

PINEHILL

2016



ANNUAL REPORT



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Corporate Information

DIRECTORS

M. Juliano (Chairman)
C. R. Cozier
G. P. Marshall
N. McD. Brewster
P. D. Davis

CORPORATE SECRETARY

N. A. Bennett

REGISTERED OFFICE

The Pine
St. Michael, BB14000
Barbados, W.I.

AUDITORS

Ernst & Young
Chartered Accountants
One Welches, St Thomas, BB22025
Barbados, W.I.

BANKERS

FirstCaribbean International Bank
Wilkey
St. Michael
Barbados, W.I.

ATTORNEYS-AT-LAW

Clarke Gittens Farmer
Parker House
Wilkey Business Park
Wilkey Road
St. Michael BB14006
Barbados, W.I.

NOTICE

of Annual General Meeting

Notice is hereby given that the Fifty Second Annual General Meeting of the shareholders of Barbados Dairy Industries Limited ('the Company') will be held at the **Banks (Barbados) Breweries Ltd. Complex, Newton, Christ Church, Barbados** on **Thursday, 19 October, 2017 at 10:00 a.m.** for the following purposes:

1. To receive and consider the Financial Statements of the Company for the 16 Months ended 31 December, 2016 and the Auditors' Report thereon;
2. To elect Directors and if thought fit to pass the following resolutions:
 - (i) THAT in accordance with the requirements of paragraph 4.4 of By-Law No. 2 of the Company, Mr. Paul Devere Davis be and is hereby elected Director of the Company to hold office until the close of the third Annual Meeting of the Shareholders of the Company following his election.
 - (ii) THAT in accordance with the requirements of paragraph 4.4 of By-Law No. 2 of the Company, Mr. Geoffrey Peter Marshall be and is hereby elected Director of the Company to hold office until the close of the third Annual Meeting of the Shareholders of the Company following his election.
3. To appoint Auditors for the ensuing financial year and to authorise the Directors to fix their remuneration and if thought fit to pass the following resolution:
 - (i) THAT Deloitte & Touche be and are hereby appointed as Auditors of the Company for a period ending at the close of the next Annual General Meeting after their appointment.
4. To transact any other business which may properly come before the meeting.

By Order of the Board



Nigel A. Bennett
Corporate Secretary

23 August, 2017

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



Board of **DIRECTORS'** Statement

OVERVIEW

This report must be read on the basis that the period under review represents a 16-month period as compared to the 12-month period in the comparative financial statements.

That said, the profit performance for the period reached record levels and builds on the achievement reported in 2015. Revenues, if annualized, would reveal marginal growth but that growth, together with a continued focus on cost containment, resulted in profits increasing by over 200% over the previous reporting period. Profit from Operations moved from 5.4% of revenue to 13.5% a further indication that our strategies and policies, initiated several years earlier, continue to be appropriate and are delivering results in excess of expectations. With the improved performance, we were able to increase our deferred tax asset through the recognition of tax losses which were not recognized in previous years; as at the year end the Company had just over \$20.43 million in tax losses carried forward.

With the purchase of the BHL by AB-Inbev, the process of aligning the manufacturing plant to meet the standards of the new parent company started, and continued throughout 2016. Improvements in the safety culture of the organization were immediately felt, as new programs strengthened an already robust system within the organization. New monitoring and measuring requirements, coupled with the streamlining of functions, had a negative impact on the number of persons within the organization, but also created new opportunities for staff. This restructuring did result in the creation of new roles within the organization allowing for existing persons to utilize their skills in alternative positions, and for new skills to be added to the Company. While the financial impact of this restructuring is recorded in these financial statements, the benefits will be registered in future years.

The improved profit performance also positively impacted our Balance Sheet and cash flows with working capital registering generous growth and the Company moving into a reasonable positive cash position.

OPERATIONS

BDIL's continued emphasis on resource conservation brought about reductions in electrical usage and this saving was further enhanced by the continued lower per unit cost of electricity as compared to prior years. These reductions coupled with continued improvements in material yields were significant in achieving the healthier profit from operations.

The decision was taken to discontinue the plant's recertification in the ISO standards, in lieu of the implementation of AB-InBev's management system for manufacturing plants, called Voyager Plant Optimization (VPO). This program promises to add a more robust methodology to management processes at the manufacturing plant. In this regard, we have already seen an improved performance in the area of safety.



Board of **DIRECTORS'** Statement cont'd

HR MATTERS

The restructuring exercise undertaken in 2016 to align the Company's operations with that of AB-Inbev, was amicably negotiated in an environment of mutual respect and understanding from both parties and speaks volumes to the positive relationship we continue to have with the BWU.

The four-year collective agreement negotiated with the BWU came to an end in 2016, but its impact in aiding the stellar performance of the Company must be noted. Negotiations for a successor agreement are due to commence for 2017 and we expect these to be conducted within the same environment noted above.

THE DAIRY INDUSTRY

The Company continues to enjoy a positive relationship with its dairy farmer partners and regular quarterly meetings are held to facilitate sharing of information and plans which are of interest to the respective participants.

The intake of fresh cow's milk for 2016 was the lowest recorded in the last five years. The environmental conditions which affected the island, specifically the drought, was a significant factor contributing to this performance. The response from the dairy farming industry was swift, and with the support of the BAS, the local farming community sourced and imported over 150 heifers to curtail this decline. The impact of these additional cows is expected to be realized in the first quarter of 2017, but we are hopeful that these animals will at least arrest the declining intake volumes.

The long awaited CESS program did not materialize in 2016. However, we are assured that the program has not been abandoned and its implementation has been delayed to facilitate updating of existing legislation which is a pre-requisite to an efficient and effective roll-out of the initiative. Latest estimates point to an implementation date in the 2nd or 3rd quarter of 2017. As noted in previous years, the initiative is an important component in bringing stability and growth to the industry.

GENERAL

2016 marked the 50th Anniversary of the Barbados Dairy Industries Limited. It was a fitting tribute that on that occasion we also recorded our best financial results. That achievement resulted from the collective effort of all our stakeholders working towards the common goal of a sustainable and efficient dairy industry. We are where we are today due to their collective efforts over the years.

I also want to take this opportunity to specifically thank our staff for their ongoing efforts and commitment during the year as we continue to structure our operations to create an environment where both Company and individuals can optimise their potential and be the best that each can be.



Board of **DIRECTORS'** Statement

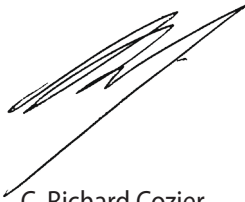
LOOKING FORWARD

The fragility of the local economy will continue to present challenges to profitability as opportunities for growth will be limited. It will therefore be even more important that we continue our cost-containing focus and seek to grow our exports.

We are optimistic that the long-awaited industry support initiative promised in the 2016 budgetary proposals will be implemented during the new financial year. These measures are designed to strengthen the industry with benefits accruing to both the primary producer as well as the processor.



