performance of operating segments and the allocation of resources to those segments (a 'through the eyes of management' approach). The adoption of this standard had no effect on the financial position or performance of the Company.

2. Significant accounting policies (cont'd)

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

IAS 1 - Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Company has elected to present one statement. This standard also introduces new terminology, replacing "balance sheet" with "statement of financial position" and "cash flow statement" with "statement of cash flows". The adoption of this standard had no effect on the financial position or performance of the Company.

IAS 23 - Borrowing Costs

The revised IAS 23 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The Company's previous policy was to expense borrowing costs as they were incurred. In accordance with the transitional provisions of the amended IAS 23, the Company has adopted the standard on a prospective basis. Therefore, borrowing costs are capitalised on qualifying assets with a commencement date on or after 1 September 2009. During the 12 months to 31 August 2010, $323,066 of borrowing costs have been capitalised on qualifying assets included in construction in progress (Note 14).

IAS 32 - Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation

The standards have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfil a number of specific criteria. The adoption of these amendments did not have any impact on the financial position or the performance of the Company.

IAS 39 - Financial Instruments: Recognition and Measurement – Eligible Hedged Items

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Company has concluded that the amendment will have no impact on the financial position or performance of the Company, as the Company has not entered into any such hedges.

2. Significant accounting policies (cont'd)

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

IFRIC 17 - Distribution of Non-cash Assets to Owners

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation has no effect on either, the financial position or performance of the Company.

New Accounting Standard and Interpretations not adopted

The Company has not adopted the following new and revised IFRSs and IFRIC Interpretations that have been issued as these standards/interpretations do not apply to the activities of the Company:

IFRS 1	First-time Adoption of International Financial Reporting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendments)
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 18	Transfers of Assets from Customers

c] Standards issued but not yet effective

The Company has not early adopted the following new and revised IFRSs and IFRIC Interpretations that have been issued but are not yet effective. These standards/interpretations either do not apply to the activities of the Company or have no material impact on its financial statements:

IFRS	**Subject of Amendment**
IFRS 1	First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters (Amendments)
IFRS 1	First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters

2. Significant accounting policies (cont'd)

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

IFRS 2	Group Cash-settled Share-based Payment Arrangements
IAS 32	Financial Instruments: Presentation - Classification of Rights Issues (Amendment)
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments
IFRS 9	Financial Instruments
IAS 24	Related Party Disclosures (Revised)
IFRIC 14	Prepayments of a Minimum Funding Requirement (Amendment)

In April 2009, 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 1 January 2010. The following shows the IFRSs and topics addressed by these amendments:

IFRS	Subject of Amendment
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations Disclosures
IFRS 8	Operating Segments Disclosure of information about segment assets
IAS 1	Presentation of Financial Statements Current/non-current classification of convertible instruments
IAS 7	Statement of Cash Flows Classification of expenditures on unrecognised assets
IAS 17	Leases Classification of land and buildings
IAS 36	Impairment of Assets Unit of accounting for goodwill impairment testing
IAS 38	Intangible Assets Consequential amendments arising from IFRS 3 - Measuring fair value
IAS 39	Financial Instruments: Recognition and Measurement Assessment of loan prepayment penalties as embedded derivatives. Scope exemption for business combination contract. Cash flow hedge accounting.
IFRIC 9	Reassessment of Embedded Derivatives Scope of IFRIC 9 and IFRS 3
IFRIC 16	Hedges of a Net Investment in a Foreign Operation Amendment of the restriction on the entity that can hold hedging instruments.

2. Significant accounting policies (cont'd)

d] Amalgamation

In the prior year, consolidated financial statements were prepared; they comprised of the financial statements of the Company and its wholly-owned subsidiary Pine Hill Marketing Limited. As at 31 March 2010, these two companies were amalgamated.

e] 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.

f] Currency

These financial statements are presented in Barbados dollars, which is also its functional currency. Monetary assets and liabilities denominated in currencies other than Barbados dollars are translated at the rate of exchange ruling at the 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.

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 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.

