

# **Barbados Dairy Industries Limited**

Financial Statements  
**December 31, 2020**  
(expressed in Barbados dollars)

## INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of  
Barbados Dairy Industries Limited**

### Opinion

We have audited the accompanying financial statements of **Barbados Dairy Industries Limited** (the "Company"), which comprise the statement of financial position as at December 31, 2020, and the statement of income, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year 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 December 31, 2020, and its financial performance and its cash flows for the year 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") together with the ethical requirements that are relevant to our audit of the financial statements in Barbados, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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.

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***Key Audit Matters ...continued******Revenue recognition******Description of the Matter***

Revenue is one of the key performance measures used to assess business performance. There is a risk that the amount of revenues presented in the financial statements is higher than the amount that was actually earned by the Company. Revenue from sale of goods is recognised when control over the goods has been transferred to the customers (i.e. generally when the customer has acknowledged receipt of the goods). In our view, revenue recognition is significant to our audit because the amount is material to the financial statements. It also involves voluminous transactions, requires proper observation of cut-off procedures and testing the validity of transactions, and directly impacts the Company's profitability.

The Company's disclosures about its revenues and related receivables, and revenue recognition policies are included in Notes 4, 6 and 11.

***How the Matter was Addressed in the Audit***

Our audit procedures performed to address the risk of material misstatement relating to revenue recognition included the following:

- Obtained an understanding of the Company's processes and controls over revenue recognition, approval and documentation;
- Evaluated the appropriateness of the Company's revenue recognition policy in accordance with IFRS 15;
- Performed substantive analytical review procedures over revenues such as, but not limited to, yearly and monthly analyses of sales and sales mix composition based on our expectations, investigation of variances from our expectations, and verifying that the underlying data used in the analyses were reliable;
- Tested on a sample basis, the sales invoices, delivery receipts and cash receipts of sales transactions throughout the current year to determine the validity and occurrence of sales;
- Confirmed accounts receivables using positive confirmations, on a sample basis, and performed alternative procedures for non-responding customers, such as, examined evidence of subsequent collections, and corresponding sales invoices and proof of deliveries;
- Tested sales invoices and delivery receipts immediately prior and subsequent to the current period to determine whether the related sales transactions are recognised in the proper reporting period; and
- Evaluated the sufficiency and adequacy of disclosures in the Company's financial statements in accordance with IFRS.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as 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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated 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.
- 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.

**Auditor's Responsibilities for the Audit of the Financial Statements ...continued**

We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, 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 in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's shareholders for our audit work, for this report, or for the opinion we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Jefferson E. Hunte.

*Grant Thornton Ltd*

**Chartered Accountants  
April 20, 2022  
Barbados**

# Barbados Dairy Industries Limited

## Statement of Financial Position

As at December 31, 2020

(expressed in Barbados dollars)

|  | 2020<br>\$         | 2019<br>\$ |
|--|--------------------|------------|
| <b>Assets</b>  |                    |            |
| <b>Current assets</b>                                    |                    |            |
| Cash (note 10)   | <b>10,553,962</b>  | 7,851,023  |
| Receivables and prepayments (note 11)                    | <b>5,713,571</b>   | 4,550,287  |
| Due from related companies (note 13)                     | <b>7,661,188</b>   | 9,623,207  |
| Inventories (note 12)                                    | <b>18,102,971</b>  | 20,484,264 |
|  | <b>42,031,692</b>  | 42,508,781 |
| <b>Current liabilities</b>                               |                    |            |
| Accounts payable and accruals (note 15)                  | <b>9,177,951</b>   | 9,195,809  |
| Due to related companies (note 13)                       | <b>3,257,663</b>   | 5,659,129  |
| Current portion of loans due to parent company (note 13) | <b>549,996</b>     | 1,201,958  |
| Income tax payable (note 9)                              | <b>20,394</b>      | –          |
|  | <b>13,006,004</b>  | 16,056,896 |
| <b>Working capital</b>                                   | <b>29,025,688</b>  | 26,451,885 |
| <b>Deferred tax asset (note 9)</b>                       | <b>1,537,970</b>   | 1,591,334  |
| <b>Property, plant and equipment (note 16)</b>           | <b>11,512,438</b>  | 13,468,938 |
| <b>Pension plan asset (note 17)</b>                      | <b>4,490,000</b>   | 7,917,000  |
| <b>Post-employment medical liability (note 18)</b>       | <b>(649,000)</b>   | (308,000)  |
| <b>Accounts payable and accruals (note 15)</b>           | <b>(120,303)</b>   | (254,772)  |
| <b>Loans due to parent company (note 13)</b>             | <b>(366,671)</b>   | (916,667)  |
|  | <b>45,430,122</b>  | 47,949,718 |
| <b>Equity</b>  |                    |            |
| Share capital (note 19)                                  | <b>998,028</b>     | 998,028    |
| Other reserves (note 20)                                 | <b>(3,112,582)</b> | 1,105,898  |
| Retained earnings  | <b>47,544,676</b>  | 45,845,792 |
| <b>Total equity</b>                                      | <b>45,430,122</b>  | 47,949,718 |