Marcio Juliano
Chairman



C. Richard Cozier
Director

Board of DIRECTORS

Barbados Dairy Industries Limited



MARCIO BATISTA JULIANO
Executive Director & Chairman
Citizen of Brazil

Mr. Marcio Juliano is a graduate in Business Administration from Sao Paulo University and has also completed the Ambev Executive MBA Program at Sao Paulo Business School in Sao Paulo, Brazil. Mr. Juliano also completed the Program on Trade Marketing from Northwestern University in Chicago, Illinois in 2013. Mr. Juliano joined AmBev in 1997 through the Global Management Trainee Program. He has accumulated 17 years' experience in sales management and strategy development.



CARL RICHARD COZIER
Executive Director
Citizen of Barbados

A member of the Board since 13 November 1997, Mr Cozier is a Fellow of the Institute of Chartered Accountants of Barbados (ICAB). He joined the staff at Banks (Barbados) Breweries Limited in 1979 as an Accountant. He was appointed Chief Accountant in 1985 and six years later, General Manager of another Banks Holdings Limited (BHL) subsidiary, the Barbados Bottling Company (BBC). His dedication and commitment was further rewarded in 1999, when he was appointed Managing Director and CEO of the BHL Group comprising Banks (Barbados) Breweries Limited, Barbados Dairy Industries Limited (Pine Hill Dairy), Barbados Bottling Co. Limited and Banks Distribution Ltd. He is a current member of the Master Brewers Association of the Americas, represents The Barbados Chamber of Commerce & Industry on the Board of The Barbados Stock Exchange and is an independent director on the Board of The Barbados Private Sector Association

Board of

DIRECTORS

Barbados Dairy Industries Limited



NEVILLE MCDONALD BREWSTER

Non-Executive Director
Citizen of Barbados

Mr Brewster utilises his leadership and business experience to provide strategic direction to BDIL. He was the Managing Director of Super Centre Ltd. (now Massy Stores) from October 2012 up to his retirement in 2015. Mr Brewster not only has vast experience in large retail operations; but also possesses marketing skills having worked with Digital Information Systems Ltd as the Marketing Manager and has petroleum industry experience gained during his tenure with Texaco Eastern Caribbean Ltd. He holds a Bachelor of Science degree in Accounting and an MBA in Business Administration and Marketing



PAUL DEVERE DAVIS

Non-Executive Director
Citizen of Barbados

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



GEOFFREY PETER MARSHALL

Non-Executive Director
Citizen of Barbados

Mr Marshall is the former Chief Financial Officer of Banks Holdings Limited and held that position until September 2014. He now holds a senior finance position in a regional group of companies in the petroleum industry. He completed a BSc. Degree in Accounting from the University of the West Indies in 1994 and attained the Certified General Accountant (CGA) designation in 1998. He is a Fellow of the Institute of Chartered Accountants of Barbados and possesses over 20 years of audit and accounting experience. He joined the Board of Barbados Dairy Industries Limited on 29 October 2009.

Corporate SECRETARY

Barbados Dairy Industries Limited



NIGEL BENNETT

Corporate Secretary
Citizen of Barbados

Nigel Bennett is an attorney-at-law and partner at Court Caribbean Law Practice. He previously served as Legal Counsel to the Central Bank of Barbados, an international banking subsidiary of RBC Royal Bank of Canada and was seconded to a London based “magic circle” law firm. His primary practice areas are corporate & commercial law, international financial services, conveyancing, mortgages and finance-related matters. Nigel also serves as a panel member of the Financial Services Commission Appeals Tribunal.

DIRECTORS' Report

1. The Directors present their annual report and the audited financial statements for the 16 Months ended 31 December 2016.

	\$
2. The comprehensive income for the period was	11,927,623
To which is added retained earnings brought forward of	27,684,499
Giving retained earnings carried forward of	<u>39,612,122</u>

3. The Directors have declared a dividend of 21c per share in respect of the 16 months ended 31 December 2016.

4. In accordance with the Company's By-Laws the following Directors cease to hold office at the end of the Annual Meeting but are eligible for re-election for three years:

Mr. Paul Devere Davis
Mr. Geoffrey Peter Marshall

5. At 31 December 2016 and 21 April 2017, 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	
	31.12.16	21.04.17
Banks Holdings Limited (BHL)	3,960,667 (84.43%)	3,960,667 (84.43%)

6. No Directors held any beneficial or non-beneficial interests in the Company's shares during the year and there has been no change since the end of the financial year and the date of this Report.

7. No service contracts were entered into between the Company and any of its Directors during the financial year.

BY ORDER OF THE BOARD



Nigel A. Bennett
Corporate Secretary
23 August, 2017



Corporate GOVERNANCE Statement

The Board of Directors of Barbados Dairy Industries Limited (the “Company”) is accountable to its shareholders and seeks to carry out its duties and responsibilities in the best interest of the shareholders, employees, creditors and stakeholders of the Company and the general public as a whole. The Board of Directors is committed to the observance of good corporate governance standards and best practices by the Company and seeks to ensure that the conduct of the Company’s business takes place in a prudent, ethical and responsible manner.

The Barbados Stock Exchange Inc. (“BSE”) issued a number of Corporate Governance Recommendations (the ‘Recommendations’) as a guide to listed companies. The full text of the Recommendations is available on the BSE’s website at www.bse.com.bb.

The Board’s mandate includes:

- (i) monitoring the performance of the Management Committee and providing appropriate guidance and direction as necessary;
- (ii) creating, encouraging and fostering a corporate culture of integrity and social responsibility throughout the Company;
- (iii) directing and supervising the Company’s strategic planning process and approving, on an annual basis, a strategic plan, budget and financial objectives which take into account, among other things, the opportunities and risks of the business;
- (iv) identifying the principal risks of the Company’s business, and ensuring the implementation of appropriate systems to identify, manage these risks; and
- (v) overseeing the design and effectiveness of internal controls and management information systems.

NOMINATION OF DIRECTORS

In accordance with By-Law No. 2, and the provisions of the Companies Act, Directors are nominated and elected by shareholders. Directors elected to fill casual vacancies are selected by the Board. In both cases, the entire Board reviews the training, experience and business acumen of every candidate to ensure suitability for the role.

BOARD MEETINGS & DIRECTOR ATTENDANCE

As at the date of this Report, there were five (5) Directors of the Company. The Company’s Articles of Amalgamation provide that it shall have a minimum of five (5) Directors and a maximum of seven (7) Directors. Of the five (5) Directors, three (3) are independent of the management of the Company.

Corporate GOVERNANCE Statement

The remaining two Directors are Mr. Carl Richard Cozier and Mr. Marcio Juliano. During the period under review, Mr. Carl Richard Cozier was an officer of Banks Holdings Limited, which provides management services to the Company. Mr. Marcio Juliano is an officer of AB InBev, the ultimate parent company of Barbados Dairy Industries Limited.

There were two (2) Board Meetings during the Financial period under review. Outlined below is a table detailing the attendance of the Directors:

DIRECTOR	ATTENDANCE (NO. OF MEETINGS)	RATE
G. Anthony King (a)	2 out of 2	100%
Carl Richard Cozier	2 out of 2	100%
Dan Bryan Stoute (b)	2 out of 2	100%
Geoffrey Marshall	2 out of 2	100%
Neville McDonald Brewster	2 out of 2	100%
Paul Davis	2 out of 2	100%
Marcio Juliano (a)	-	-

(a) Mr. King resigned from the Board on December 18th, 2015 and was replaced by Mr. Juliano.