2. Significant accounting policies (cont'd)

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.

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:

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

2. Significant accounting policies (cont'd)

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

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.

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 comprehensive income in the year to which they relate.

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

2. Significant accounting policies (cont'd)

m] Long-term investment

The Company's investment, which has been classified as fair value through profit and loss, is recorded at fair value. The fair value of this privately held investment, in the absence of readily ascertainable market values, has been estimated by management on the basis of the market value of the underlying assets.

Unrealized gains or losses are recorded in the statement of comprehensive income.

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 to the statement of comprehensive income.

3. Significant accounting judgments, estimates and assumptions

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

<u>Impairment of financial assets</u>
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.

<u>Impairment of non-financial assets</u>
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.

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

Deferred tax assets

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

Employee retirement benefits

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

4. Profit from operations

	2010	**2009**
	$	$
Sales	62,795,340	67,874,198
Cost of sales	(58,631,643)	(59,236,478)
Gross profit	4,163,697	8,637,720
Other income	258,222	683,058
	4,421,919	9,320,778
Selling, general and administrative expenses	(5,181,190)	(5,849,276)
(Loss) profit from operations	(759,271)	3,471,502

(Loss) profit from operations is after charging:

	2010	**2009**
	$	$
Depreciation	4,560,440	3,323,206
Staff costs	10,632,367	9,444,302

5. Accounts receivable and prepayments

	2010 $	2009 $
Trade receivables	5,703,753	4,843,734
Other receivables and prepayments	1,081,953	699,111
	6,785,706	5,542,845

	2010 $	2009 $
Gross trade receivables	5,718,144	4,854,706
Provision for doubtful debts	(14,391)	(10,972)
Trade receivables	5,703,753	4,843,734

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

As at 31 August 2010, trade receivables at a nominal value of $14,391 (2009 - $10,972) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	Total $
At 31 August 2008	165,614
Write-offs	(154,642)
At 31 August 2009	10,972
Charge for the year	14,391
Write-offs	(10,972)
At 31 August 2010	14,391

5. Accounts receivable and prepayments (cont'd)

As at 31 August 2010, 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
	$	$	$	$	$	$	$
2010	5,703,753	3,497,071	982,706	532,393	95,328	28,135	568,120
2009	4,843,734	2,071,617	1,490,099	97,482	180,547	70,212	933,777

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

	2010	2009
	$	$
Statement of income		
Deferred tax (recovery) charge for the year	(1,327,179)	152,821
(Over) under-provision of prior year deferred tax asset	231,487	(149,049)
Corporation tax expense	-	63,968
	(1,095,692)	67,740

6. 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:

	2010 $	2009 $
(Loss) income before taxation	(789,095)	3,271,641
Taxed at the applicable rate of 15% (2009-15%)	(118,364)	490,746
Capital allowances	(870,874)	(705,081)
Balancing charge	(350,356)	(85,363)
Expenses not deductible	529	-
Group relief surrendered	-	661,023
Under-provision of prior year deferred tax asset	231,487	(149,049)
Losses expired	7,201	(144,536)
Other	4,685	-
	(1,095,692)	67,740

	2010 $	2009 $
Deferred tax asset		
Balance, beginning of year	4,530,665	4,534,437
Deferred tax credit (charge)	1,327,179	(152,821)
(Over) underprovision of prior year deferred tax asset	(231,487)	149,049
Balance, end of year	5,626,357	4,530,665

6. Taxation (cont'd)

	2010	2009
	$	$
Deferred tax asset is made up as follows:		
Pension plan surplus	(576,623)	(473,457)
Post-employment medical liability	83,134	70,787
Unutilized tax losses	5,120,406	2,838,599
Accelerated depreciation for accounting purposes	997,793	2,094,736
Bad debt provision	1,647	-
	5,626,357	4,530,665

Tax losses

The Company has unrelieved tax losses of 34,136,043 (2009 - $18,923,996) 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
	$	
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
2010	15,260,054	2019
	34,136,043	

7. Inventories

	2010	2009
	$	$
Raw materials	7,305,229	9,221,490
Finished goods	3,367,931	2,164,133
Spares and supplies	3,437,136	3,286,022
	14,110,296	14,671,645

The amount of write-down of inventories recognized as an expense is $1,352,846 (2009 - $505,542). This expense is included in cost of sales as disclosed in Note 4.