The accompanying notes are an integral part of these financial statements.

Approved by the Board of Directors on April 20, 2022.

Director

Director

# **Barbados Dairy Industries Limited**

## Statement of Income

**For the year ended December 31, 2020**

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(expressed in Barbados dollars)

|  | <b>2020</b><br>\$   | <b>2019</b><br>\$ |
|--|---------------------|-------------------|
| <b>Sales</b> (note 6)  | <b>52,476,670</b>   | 48,906,825        |
| <b>Cost of sales</b> (note 7)                                | <b>(45,788,546)</b> | (44,247,833)      |
| <b>Gross profit</b>  | <b>6,688,124</b>    | 4,658,992         |
| <b>Other income</b>  | <b>20,426</b>       | 94,942            |
| <b>Selling, general and administrative expenses</b> (note 7) | <b>(4,314,465)</b>  | (4,026,863)       |
| <b>Profit from operations</b>                                | <b>2,394,085</b>    | 727,071           |
| Interest expense   | <b>(375,923)</b>    | (243,692)         |
| <b>Income before taxation</b>                                | <b>2,018,162</b>    | 483,379           |
| Taxation (note 9)  | <b>(319,278)</b>    | 63,287            |
| <b>Net income for the year</b>                               | <b>1,698,884</b>    | 546,666           |
| Earnings per share – basic and diluted (note 22)             | <b>0.36</b>         | 0.12              |

The accompanying notes are an integral part of these financial statements.

# **Barbados Dairy Industries Limited**

## **Statement of Comprehensive Income For the year ended December 31, 2020**

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(expressed in Barbados dollars)

|   | <b>2020</b><br>\$  | <b>2019</b><br>\$ |
|---|--------------------|-------------------|
| <b>Net income for the year</b>  | <b>1,698,884</b>   | 546,666           |
| <b>Other comprehensive loss, net of tax</b>   |                    |                   |
| <i>Items that will not be reclassified subsequently to profit or loss</i>                               |                    |                   |
| Re-measurement loss on defined benefit plans<br>and post-employment medical liability (notes 17 and 18) | (4,464,000)        | (2,189,000)       |
| Tax effect (note 9)   | 245,520            | 120,395           |
| Total other comprehensive loss, net of tax  | <b>(4,218,480)</b> | (2,068,605)       |
| <b>Total comprehensive loss for the year</b>  | <b>(2,519,596)</b> | (1,521,939)       |

The accompanying notes are an integral part of these financial statements.

# **Barbados Dairy Industries Limited**

## Statement of Changes in Equity

**For the year ended December 31, 2020**

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(expressed in Barbados dollars)