(b) Mr. Stoute resigned from the Board on June 9th, 2016

Directors are remunerated on an annual basis in arrears for those meetings which they attend. All Directors are remunerated in cash only. They do not receive any performance-based incentives, nor do they participate in stock-option plans or receive other forms of compensation. Both Executive Directors and Non-Executive Directors receive Director's fees for serving on the Board. A total of \$57,625.00 in Director's Fees was paid for the Financial Period.

AUDIT FEES

The following table presents a summary of all fees paid to the Company's Auditors, Ernst & Young, during the financial period under review and the previous financial year:

	2016	2015
Audit Fees	63,602	65,986
Other Fees	-	-
Tax Review	6,300	6,300



Corporate GOVERNANCE Statement

EXECUTIVE MANAGEMENT

Management services provided to the Company by Banks Holdings Limited include centralised finance and accounting services, marketing and public relations services, human resources, ICT and legal support services and internal audit services. This pre-empts the need for recruitment of certain categories of executive managers to provide these services to the Company, as they are provided by BHL staff. As at the date of this Statement, the day-to-day operation of the Company is managed by Mr. Lorenzo Roach, Supply Manager.

CODE OF ETHICS

As mandated by the Recommendations, the Company adopted a Code of Ethics during the course of the financial year under review. The Code of Ethics adopted is that of its parent company, Banks Holdings Limited, and will be reviewed on an annual basis and revised as necessary. It is to be read and applied in conjunction with the BHL Fraud Policy Statement and the BHL Whistleblowing Statement. Each of these policies can be accessed at www.thepinehilldairy.com.

INSIDER TRADING

The Company has adopted the Insider Trading Policy of its parent company, Banks Holdings Limited. This ensures that the Company remains in compliance with the Insider Trading Guideline of the Barbados Stock Exchange Inc. Further details about the Policy can be found at www.thepinehilldairy.com. Insider Trading Guidelines of the BSE may be accessed at the BSE website at www.bse.com.bb.

23 August, 2017



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Barbados Dairy Industries Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Barbados Dairy Industries Limited ("the Company"), which comprise the statement of financial position as at 31 December 2016, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016 and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

To the Shareholders of Barbados Dairy Industries Limited

Report on the Audit of the Financial Statements

Key Audit Matters

Key audit matter	How our audit addressed the key audit matter
Valuation of inventories and obsolescence provision	
<p>Refer to Notes 2 (g) and 7. Total inventories of \$11M represents 20% of total assets of the Company. Inventories are stated at the lower of cost and net realizable value and there is an element of management's judgement in determining the provision for obsolete, slow moving and defective inventory. The provision for obsolete or slow moving inventory totaled \$1M, which relates mainly to spare parts, raw materials and finished goods.</p>	<p>Our audit procedures included the testing of internal controls around the valuation of inventory. We also tested, on a sample basis, the costing of all categories of inventory on hand at year-end, including the allocation of overheads for finished goods.</p> <p>We reviewed and tested the basis for inventory provisioning, the consistency of the provisioning in line with the Company's policy and the rationale for the recording of specific provisions. Our audit procedures included, but were not limited to, reviewing and testing inventory movement reports and testing the expiration dates of the inventory based on product release reports and verification procedures during our year-end inventory stock count observation.</p> <p>We also reviewed post year-end sales to validate management's assumption that inventory was accounted for at the lower of cost and net realizable value.</p>

INDEPENDENT AUDITOR'S REPORT (CONT'D)

To the Shareholders of Barbados Dairy Industries Limited

Report on the Audit of the Financial Statements

Key Audit Matters (cont'd)

Key audit matter	How our audit addressed the key audit matter
Recognition of deferred tax asset	
Note 3 (iv) explains that estimation and judgement is involved in the determination of the recoverability of deferred tax assets to be recorded in respect of the extent and timing of future taxable profits and consequently the future utilization of tax losses by the entity. Management has recorded a deferred tax asset of \$6.3M as at 31 December 2016 resulting from tax losses carried forward and other temporary differences as disclosed in Note 6 of the financial statements. The deferred tax asset represents 11% and 16% respectively of the total assets and equity of the Company.	<p>In relation to the recorded deferred tax asset, we assessed the recoverability of the deferred tax asset of the Company. Our assessment was performed using management's approved budget forecasts for the Company and we evaluated these forecasts in the context of local market conditions, historical performance of the Company and other relevant independent information and data points.</p> <p>We also assessed the appropriateness of the disclosures in the notes to the financial statements with reference to that prescribed by IFRSs.</p>

Other information included in the Company's 2016 Annual Report

Other information consists of the information included in the Company's 2016 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's 2016 Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

To the Shareholders of Barbados Dairy Industries Limited

Report on the Audit of the Financial Statements

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

To the Shareholders of Barbados Dairy Industries Limited

Report on the Audit of the Financial Statements

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matters

This report is made solely to the Company's shareholders, as a body, in accordance with Section 147 of the Companies Act of Barbados. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law and subject to any enactment or rule of law to the contrary, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

The engagement partner in charge of the audit resulting in this independent auditor's report is John-Paul Kowlessar.

Ernst & Young Ltd
CHARTERED ACCOUNTANTS

Bridgetown,
Barbados:

21 April 2017

BARBADOS DAIRY INDUSTRIES LIMITED

Statement of Income

16 Months ended 31 December 2016 (with comparatives for year ended 31 August 2015)

	Notes	2016 \$	2015 \$
Sales		<u>84,790,334</u>	<u>62,205,626</u>
Profit from operations before undernoted items	4	11,461,327	3,374,897
Interest expense		(510,114)	(587,309)
Separation costs		<u>(476,941)</u>	<u>-</u>
Income before taxation		10,474,272	2,787,588
Taxation	6	<u>1,453,351</u>	<u>557,878</u>
Net income for the period/year		<u>11,927,623</u>	<u>3,345,466</u>
Earnings per share – basic and diluted	19	<u>2.54</u>	<u>0.71</u>

The accompanying notes form part of these financial statements.

BARBADOS DAIRY INDUSTRIES LIMITED

Statement of Comprehensive Income

16 Months ended 31 December 2016 (with comparatives for year ended 31 August 2015)

	2016 \$	2015 \$
Net income for the period/year	<u>11,927,623</u>	<u>3,345,466</u>
Other comprehensive loss		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Re-measurement loss on defined benefit plans	(71,560)	(662,561)
Tax effect (Note 6)	<u>10,734</u>	<u>99,384</u>
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods and total other comprehensive loss, net of tax	<u>(60,826)</u>	<u>(563,177)</u>
Total comprehensive income for the period/year	<u>11,866,797</u>	<u>2,782,289</u>

The accompanying notes form part of these financial statements.