8. Loans receivable

	2010	2009
	$	$
Loans receivable due at end of year	16,447	42,352
Less: Current portion	(16,447)	(33,886)
Long-term portion	-	8,466

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 8.5% (2009 - 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.

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

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

	2010	2009
	$	$
Sales to a related company	10,901,171	13,669,207
Sales to affiliated companies	30,711,337	37,924,554
Purchases from related companies	-	823,754
Purchases from affiliated companies	10,504,944	14,656,493
Management fees paid to parent company	1,198,000	1,863,000
Lease payments to parent company	11,705	11,705

Compensation of key management personnel of the Company:

	2010	2009
	$	$
Short-term employee benefits	347,416	336,045
Post-employment benefits	41,373	39,573
	388,789	375,618

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 9.05% (2009 - 9.55%).

11. Accounts payable and accruals

	2010	2009
	$	$
Trade payables	6,041,854	4,610,359
Other payables	561,662	614,938
	6,603,516	5,225,297

11. Accounts payable and accruals (cont'd)

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.

12. Long-term liabilities

	2010 $	2009 $
i) FirstCaribbean International Bank	3,248,232	241,388
ii) Tetra Pak TBA/8	8,676,203	1,208,029
	11,924,435	1,449,417
Less: current portion	(3,616,226)	(722,888)
Long-term portion	8,308,209	726,529

i) The bank loan bears interest at a rate of 7.05% and 7.55% (2009 - 7.55%) 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.

ii) Two of the finance leases from Tetra Pak are repayable over five years in equal instalments. No interest is charged on these leases and as a result, the present value of the future lease payments approximates the carrying value. The three remaining leases bear an interest rate of 3 Month Libor plus 2.5% with quarterly and annual lease payments over 4 years. All of the leases are secured by certain equipment (See Note 14). Future lease payments due within one year are $2,599,388 (2009 - $481,500). Lease payments due after one year total $6,076,815 (2009 - $726,529).

13. Long-term investment

	2010 $	2009 $
Barbados Agro Processing Company Limited (in receivership)	1	1

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

	At 31 August 2009	Additions	Disposals	Transfers	At 31 August 2010
	$	$	$	$	$
Cost					
Buildings on leasehold land	12,868,409	-		(51,024)	12,817,385
Plant and machinery	37,597,129	1,078,530	(10,792,453)	503,999	28,387,205
Motor vehicles	1,719,181	153,680	(297,603)	(400,723)	1,174,535
Furniture, fixtures and equipment	5,045,389	45,217	(2,779,705)	(28,755)	2,282,146
Containers	713,419	157,724	(649,667)	(157)	221,319
Construction in progress	1,050,606	12,794,614	-	(23,340)	13,821,880
	58,994,133	14,229,765	(14,519,428)	-	58,704,470
Accumulated depreciation					
Buildings on leasehold land	6,984,220	258,250	-	1,071	7,243,541
Plant and machinery	22,932,651	3,803,782	(9,971,144)	434,409	17,199,698
Motor vehicles	1,401,010	94,454	(295,790)	(393,355)	806,319
Furniture, fixtures and equipment	4,445,988	332,206	(2,779,705)	(101,354)	1,897,135
Containers	588,709	71,748	(649,667)	59,229	70,019
	36,352,578	4,560,440	(13,696,306)	-	27,216,712
Net book value					
Buildings on leasehold land	5,884,189				5,573,844
Plant and machinery	14,664,478				11,187,507
Motor vehicles	318,171				368,216
Furniture, fixtures and equipment	599,401				385,011
Containers	124,710				151,300
Construction in progress	1,050,606				13,821,880
	22,641,555				31,487,758

The Company has plant and equipment with a net book value of $10,566,978 (2009 – $657,009) secured under a finance lease.