|  | <b>Share<br/>capital<br/>\$</b> | <b>Other<br/>reserves<br/>\$</b> | <b>Retained<br/>earnings<br/>\$</b> | <b>Total<br/>\$</b> |
|--|---------------------------------|----------------------------------|-------------------------------------|---------------------|
| <b>Balance as at December 31, 2018</b>             | <b>998,028</b>                  | <b>3,174,503</b>                 | <b>45,299,126</b>                   | <b>49,471,657</b>   |
| <b>Comprehensive loss</b>                          |                                 |                                  |                                     |                     |
| Net income for the year                            | –                               | –                                | 546,666                             | 546,666             |
| Other comprehensive loss for the year<br>(note 20) | –                               | (2,068,605)                      | –                                   | (2,068,605)         |
| <b>Total comprehensive loss for the year</b>       | <b>–</b>                        | <b>(2,068,605)</b>               | <b>546,666</b>                      | <b>(1,521,939)</b>  |
| <b>Balance as at December 31, 2019</b>             | <b>998,028</b>                  | <b>1,105,898</b>                 | <b>45,845,792</b>                   | <b>47,949,718</b>   |
| <b>Comprehensive loss</b>                          |                                 |                                  |                                     |                     |
| Net income for the year                            | –                               | –                                | 1,698,884                           | 1,698,884           |
| Other comprehensive loss for the year<br>(note 20) | –                               | (4,218,480)                      | –                                   | (4,218,480)         |
| <b>Total comprehensive loss for the year</b>       | <b>–</b>                        | <b>(4,218,480)</b>               | <b>1,698,884</b>                    | <b>(2,519,596)</b>  |
| <b>Balance as at December 31, 2020</b>             | <b>998,028</b>                  | <b>(3,112,582)</b>               | <b>47,544,676</b>                   | <b>45,430,122</b>   |

The accompanying notes are an integral part of these financial statements.

# **Barbados Dairy Industries Limited**

## Statement of Cash Flows

**For the year ended December 31, 2020**

(expressed in Barbados dollars)

|   | <b>2020</b><br>\$  | <b>2019</b><br>\$  |
|---|--------------------|--------------------|
| <b>Cash flows from operating activities</b>         |                    |                    |
| Income before taxation                              | 2,018,162          | 483,379            |
| Adjustments for:                                    |                    |                    |
| Depreciation (note 16)                              | 2,624,023          | 2,885,158          |
| Pension plan income (note 17)                       | (721,000)          | (1,102,000)        |
| Interest expense                                    | 375,923            | 243,692            |
| Loss on disposal of property, plant and equipment   | 56,128             | 198,399            |
| Post-employment medical liability expense (note 18) | 41,000             | 38,000             |
| Other post-medical liability benefits paid          | (16,000)           | (20,000)           |
| Impairment loss on trade and other receivables      | 12,362             | 17,680             |
| Fair value loss on long-term investment             | —                  | 1                  |
| Operating profit before working capital changes     | 4,390,598          | 2,744,309          |
| (Increase)/decrease in receivables and prepayments  | (1,175,646)        | 1,390,454          |
| Decrease in due from related companies              | 1,962,019          | 2,314,149          |
| Decrease/(increase) in inventories                  | 2,381,293          | (250,928)          |
| Decrease in accounts payable and accruals           | (257,340)          | (2,555,979)        |
| (Decrease)/increase in due to related companies     | (2,401,466)        | 3,408,392          |
| <b>Cash generated from operations</b>               | <b>4,899,458</b>   | <b>7,050,397</b>   |
| Interest paid                                       | (341,097)          | (234,396)          |
| <b>Net cash from operating activities</b>           | <b>4,558,361</b>   | <b>6,816,001</b>   |
| <b>Cash flows from investing activities</b>         |                    |                    |
| Purchase of property, plant and equipment           | (517,478)          | (2,690,104)        |
| <b>Cash flows from financing activities</b>         |                    |                    |
| Repayment from loans due to parent company          | (1,201,958)        | (1,174,877)        |
| Repayment of lease liabilities                      | (101,160)          | (71,750)           |
| Interest paid lease liabilities                     | (34,826)           | (9,296)            |
| <b>Net cash used in financing activities</b>        | <b>(1,337,944)</b> | <b>(1,255,923)</b> |
| <b>Increase in cash for the year</b>                | <b>2,702,939</b>   | <b>2,869,974</b>   |
| Cash at beginning of year                           | 7,851,023          | 4,981,049          |
| <b>Cash at end of year</b>                          | <b>10,553,962</b>  | <b>7,851,023</b>   |

The accompanying notes are an integral part of these financial statements.