BARBADOS DAIRY INDUSTRIES LIMITED

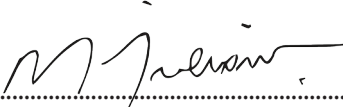
Statement of Financial Position

As at 31 December 2016 (with comparatives as at 31 August 2015)

	Notes	2016 \$	2015 \$
Current assets			
Cash		3,322,737	232,839
Accounts receivable and prepayments	5	7,278,521	6,116,380
Inventories	7	11,387,234	14,760,518
Due from related companies	8	5,454,138	349,071
		<u>27,442,630</u>	<u>21,458,808</u>
Asset classified as held for sale		40,000	-
		<u>27,482,630</u>	<u>21,458,808</u>
Current liabilities			
Bank overdraft	9	-	2,351,555
Accounts payable and accruals	10	5,410,668	5,430,055
Due to related companies	8	2,327,796	6,763,458
Current portion of long-term liabilities	11	740,123	2,174,727
Loan due to parent company	8	5,566,467	3,850,000
		<u>14,045,054</u>	<u>20,569,795</u>
Working capital		13,437,576	889,013
Deferred tax asset	6	6,353,247	4,889,162
Long-term investment	12	1	1
Property, plant and equipment	13	18,920,561	22,678,131
Pension plan asset	14	4,029,804	3,925,680
Post-employment medical liability	15	(325,355)	(351,944)
Long-term liabilities	11	<u>(2,570,461)</u>	<u>(4,051,467)</u>
		<u>39,845,373</u>	<u>27,978,576</u>
Equity			
Share capital	16	998,028	998,028
Other Reserves		(764,777)	(703,951)
Retained earnings		<u>39,612,122</u>	<u>27,684,499</u>
Total equity		<u>39,845,373</u>	<u>27,978,576</u>

The accompanying notes form part of these financial statements.

Approved by the Board on 21 April 2017 and signed on its behalf by:


Chairman
 Marcio Juliano


Director
 C. R. A. Cozier F.C.G.A

BARBADOS DAIRY INDUSTRIES LIMITED

Statement of Changes in Equity

16 Months ended 31 December 2016 (with comparatives for year ended 31 August 2015)

	Share capital \$	Other reserves \$	Retained earnings \$	Total \$
Balance at 31 August 2014	998,028	(140,774)	24,339,033	25,196,287
Total comprehensive income for the year	-	(563,177)	3,345,466	2,782,289
Balance at 31 August 2015	998,028	(703,951)	27,684,499	27,978,576
Total comprehensive income for the period	-	(60,826)	11,927,623	11,866,797
Balance at 31 December 2016	998,028	(764,777)	39,612,122	39,845,373

The accompanying notes form part of these financial statements.

BARBADOS DAIRY INDUSTRIES LIMITED

Statement of Cash Flows

16 Months ended 31 December 2016 (with comparatives for year ended 31 August 2015)

	2016 \$	2015 \$
Cash flows from operating activities		
Income before taxation	10,474,272	2,787,588
Adjustments for:		
Depreciation	4,825,612	3,723,703
(Gain) loss on disposal of property, plant and equipment	(2,667)	2,226
Impairment of decommissioned equipment	263,111	76,360
Interest expense	510,114	587,309
Pension plan asset	(184,571)	(207,491)
Post-employment medical liability	(17,702)	25,984
Operating profit before working capital changes	15,868,169	6,995,679
Increase in accounts receivable and prepayments	(1,162,141)	(1,094,584)
Decrease (increase) in inventories	3,373,284	(2,615,644)
Increase in due from related companies	(5,105,067)	(229,271)
Decrease in accounts payable and accruals	(19,387)	(1,854,814)
(Decrease) increase in due to related companies	(4,435,662)	1,555,455
Cash generated from operations	8,519,196	2,756,821
Interest paid	(510,114)	(587,309)
Net cash from operating activities	8,009,082	2,169,512
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	10,000	-
Purchase of property, plant and equipment	(1,378,486)	(755,209)
Net cash used in investing activities	(1,368,486)	(755,209)
Cash flows from financing activities		
Proceeds from loan	-	3,000,000
Repayment of long-term liabilities	(2,915,610)	(2,589,537)
Proceeds from (repayment of) loan due to parent company	1,716,467	(550,000)
Net cash used in financing activities	(1,199,143)	(139,537)
Increase in cash for the period/year	5,441,453	1,274,766
Cash and cash equivalents – beginning of period/year	(2,118,716)	(3,393,482)
Cash and cash equivalents – end of period/year	3,322,737	(2,118,716)
Represented by:		
Cash	3,322,737	232,839
Bank overdraft	-	(2,351,555)
Cash and cash equivalents – end of period/year	3,322,737	(2,118,716)

The accompanying notes form part of these financial statements.

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements

16 Months ended 31 December 2016 (with comparatives for year ended 31 August 2015)

1. Incorporation, ownership and principal place of business

The Company, a publicly listed entity in Barbados, was incorporated under the Laws of Barbados on 12 March 1964. Its parent company is Banks Holdings Limited, a publicly listed company incorporated in Barbados.

During the year, Banks Holdings Limited was acquired by SLU Beverages ("SLU"). SLU is a subsidiary of Cerveceria Nacional Dominicana ("CND") headquartered in the Dominican Republic. The ultimate parent is AB-Inbev. The Company changed its year end to 31 December 2016 to be in line with the new ultimate parent.

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 in the preparation of the financial statements are consistent with those of the previous financial year. There were no new interpretations or standards which were applicable to the Company in the current year.

c] Standards issued but not yet effective

New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2016 and not early adopted

The following is a list of standards and interpretations issued that are not yet effective up to the date of the issuance of the Company's financial statements. The Company intends to adopt these standards, if applicable, when they become effective:-

- IAS 7 Disclosure Initiative - Amendments to IAS 7 (Effective 1 January 2017)
- IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12 (Effective 1 January 2017)
- IFRS 15 Revenue from Contracts with Customers (Effective 1 January 2018)
- IFRS 9 Financial Instruments (Effective 1 January 2018)

2. Significant accounting policies (cont'd)**c] Standards issued but not yet effective (cont'd)**

- IFRS 2 Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2 (Effective 1 January 2018)
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4 (Effective 1 January 2018)
- IFRS 16 Leases (Effective 1 January 2019)

The Company is currently assessing the potential impact of these new standards and interpretations and will adopt them when they are effective.

d] Revenue recognition

Revenue is recognized when the significant risks and rewards of ownership of goods have passed to the buyer and the amount of revenue can be measured reliably.

e] Currency

These financial statements are presented in Barbados dollars, which is also its functional currency. Monetary assets and liabilities denominated in currencies other than Barbados dollars are translated at the rate of exchange ruling at the statement of financial position date. Non-monetary assets and liabilities and transactions denominated in currencies other than Barbados dollars are translated at the rate of exchange ruling at the date of the transaction. Foreign exchange gains or losses are charged to income.

f] Impairment of financial assets

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account and the amount of the loss is recognized in income.

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements

16 Months ended 31 December 2016 (with comparatives for year ended 31 August 2015)

2. Significant accounting policies (cont'd)

f] Impairment of financial assets (cont'd)

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.

g] Inventories

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

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

h] Depreciation

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

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

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

2. Significant accounting policies (cont'd)**i] Impairment of non-financial assets**

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

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

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

j] Taxation

The financial statements are prepared using the liability method of accounting for taxation whereby the future taxable liability or asset arising from temporary differences is provided for at the estimated future corporation tax rate that is expected to apply to the period when the liability is settled or the asset realized. Deferred tax assets in respect of unused tax losses are recognized to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilized.

k] Employee Benefits

The Company operates a defined benefit plan, the assets of which are held in a separate fund administered by Trustees. The Company meets the balance of the cost of funding the plan and the Company pays contributions of 0.1% of the employee's salary. The funding requirements are based on regular actuarial valuations of the pension plan every three years.