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

	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

15. Pension plan surplus

	2010	2009
	$	$
Statement of financial position		
Present value of funded obligations	10,682,047	10,920,477
Fair value of plan assets	(15,376,529)	(15,516,295)
	(4,694,482)	(4,595,818)
Unrecognized actuarial gains	850,329	1,439,435
Net asset recognized in the statement of financial position	(3,844,153)	(3,156,383)

	2010	2009
Statement of income		
Current service cost	253,857	245,751
Interest cost	797,934	735,973
Expected return on plan assets	(1,137,342)	(1,253,023)
Net actuarial gains recognized in the year	(224,117)	(168,882)
Gains on curtailments and settlements	(264,996)	-
Total, included in staff costs	(574,664)	(440,181)
Actual return on plan assets	563,710	(228,807)

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 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
Interest cost	797,934
Current service cost	357,854
Benefits paid	(920,575)
Actuarial gain on obligation	(208,643)
Losses on curtailments and settlements	(265,000)
Defined benefit obligation at 31 August 2010	10,682,047

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

	$
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 liabilities	(132,825)
Benefits paid	(695,046)
Actuarial loss on plan assets	(1,481,830)
Fair value of plan assets at 31 August 2009	15,516,295
Expected return	1,137,342
Contributions by employer and employee	217,099
Benefits paid	(920,575)
Actuarial loss on plan assets	(573,632)
Fair value of plan assets at 31 August 2010	15,376,529

15. Pension plan surplus (cont'd)

The Company expects to contribute $91,280 (2009 - Nil) to its defined benefit pension plans in 2010.

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

	2010	**2009**
	%	%
Bonds	18	18
Mortgages	9	10
Equities	27	40
Mutual funds	19	19
Loans	3	4
Real estate	19	1
Other	5	8

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.

	2010	**2009**
	%	%
Principal actuarial assumptions as at 31 August were:		
Discount rate at end of year	7.50	7.50
Expected return on plan assets at end of year	7.50	7.50
Future promotional salary increases	2.00	2.00
Future inflationary salary increase	3.50	4.00
Future increases in NIS ceiling for earnings	4.00	4.00
Future pension increases	3.50	3.50

16. Post-employment medical liability

	2010	2009
	$	$
The amounts recognized in the statement of financial position are as follows:		
Present value of funded obligation	384,241	609,000
Unrecognized actuarial gains (losses)	169,987	(137,088)
Liability recognized in the statement of financial position	554,228	471,912

	2010	2009
	$	$
The amounts recognized in the statement of income are as follows:		
Current service cost	32,033	28,182
Interest on obligation	47,764	38,181
Net actuarial loss recognized	5,236	839
Past service costs – vested benefits	5,631	-
Total, included in staff costs	90,664	67,202
Movements in the net liability recognized in the statement of financial position are as follows:		
Net liability, beginning of year	471,912	407,597
Net expense recognized in the statement of income	90,664	64,315
Contributions	(8,348)	-
Net liability, end of year	554,228	471,912

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

	$
Obligation at 31 August 2008	465,921
Interest cost	38,181
Current service cost	28,182
Benefits paid	(2,887)
Actuarial loss on obligation	79,603
Obligation at 31 August 2009	609,000
Interest cost	47,764
Current service cost	32,033
Past service costs – vested benefits	5,631
Benefits paid	(8,348)
Actuarial gain on obligation	(301,839)
Obligation at 31 August 2010	384,241

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

	2010	2009
Principal actuarial assumptions used for accounting purposes at 31 August were as follows:	%	%
Discount rate at end of year	7.50	7.50
Future medical claims/premium inflation	4.00	4.75

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

	Increase	Decrease
2010	$	$
Effect on the aggregate current service cost and interest cost	97,529	65,893
Effect on the obligation	454,919	327,592
2009	$	$
Effect on the aggregate current service cost and interest cost	81,872	54,452
Effect on the obligation	738,222	506,952

17. Share capital

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

	2010	2009
	$	$
Issued:		
4,729,529 (2009 - 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 (2009 - $11,705).