# **Barbados Dairy Industries Limited**

Notes to Financial Statements

**December 31, 2020**

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(expressed in Barbados dollars)

## **1 Nature of operations**

Barbados Dairy Industries Limited (the “Company”), a publicly listed entity in Barbados, was incorporated under the Laws of Barbados on March 12, 1964. Its parent company is Banks Holdings Limited, a publicly listed company incorporated in Barbados.

In 2015, the parent company was acquired by SLU Beverages (“SLU”), a company incorporated and domiciled in St. Lucia. SLU is a subsidiary of Cerveceria Nacional Dominicana (“CND”) headquartered in the Dominican Republic. The ultimate parent is AB-Inbev, a company incorporated and domiciled in Brazil.

The principal activity of the Company is 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 General information compliance with International Financial Reporting Standards (IFRS) and going concern assumption**

The financial statements of the Company have been prepared in accordance with IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared under the historical cost convention, except for the long-term investment which is measured at fair value. The measurement bases are fully described in the summary of accounting policies. The financial statements have been prepared under the assumption that the Company operates on a going concern basis.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

## **3 New or revised standards or interpretations**

### ***New standards and amended standards effective for the financial year beginning January 1, 2020***

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Company has assessed the relevance of such new standards and amendments and has concluded that these will not be relevant. Accordingly, the Company has made no changes to its accounting policies in 2020.

### ***Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company***

At the date of authorisation of these financial statements, several new, but not yet effective standards, amendments to existing standards, and interpretations have been published by the IASB. None of these standards, amendments or interpretations have impacted and been adopted early by the Company.

# **Barbados Dairy Industries Limited**

Notes to Financial Statements

**December 31, 2020**

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(expressed in Barbados dollars)

## **3 New or revised standards or interpretations ...continued**

### ***Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company ...continued***

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Company's financial statements.

## **4 Summary of significant accounting policies**

### **a) Revenue recognition**

Revenue arises from the sale of goods. It is measured at the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts. To determine whether to recognise revenue, the Company follows a 5-step process:

1. Identifying the contract with a customer;
2. Identifying the performance obligations;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations; and
5. Recognising revenue when/as performance obligation(s) are satisfied.

For Step 1 to be achieved, the following five criteria must be present:

- the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
- each party's rights regarding the goods or services to be transferred or performed can be identified;
- the payment terms for the goods or services to be transferred or performed can be identified;
- the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and
- collection of the consideration in exchange of the goods and services is probable.

The Company derives revenue from sale of goods at a point in time, when (or as) the Company satisfies performance obligations by transferring the promised goods to its customers.

The Company recognises contract liabilities, if any, for consideration received in respect of unsatisfied performance obligations and reports these amounts as contract liabilities in the statement of financial position. Similarly, if the Company satisfies a performance obligation before it receives the consideration, the Company recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

# **Barbados Dairy Industries Limited**

Notes to Financial Statements

**December 31, 2020**

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(expressed in Barbados dollars)

## **4 Summary of significant accounting policies ...continued**

### **b) Foreign currency translation**

#### ***Functional and presentation currency***

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The Company’s functional currency is Barbados dollars. The financial statements are also presented in Barbados dollars, which is the Company’s presentation currency.

#### ***Foreign currency transactions and balances***

Foreign currency transactions are translated into the functional currency of the Company, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in the statement of income. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

### **c) Inventories**

Inventory is stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis. Finished goods comprise the direct cost of production and an attributable proportion of direct overheads appropriate to location and condition. Net realisable value is the price at which the stock can be realised in the normal course of business after deducting costs to complete and sell.

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

### **d) Property, plant and equipment**

Property, plant and equipment are stated at historical less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

Capital work in progress represents assets under construction and is stated at cost. These include the design and direct costs to the extent that they are directly attributable to the acquisition or construction of the property, and any other directly attributable costs of bringing the property to working condition. Capital work in progress is not depreciated until such time that the relevant assets are ready for use.

# **Barbados Dairy Industries Limited**

Notes to Financial Statements

**December 31, 2020**

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(expressed in Barbados dollars)

## **4 Summary of significant accounting policies ...continued**

### **d) Property, plant and equipment ...continued**

Depreciation is charged on leasehold buildings over the term of the lease or life of the asset whichever is shorter.