Typically defined benefit plans define an amount of pension benefits that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

2. Significant accounting policies (cont'd)

k) Employee Benefits (cont'd)

The asset recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately in income.

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. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

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 to Guardian Life. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit pension plans. These obligations are valued by independent qualified actuaries.

l) Long-term investment

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

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

2. Significant accounting policies (cont'd)**m] Interest bearing loans receivable and payable**

All interest bearing loans receivable and payable are initially recognized at cost. After initial recognition, they are measured at amortized cost using the effective interest rate method.

n] Leases

Finance leases are capitalized at fair value on inception of the lease agreement. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the statement of comprehensive income.

3. Significant accounting judgments, estimates and assumptions

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

i. Property, plant and equipment

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

ii. 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.

iii. 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.

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements

16 Months ended 31 December 2016 (with comparatives for year ended 31 August 2015)

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

iv. 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.

v. 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.

4. Profit from Operations

	2016 \$	2015 \$
Sales	84,790,334	62,205,626
Cost of sales	(66,905,524)	(54,213,029)
Gross profit	17,884,810	7,992,597
Other income	94,948	342,048
	17,979,758	8,334,645
Selling, general and administrative expenses	(6,518,431)	(4,959,748)
Profit from operations	11,461,327	3,374,897
Profit from operations is after charging:		
Depreciation (Note 13)	4,825,612	3,723,703
Staff costs	10,446,856	7,535,691

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements

16 Months ended 31 December 2016 (with comparatives for year ended 31 August 2015)

5. Accounts receivable and prepayments

	2016 \$	2015 \$
Trade receivables (net)	6,321,613	5,494,230
Other receivables and prepayments	956,908	622,150
	<u>7,278,521</u>	<u>6,116,380</u>
Gross trade receivables	6,328,264	5,494,230
Provision for doubtful debts	(6,651)	-
Trade receivables (net)	<u>6,321,613</u>	<u>5,494,230</u>

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

As at 31 December 2016, \$6,651 of trade receivables (2015 - \$nil) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	Total \$
As at 31 August 2014	27,812
Write-offs	<u>(27,812)</u>
As at 31 August 2015	-
Provision	<u>6,651</u>
As at 31 December 2016	<u>6,651</u>

As at 31 December, 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 days
	\$	\$	\$	\$	\$	\$
2016	6,321,613	5,514,983	646,502	136,156	-	23,972
2015	5,494,230	5,230,013	211,639	52,035	543	-

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. Of the balance due at 31 December 2016 \$nil (2015 - \$3,420,484) is due from affiliated companies. With respect to other receivables and prepayments, no amounts have been provided for in respect of a non-trade receivable balance.

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements

16 Months ended 31 December 2016 (with comparatives for year ended 31 August 2015)

6. Taxation

	2016 \$	2015 \$
Statement of income		
Deferred tax recovery for the period/year	(1,453,351)	(557,878)

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

	2016 \$	2015 \$
Income before taxation	10,474,272	2,787,588
Taxed at the applicable rate of 15% (2015 - 15%)	1,571,141	418,138
Depreciation on assets not qualifying for capital allowances	52,387	10,241
Manufacturing allowance	(106,310)	-
Deferred tax asset not previously recognized	(588,735)	(45,792)
(Under) over-provision of prior year deferred tax asset	(391,573)	20,457
Losses utilized	(1,971,074)	(960,922)
Other	(19,187)	-
	(1,453,351)	(557,878)

Deferred tax asset

Balance, beginning of period/year	4,889,162	4,231,900
Deferred tax credit recognised in statement of income	1,453,351	557,878
Deferred tax credit recognised in other comprehensive income	10,734	99,384
Balance, end of period/year	6,353,247	4,889,162

Deferred tax asset is made up as follows:

Pension plan asset	(604,471)	(588,852)
Post-retirement medical liability	48,803	52,792
Unutilized tax losses	3,064,643	2,475,907
Accelerated depreciation for accounting purposes	3,844,272	2,949,315
	6,353,247	4,889,162

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements

16 Months ended 31 December 2016 (with comparatives for year ended 31 August 2015)

6. Taxation(cont'd)

Tax losses

The Company has unrelieved tax losses of \$20,430,953 (2015 - \$33,571,445) available to be carried forward and applied against future taxable income. The losses have not been agreed by the Revenue Commissioner of the Barbados Revenue Authority but are not in dispute.

Income Year	Amount	Expiry Date
	\$	
2010	10,862,558	2019
2011	7,700,745	2020
2012	1,867,650	2021
	<u>20,430,953</u>	

7. Inventories

	2016	2015
	\$	\$
Raw materials	5,757,995	9,664,935
Finished goods	2,556,532	4,031,377
Spare parts	1,982,322	975,958
Marketing materials	49,278	1,124
Fuel and factory supplies	68,722	87,124
Goods in transit	972,385	-
	<u>11,387,234</u>	<u>14,760,518</u>

The net of change in provision and direct write-down of inventories recognized in the statement of income is (\$184,234) (2015 - \$606,582). This expense is included in cost of sales as disclosed in Note 4.

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements

16 Months ended 31 December 2016 (with comparatives for year ended 31 August 2015)

8. Related party transactions and balances

The amounts due from/to related companies are unsecured, interest-free and have no fixed terms of repayment. The loan due to the parent company is unsecured and interest-free, however the parent company reserves the right to charge interest at a rate of prime minus 1% per annum on the unpaid balance at its sole discretion. The loan is repayable on demand.

	2016 \$	2015 \$
Loan due to parent company	5,566,467	3,850,000

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

	2016 \$	2015 \$
Sales to a related company	17,709,477	11,380,121
Sales to affiliated companies	1,912,074	40,817,070
Purchases from affiliated companies	9,937,391	11,908,437
Management fees paid to parent company	344,000	258,000
Rent charged to related parties	300,000	398,409
Management fees paid to related company	1,000,000	750,000

Compensation of key management personnel of the Company:

	2016 \$	2015 \$
Short-term employee benefits	57,625	48,500

9. Bank overdraft

The security for the bank overdraft facility of \$3,000,000 is disclosed in Note 11.

Interest is charged and payable monthly on the overdraft balance at 4.25% (2015 - 4.25%).

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements

16 Months ended 31 December 2016 (with comparatives for year ended 31 August 2015)

10. Accounts payable and accruals

	2016 \$	2015 \$
Trade payables	4,205,889	4,556,252
Other payables and accruals	1,204,779	873,803
	<u>5,410,668</u>	<u>5,430,055</u>

Terms and conditions of the above liabilities

- Trade payables are non-interest bearing and are normally settled on 30-60 day terms.
- Other payables are non-interest bearing and are normally settled within three months.