	2010	2009
	$	$
Future minimum lease payments under operating leases are as follows:		
Within one year	2,926	11,705
After one year but no more than five years	-	2,926
	2,926	14,631

19. Commitments and contingencies

The Company has guaranteed $500,000 in respect of the Housing Loan Fund for staff.

Capital expenditure of $2,240,610 (2009 - $14,839,012) was approved by the Directors of which $1,500,000 (2009 - $12,928,893) is subject to contract.

20. Earnings per share

Earnings per share are based on net income of $306,597 (2009 - $3,203,901) and 4,729,529 (2009 - 4,729,529) common shares in issue during the year.

21. Dividends

Subsequent to year end, the Directors declared that no dividend would be paid in respect of 2010 (2009 - 15¢ per share amounting to $709,429).

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.

Increase/decrease in basis points	2010 Effect on profit before tax	2009 Effect on profit before tax
	$	$
+-50	+-60,722	+-1,415

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% (2009 - 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.

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.

22. Risk management (cont'd)

Year ended 31 August 2010

	On Demand $	1 year $	1 to 5 years $	Total $
Bank overdraft	945,841	-	-	945,841
Accounts payable	-	6,041,854	-	6,041,854
Long-term liabilities	-	4,054,826	8,796,903	12,851,729

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

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 2010 and 31 August 2009.

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	
	2010	2009	2010	2009
	$	$	$	$
Financial assets				
Cash	219,388	226,578	219,388	226,578
Loans receivable	16,447	42,352	16,447	42,352
Accounts receivable	5,703,753	4,843,734	5,703,753	4,843,734
Due from related companies	810,810	1,062,811	810,810	1,062,811
Financial liabilities				
Bank overdraft	945,841	41,592	945,841	41,592
Accounts payable	6,041,854	4,610,359	6,041,854	4,610,359
Due to related companies	-	1,345,283	-	1,345,283
Long-term liabilities	11,924,435	1,449,417	11,924,435	1,449,417

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-sixth Annual Meeting of Shareholders of Barbados Dairy Industries Limited (hereinafter called "the Company") to be held on Monday, 14th February, 2011 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 Thursday, 10th February, 2011 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 not fixed a record date for determining the shareholders who are entitled to receive notice of the meeting. In accordance with the Companies Act, the statutory date applies. Only shareholders of record at the close of business on the day immediately preceding the day on which notice is given under S. 109(1) of the Companies Act will be entitled to receive notice of the meeting.

Only such registered holders of common shares of the Company will be entitled to vote at the meeting. Each holder is entitled to one vote for each share held. As at the date hereof there are 4,729,529 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 20th December, 2010 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
Mr. P. D. Davis	Non-Executive Director
Mr. D. B. Stoute	Non-Executive Director
Mr. G. P. Marshall	Non-Executive Director

With respect to the three (3) persons nominated, the term of office for each person so elected will expire at the close of the Third Annual General Meeting of the shareholders of the Company following his election or until his successor is elected or appointed. The management of the Company does not contemplate that any of the persons named above will, for any reason, become unable or unwilling to serve as a director.

Messrs. P. D. Davis and D. B. Stoute two (2) of the nominees are now Directors of the Company and will retire at the close of the Forty-sixth 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-third Annual General Meeting held on 23rd January, 2008 for a period of three years. Mr. G. P. Marshall was appointed by the Board of Directors to fill the vacancy created by the retirement of Mr. E. R. Cumberbatch who was elected as Director at the Shareholders Meeting held on 23rd January, 2008.

Appointment of Auditors

It is proposed to nominate the firm Ernst & Young, the present auditors of the 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 46th Annual General Meeting of the Shareholders of the Company to be held on Monday, 14th February, 2011 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 2011

....	....
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 Thursday, 10th February, 2011.

CUT HERE

Notes

BARBADOS DAIRY INDUSTRIES LIMITED

A MEMBER OF THE BANKS HOLDINGS (BHL) GROUP

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