Depreciation of other property, plant and equipment is charged 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          |
| Right of use assets                     | 1.8 to 3.5 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of income.

### **e) 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

# **Barbados Dairy Industries Limited**

Notes to Financial Statements

**December 31, 2020**

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(expressed in Barbados dollars)

## **4 Summary of significant accounting policies ...*continued***

### **e) Impairment of non-financial assets ...*continued***

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.

### **f) Taxation**

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those claims from, or obligations to fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period in Barbados.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided those rates are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be able to be utilised against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expenses in the statement of income, except where they relate to items that are recognised in other comprehensive income, if any, or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

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.

# **Barbados Dairy Industries Limited**

Notes to Financial Statements

**December 31, 2020**

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(expressed in Barbados dollars)

## **4 Summary of significant accounting policies ...continued**

### **g) Provision for deposits owed to customers**

The quantity of containers in customers' possession, on which the provision for deposits is based, is estimated by management, having regard to the level of sales and the turnaround of containers.

### **h) Employee benefits**

#### *Short-term employee benefits*

Short-term employee benefits, including holiday entitlement, are current liabilities included in other payables and accruals, measured at the undiscounted amount that the Company expects to pay as a result of the unused entitlement.

#### *Post-employment 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, a defined benefit plan defines an amount of a pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The asset recognized in the statement of financial position in respect of defined benefit pension plans is the fair value of plan assets less the present value of the defined benefit obligation at the end of the reporting period. 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 the statement of income.

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

# **Barbados Dairy Industries Limited**

Notes to Financial Statements

**December 31, 2020**

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(expressed in Barbados dollars)

## **4 Summary of significant accounting policies ...continued**

### **i) Interest bearing loans payable**

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

### **j) Leases – Company as a lessee**

The Company considers whether a contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assesses whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

#### *Measurement and recognition of leases as a lessee*

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company’s incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

# **Barbados Dairy Industries Limited**

Notes to Financial Statements

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(expressed in Barbados dollars)

## **4 Summary of significant accounting policies ...continued**

### **j) Leases – Company as a lessee ...continued**

*Measurement and recognition of leases as a lessee ...continued*

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedient. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use asset has been included in property, plant and equipment and lease liabilities have been included in accounts and other payables.

### **k) Cash**

Cash comprises of cash at bank and in hand net of bank overdrafts, if any.

### **l) Financial instruments**

#### *i) Recognition and derecognition*

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

#### *ii) Measurement methods*

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

When the Company revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in the statement of income.

# **Barbados Dairy Industries Limited**

Notes to Financial Statements

**December 31, 2020**

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(expressed in Barbados dollars)

## **4 Summary of significant accounting policies ...continued**

### **I) Financial instruments ...continued**

#### *iii) Classification and initial measurement of financial assets*

At initial recognition, the Company initially measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expenses in the statement of income. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

Financial assets are classified into the following categories:

- amortised cost;
- fair value through profit or loss (FVTPL); and
- fair value through other comprehensive income (FVOCI).

In the current and prior periods presented, the Company does not have any financial assets categorised as FVOCI.

The classification is determined by both the Company's business model for managing the financial asset and the contractual cash flow characteristics of the financial assets.

All income and expenses relating to financial assets that are recognised in the statement of income are presented within finance costs, finance income or other financial items, except for loss allowance of trade and other receivables and due from related parties, which is presented within selling, general and administrative expenses.

# **Barbados Dairy Industries Limited**

Notes to Financial Statements

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(expressed in Barbados dollars)

## **4 Summary of significant accounting policies ...continued**

### **I) Financial instruments ...continued**

#### **iv) Subsequent measurement of financial assets**

##### *Financial assets at amortised cost*

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash, trade and other receivables and due from related parties are included within this category of financial instruments.

##### *Financial assets at FVTPL*

Equity instruments are instruments that do not contain contractual obligations to pay the instrument holder and that evidence residual interests in the issuer's net assets. The Company subsequently measures all equity investments at FVTPL, except where the Company's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. A gain or loss on equity investment that is subsequently measured at FVTPL is recognised in profit or loss.