11. Long-term liabilities

	2016 \$	2015 \$
i) FirstCaribbean International Bank	183,715	1,606,704
ii) Tetra Pak, S.A.	398,403	1,691,396
iii) FirstCaribbean International Bank	<u>2,728,466</u>	<u>2,928,094</u>
	3,310,584	6,226,194
Less: current portion	<u>(740,123)</u>	<u>(2,174,727)</u>
Long-term portion	<u>2,570,461</u>	<u>4,051,467</u>

- i) The loan bears an interest rate of 4.25% (2015 - 4.25%), will mature on 16 February 2017 and is repayable in 60 monthly instalments of \$92,355 of blended principal and interest. The loan and overdraft facility (disclosed at Note 9) are secured by a letter of undertaking to provide the bank with a mortgage over the Company's assets, if called upon to do so and a guarantee endorsed by the parent company, Banks Holdings Limited.
- ii) The three Tetra Pak leases bear an interest rate of 3-Month Libor plus 2.5% with quarterly lease payments over 4 years. All of the leases are secured by certain equipment (See Note 13). Future lease payments due within one year are \$398,403 (2015 - \$970,875). Lease payments due after one year total \$ nil. (2015 - \$720,521).

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements

16 Months ended 31 December 2016 (with comparatives for year ended 31 August 2015)

11. Long-term liabilities (cont'd)

- iii) In March 2015, the Company entered into a \$3 million committed installation loan facility, which will mature in 15 years. The loan bears interest of 4.25% and is repayable in 180 monthly instalments of \$22,575 of blended principal and interest. The loan is secured by an unlimited guarantee endorsed by the parent company Banks Holdings Limited and a letter of under-taking to provide the bank with a mortgage over the Company's assets.

In March 2017, loans to the FirstCaribbean International Bank were repaid in full.

12. Long-term investment

	2016 \$	2015 \$
Barbados Agro Processing Company Limited (in receivership)	1	1

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements

16 Months ended 31 December 2016 (with comparatives for year ended 31 August 2015)

13. Property, plant and equipment

	At 31 August 2015	At 31 December 2016
	\$	\$
Cost		
Buildings on leasehold land	15,573,954	15,573,954
Plant and machinery	41,505,823	40,690,573
Motor vehicles	51,862	57,262
Furniture, fixtures and equipment	1,848,241	1,873,757
Containers	414,644	414,644
Construction-in-progress	25,929	724,849
	59,420,453	59,335,039
	1,378,486	(1,392,471)
	(31,429)	(40,000)
	59,420,453	59,335,039
Accumulated depreciation		
Buildings on leasehold land	9,109,365	9,617,570
Plant and machinery	25,391,521	28,486,604
Motor vehicles	51,862	53,117
Furniture, fixtures and equipment	1,783,410	1,842,543
Containers	406,164	414,644
	36,742,322	40,414,478
	4,825,612	(1,129,360)
	(24,096)	-
	36,742,322	40,414,478
Net book value		
Buildings on leasehold land	6,464,589	5,956,384
Plant and machinery	16,114,302	12,203,969
Motor vehicles	-	4,145
Furniture, fixtures and equipment	64,831	31,214
Containers	8,480	-
Construction-in-progress	25,929	724,849
	22,678,131	18,920,561

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements

16 Months ended 31 December 2016 (with comparatives for year ended 31 August 2015)

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

The Company has plant and equipment with a net book value of \$6,192,468 (2015 - \$8,045,190) secured under a finance lease.

	At 31 August 2014 \$	Additions \$	Impairment \$	Disposal \$	At 31 August 2015 \$
Cost					
Buildings on leasehold					
land	15,573,954	-	-	-	15,573,954
Plant and machinery	40,845,363	736,820	(76,360)	-	41,505,823
Motor vehicles	51,862	-	-	-	51,862
Furniture, fixtures and equipment	1,832,852	15,389	-	-	1,848,241
Containers	416,870	-	-	(2,226)	414,644
Construction-in-progress	22,929	3,000	-	-	25,929
	<u>58,743,830</u>	<u>755,209</u>	<u>(76,360)</u>	<u>(2,226)</u>	<u>59,420,453</u>
Accumulated depreciation					
Buildings on leasehold					
land	8,732,621	376,744	-	-	9,109,365
Plant and machinery	22,098,364	3,293,157	-	-	25,391,521
Motor vehicles	51,862	-	-	-	51,862
Furniture, fixtures and equipment	1,733,244	50,166	-	-	1,783,410
Containers	402,528	3,636	-	-	406,164
	<u>33,018,619</u>	<u>3,723,703</u>	<u>-</u>	<u>-</u>	<u>36,742,322</u>
Net book value					
Buildings on leasehold					
land	6,841,333				6,464,589
Plant and machinery	18,746,999				16,114,302
Furniture, fixtures and equipment	99,608				64,831
Containers	14,342				8,480
Construction-in-progress	22,929				25,929
	<u>25,725,211</u>				<u>22,678,131</u>

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements

16 Months ended 31 December 2016 (with comparatives for year ended 31 August 2015)

14. Pension plan asset

	2016 \$	2015 \$
Statement of financial position		
Present value of funded obligation	(11,630,941)	(11,173,044)
Fair value of plan assets	15,660,745	15,098,724
Net asset recognized in the statement of financial position	4,029,804	3,925,680
	2016 \$	2015 \$
Statement of income		
Current service cost	146,004	103,552
Interest cost	1,128,554	805,730
Administration and other non-plan expenses	67,918	25,412
Expected return on plan assets	(1,523,347)	(1,140,355)
Total, included in staff costs	(180,871)	(205,661)
Actual return on plan assets	1,380,995	260,911
Statement of other comprehensive income		
Loss from change in assumptions	(344,086)	-
Loss(gain) from experience	282,181	(216,328)
Actual return from plan assets	(1,380,995)	(260,911)
Expected return on plan assets	1,523,347	1,140,355
Other comprehensive loss	80,447	663,116
Net movement in pension plan asset recognised in the statement of financial position		
Balance at beginning of year	3,925,680	4,381,305
Net benefit income	180,871	205,661
Employer contributions	3,700	1,830
Other comprehensive loss	(80,447)	(663,116)
Balance at end of period/year	4,029,804	3,925,680

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements

16 Months ended 31 December 2016 (with comparatives for year ended 31 August 2015)

14. Pension plan asset (cont'd)

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

	2016 \$	2015 \$
Balance, beginning of year	11,173,044	10,581,422
Interest cost	1,128,554	805,730
Current service cost	146,004	103,552
Benefits paid	(708,796)	(527,811)
Contributions by employee	59,694	54,454
Actuarial gain on obligation	(61,905)	(216,328)
Transfers	(105,654)	372,025
Balance, end of period/year	11,630,941	11,173,044

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

Balance, beginning of year	15,098,724	14,962,727
Actual return from plan assets	1,380,995	260,911
Contributions by employer and employee	63,394	56,284
Benefits paid	(708,796)	(527,811)
Administrative fees	(67,918)	(25,412)
Transfers	(105,654)	372,025
Balance, end of period/year	15,660,745	15,098,724

	2016 %	2015 %
Principal actuarial assumptions as at period/year end were:		
Discount rate at end of year	7.75	7.75
Future promotional salary increases	2.00	2.00
Future inflationary salary increase	3.50	3.50
Future increases in NIS ceiling for earnings	4.25	4.25
Future pension increases	3.75	3.75

14. Pension plan asset (cont'd)

A quantitative sensitivity analysis for significant assumptions on the present value of the obligation as at 31 December 2016 is shown below:

	Increase \$	Decrease \$
Change in discount rate by 1%	(10,517,743)	13,687,831
Change in salary increase by 0.5%	11,780,902	(11,505,457)

Life expectancy at age 60 for current pensioners in years:

Male – 24.35

Female – 26.68

The weighted duration of the defined benefit obligation was 16.25 years.

The Company expects to contribute \$1,307 to its defined benefit pension plan in 2017 (2015 - \$1,789).

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

	2016 %	2015 %
Bonds	22	24
Mortgages	7	8
Equities	25	27
Mutual funds	12	13
Real estate	25	23
Other	9	5

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.

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements

16 Months ended 31 December 2016 (with comparatives for year ended 31 August 2015)

15. Post-employment medical liability

The amounts recognized in the statement of financial position are as follows:

	2016 \$	2015 \$
Present value of funded obligation	325,355	351,944
Liability recognized in the statement of financial position	325,355	351,944

The amounts recognized in the statement of income are as follows:

Current service cost	16,429	11,922
Interest on obligation	37,049	25,782
Past service costs – vested benefits	(51,514)	(196)
Total, included in staff costs	1,964	37,508

Statement of other comprehensive income

Gain from experience	(8,887)	(555)
Other comprehensive income	(8,887)	(555)

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

Net liability, beginning of year	351,944	326,515
Net expense recognized in the statement of income	1,964	37,508
Other comprehensive income	(8,887)	(555)
Contributions	(19,666)	(11,524)
Net liability, end of period/year	325,355	351,944

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

Obligation – beginning of year	351,944	326,515
Interest cost	37,049	25,782
Current service cost	16,429	11,922
Past service costs – vested benefits	(51,514)	(196)
Benefits paid	(19,666)	(11,524)
Actuarial loss on obligation	(8,887)	(555)
	325,355	351,944

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements

16 Months ended 31 December 2016 (with comparatives for year ended 31 August 2015)

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

Principal actuarial assumptions used for accounting purposes at 31 December 2016 and 31 August 2015 were as follows:	2016	2015
	%	%

Discount rate at end of year	7.75	7.75
Future medical claims/premium inflation	4.25	4.25

A one percentage point change in the assumed rate of the following assumptions would have the following effect on the present value of the obligation:

	Increase \$	Decrease \$
2016		
Change of medical inflation by 1%	376,337	(284,405)
Change of discount rate by 1%	(284,181)	377,469

The weighted duration of the defined benefit obligation was 15.68 years.

Assuming no changes in the premium rates the company expects to pay premiums of \$16,132 during the 2017 financial year (2016 - \$12,682).

16. Share capital

Authorized:

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

Issued:

	Number of Shares			
	2016	2015	2016	2015
	\$	\$	\$	\$
Balance beginning and end of period/year	4,691,094	4,691,094	998,028	998,028

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements

16 Months ended 31 December 2016 (with comparatives for year ended 31 August 2015)

17. Operating lease commitment

The lease expense for the period for motor vehicles was \$117,425 (31 August 2015 - \$77,771).

	2016 \$	2015 \$
Future minimum lease payments under operating leases are as follows:		
Within one year	71,904	121,457
After one year but no more than five years	207,797	279,545
	<u>279,701</u>	<u>401,002</u>

18. Commitments and contingencies

Capital expenditure of \$ nil (2015 - \$1,170,100) was approved by the Directors and there were no amounts subject to contract in 2016 or 2015.

19. Earnings per share

Earnings per share are based on a net income of \$11,927,623 (31 August 2015 - net income of \$3,345,466) and a weighted average of 4,691,094 (31 August 2015 - 4,691,094) common shares in issue during the period/year.

20. Risk management

The Company's principal financial liabilities comprise bank overdraft, trade payables and long-term liabilities which comprise bank loans, finance leases and loan due to parent company. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has various financial assets such as trade receivables, loans receivable, due from related parties, long-term investments and cash, which arise directly from its operations. The Company does not enter into derivative transactions. The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

20. Risk management (cont'd)**Interest rate risk**

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Company manages its interest rate exposure by using a variable rate debt. The Company's exposure to the risk of changes in the market interest rates relates primarily to its long-term liabilities.

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

Increase/decrease in basis points	2016	2015
	Effect on profit before tax	Effect on profit before tax
	\$	\$
+50	16,553	42,889

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 75% (2015 - 61%) 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.

20. 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, 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.

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements

16 Months ended 31 December 2016 (with comparatives for year ended 31 August 2015)

20. Risk management (cont'd)

Liquidity risk (cont'd)

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

Year ended 31 December 2016

	On Demand \$	<1 year \$	1 to 5 years \$	Total \$
Bank overdraft	-	-	-	-
Accounts payable	-	5,410,668	-	5,410,668
Due to related companies	-	2,327,796	-	2,327,796
Loan due to parent company	5,566,467	-	-	5,566,467
Long-term liabilities	-	854,017	3,566,894	4,420,911

Year ended 31 August 2015

	On Demand \$	<1 year \$	1 to 5 years \$	Total \$
Bank overdraft	2,351,555	-	-	2,351,555
Accounts payable	-	5,430,055	-	5,430,055
Due to related companies	-	6,763,458	-	6,763,458
Loan due to parent company	3,850,000	-	-	3,850,000
Long-term liabilities	-	2,349,058	4,909,897	7,258,955

21. Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the period ended 31 December 2016 and comparative year ended 31 August 2015.

BARBADOS DAIRY INDUSTRIES LIMITED

Notes to the Financial Statements

16 Months ended 31 December 2016 (with comparatives for year ended 31 August 2015)

22. Fair value of financial instruments

Set out below is a comparison by category of carrying amounts and fair values of all the Company's financial instruments that are carried in the financial statements:

	Carrying amount		Fair value	
	2016	2015	2016	2015
	\$	\$	\$	\$
Financial assets				
Cash	3,322,737	232,839	3,322,737	232,839
Accounts receivable	6,321,613	5,494,230	6,321,613	5,494,230
Due from related companies	5,454,138	349,071	5,454,138	349,071
Financial liabilities				
Bank overdraft	-	2,351,555	-	2,351,555
Accounts payable	5,410,668	5,430,055	5,410,668	5,430,055
Due to related companies	2,327,796	6,763,458	2,327,796	6,763,458
Loan due to parent company	5,566,467	3,850,000	5,566,467	3,850,000
Long-term liabilities	3,310,584	6,226,194	3,310,584	6,226,194

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 liabilities

Long-term liabilities are at variable rates and consequently their fair values approximate their carrying values.



BARBADOS DAIRY INDUSTRIES LIMITED

Management Proxy Circular

COMPANY NO: 33151

Management is required by the *Companies Act* Chapter 308 of the Laws of Barbados (hereinafter called 'the *Companies Act*') to send, with the Notice convening the Meeting, forms of proxy. By complying with the *Companies Act*, Management is deemed to be soliciting proxies within the meaning of the *Companies Act*.

This Management Proxy Circular accompanies the Notice of the Fifty-Second (52nd) Annual General Meeting of the Shareholders of Barbados Dairy Industries Limited (the 'Company') to be held at Banks (Barbados) Breweries Ltd. Complex, Newton, Christ Church, Barbados on **Thursday the 19th day of October, 2017 at 10:00 a.m.** (hereinafter called 'the Meeting') and is furnished in connection with the solicitation of proxies by the Management of the Company for use at the Meeting, or any adjournments thereof. The solicitation will primarily be by mail. The cost of the solicitation will be borne by the Company.

Proxies

A shareholder who is entitled to vote at a meeting of shareholders has the right by means of the enclosed form of proxy to appoint a person to represent him by inserting the name of such person in the space indicated in the form of proxy. Completed proxies must be deposited at the registered office of the Company at the Pine, St. Michael no later than **4:15 p.m. on Tuesday, 17th October, 2017** being no more than forty-eight (48) hours preceding the day of the meeting, or any adjournment thereof.

Proxies given by shareholders for use at the meeting may be revoked by the shareholder giving such proxy at any time prior to their use. In addition to revocation in any other manner permitted by Law, a proxy may be revoked by an instrument in writing. If the shareholder is a company, the proxy may be executed under its corporate seal or by any duly authorised officer or attorney thereof, and deposited at the registered office of the Company at the Pine, St. Michael at any time up to and including the last business day preceding the day of the meeting (or any adjournment thereof) at which the proxy is to be used. Alternatively, the proxy may be deposited 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 a date of **Monday, September 25th, 2017** for determining the shareholders who are entitled to receive notice of the meeting. Only shareholders of record at the close of business on **Monday, September 25th, 2017** shall 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 of this notice, there are **4,691,094** common shares without par value of the Company issued and outstanding.

BARBADOS DAIRY INDUSTRIES LIMITED

Management Proxy Circular

Election of Directors

The Board of Directors consists of members who retire in rotation annually. As at the date of this Notice there are five (5) 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 enclosed herewith:-

Nominee for Director	Present Principal Occupation
Mr. Paul Devere Davis	Farmer
Mr. Geoffrey Peter Marshall	Corporate Executive

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. Both nominated candidates are willing to serve and have signed declarations of consent attesting to their willingness to serve. The Management of the Company does not reasonably foresee that any of the persons named above will, for any reason, become unable or unwilling to serve as a director.

Mr. Paul Devere Davis and Mr. Geoffrey Peter Marshall are presently Directors of the Company and will retire at the close of the Fifty-Second Annual General Meeting in accordance with the provision of Clause 4.4 of the By-Laws of the Company but, being qualified, are eligible for re-election. Mr. Davis and Mr. Marshall were elected at the Forty-Ninth Annual General Meeting of the Company held on Monday, January 13, 2014 for a period ending at the close of the third Annual General Meeting after their election

Appointment of Auditors

It is proposed to nominate the audit firm Deloitte & Touche, as auditors of the Company to hold office until the next annual meeting of shareholders. In accordance with Section 11 (2) of the *Financial Services Commission Act, 2010 – 21*, the approval of the Financial Services Commission has been sought for this appointment.

Corporate Governance

The Company has started the process of becoming fully compliant with the Corporate Governance Recommendations issued by the Barbados Stock Exchange Inc. (the 'Corporate Governance Recommendations'). A copy of the Corporate Governance Recommendations is available on the website of the Barbados Stock Exchange Inc. at <http://www.bse.com.bb/>. The Company's approach to Corporate Governance Statement is outlined at pages 13 to 15 of this Report.

Discretionary Authority

Management knows of no matter to come before the meeting other than the matters referred to in the Notice of the meeting enclosed herewith. However, if any other matters which are not now known to Management should properly come before the meeting (or any adjournment thereof) the shares represented by proxies in favour of Management nominees will be voted on any such matter in accordance with the best judgment of the proxy nominee. Similar discretionary authority is conferred with respect to amendments to the matters identified in the Notice of the meeting. The contents of this Management Proxy Circular and the distribution thereof to the holders of the common shares of the Company have been approved by the Directors of the Company.

No director's statement has been received by the Company pursuant to section 71(2) of the *Companies Act*.

No auditor's statement has been received by the Company pursuant to section 163 (1) of the *Companies Act*.

BARBADOS DAIRY INDUSTRIES LIMITED

COMPANY NO: 33151

PROXY FORM

I/We.....

.....

of.....

.....

shareholder(s) of BARBADOS DAIRY INDUSTRIES LIMITED 'the Company') hereby appoint

..... of

.....

.....

.....or, failing him,

..... of

.....

.....

as the nominee of the undersigned to attend and act for the undersigned and on behalf of the undersigned at the Fifty-Second (52nd) Annual General Meeting of the Shareholders of Barbados Dairy Industries Limited (the 'Company') to be held at the **Banks (Barbados) Breweries Ltd. Complex, Newton, Christ Church, Barbados on Thursday, the 19th day of October, 2017 at 10:00 a.m.** and at any adjournment thereof in the same manner, to the same extent and with the same powers as if the undersigned were present at the said meeting or such adjournment or adjournments thereof.

Dated this day of , 2017

.....

(Please print name of Shareholder)

.....

(Signature of Shareholder)



Please indicate with an 'X' for each resolution below how you wish your votes to be cast. The 'vote withheld' option below is provided to enable you to abstain on any particular resolution. However, it should be noted that an abstention will not be counted in the calculation of the proportion of the votes 'for' and 'against' a resolution. In the absence of Shareholder instructions, shares represented by proxies will be VOTED FOR each of the Resolutions itemised in the table below. With respect to amendments to or variations in matters identified in the Notice of Meeting, or other matters that may properly come before the meeting, proxy-holders shall be entitled to exercise their discretion.

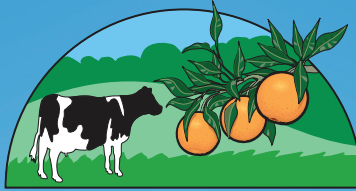
AGENDA ITEM	RESOLUTION	FOR	AGAINST	ABSTAIN
2(i)	THAT in accordance with the requirements of paragraph 4.4 of By-Law No. 2 of the Company, Mr. Paul Devere Davis be and is hereby elected Director of the Company to hold office until the close of the third Annual Meeting of the Shareholders of the Company following his election.			
2(ii)	THAT in accordance with the requirements of paragraph 4.4 of By-Law No. 2 of the Company, Mr. Geoffrey Peter Marshall be and is hereby elected Director of the Company to hold office until the close of the third Annual Meeting of the Shareholders of the Company following his election.			
3.	THAT Deloitte & Touche be and are hereby appointed as Auditors of the Company for a period ending at the close of the next Annual General Meeting after their appointment.			

NOTES:

- (a) A shareholder who is entitled to vote at any meeting of the shareholders may by means of a proxy appoint a proxy holder, or one or more alternate proxy holders, none of whom need be shareholders, to attend and act at the meeting in the manner and to the extent authorised by the proxy and with the authority conferred by the proxy.
 - (b) In the case of a shareholder who is a body corporate or association, votes at a meeting of shareholders may be given by any individual authorised by a resolution of the directors or governing body of that body corporate or association to represent it at meetings of the shareholders of the Company
- A proxy must be executed in writing by the shareholder or his attorney authorised in writing. If the shareholder is a body corporate, the proxy must be executed by the duly authorised officer(s) of that body corporate and, where applicable, the seal or stamp applied.
- Proxy appointments are required to be deposited at the registered office of the Company, The Pine, St. Michael, Barbados no later than 4:15 p.m. on the 17th day of October, 2017.**







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.thebhigroup.com