#### **v) Impairment of financial assets**

The Company uses the IFRS 9's impairment requirement which assesses on a forward-looking basis, the expected credit losses – the 'expected credit loss model' on its financial assets carried at amortised cost and with the exposure arising from loan commitments. Instruments within the scope of the new requirements include, trade receivables and other debt-type financial assets measured at amortised cost, other receivables, contract assets, if any, recognised and measured under IFRS 15 and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead, the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and

# **Barbados Dairy Industries Limited**

Notes to Financial Statements

**December 31, 2020**

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(expressed in Barbados dollars)

## **4 Summary of significant accounting policies ...continued**

### **I) Financial instruments ...continued**

#### *v) Impairment of financial assets ...continued*

- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The Company makes use of a simplified approach in accounting for trade and other receivables and due from related parties and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assesses loss allowance of trade and other receivables on a collective basis as they possess shared credit risk characteristics based on the days past due. Refer to Note 23(a)(ii) for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

The Company categorises trade receivables for potential write-off when a debtor fails to make contractual payments more than 90 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Company. When recoveries are made, these are recognised in the statement of income.

#### *vi) Classification and subsequent measurement and derecognition of financial liabilities*

##### *(i) Classification and subsequent measurement*

In both the current and prior periods, financial liabilities are classified as subsequently measured at amortised cost.

# **Barbados Dairy Industries Limited**

Notes to Financial Statements

**December 31, 2020**

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(expressed in Barbados dollars)

## **4 Summary of significant accounting policies ...continued**

### **I) Financial instruments ...continued**

#### *vi) Classification and subsequent measurement and derecognition of financial liabilities ...continued*

##### *(ii) Derecognition*

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). The exchange between the Company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

#### **m) Offsetting of financial instruments**

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### **n) Expenses**

Expenses are recognised in the statement of income upon utilisation of the service or as incurred.

#### **o) Borrowing costs**

Borrowing costs are expenses in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### **p) Provisions**

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

# **Barbados Dairy Industries Limited**

Notes to Financial Statements

**December 31, 2020**

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(expressed in Barbados dollars)

## **4 Summary of significant accounting policies ...*continued***

### **p) Provisions ...*continued***

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the likelihood of an outflow of resources is remote.

### **q) Earnings per share**

Basic earnings per share are determined by dividing profit by the weighted average number of ordinary shares outstanding during the period after giving retroactive effect to stock dividends declared, stock splits and reverse stock splits during the period, if any.

Diluted earnings per share are computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares. Currently, the Company does not have dilutive potential shares outstanding, hence, the diluted earnings per share is equal to the basic earnings per share.

### **r) Equity, other reserves and retained earnings**

Share capital represents the proceeds of shares that have been issued.

Other reserves comprise mainly of the re-measurement of defined benefit plan and post-medical benefits.

Retained earnings include cumulative balance of net income or loss, dividend distributions, effect of changes in accounting policy and other capital adjustments.

All transactions with shareholders of the parent company are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

# **Barbados Dairy Industries Limited**

Notes to Financial Statements

**December 31, 2020**

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(expressed in Barbados dollars)

## **5 Significant accounting judgements, estimates and assumptions**

The preparation of the Company's financial statements requires management to make judgements, 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.

### *Estimated impairment of inventories*

Management recognises a provision for inventory losses when the realisable values of inventory items become lower than cost due to obsolescence or other causes. Obsolescence is based on the physical condition of inventory items. Obsolescence is also established when inventory items can no longer be utilised. Obsolete goods when identified are charged to the statement of income. The Company believes such estimates represent a fair charge for the level of inventory losses in a given year. The Company's policy is to review on an annual basis the condition of its inventory.

### *Deferred tax assets*

Deferred tax assets are recognised 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 judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

### *Employee retirement benefits*

The present value of the defined benefit funded obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/(income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the 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 the terms of the related pension obligation. Additional information is disclosed in note 17.

# **Barbados Dairy Industries Limited**

Notes to Financial Statements

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(expressed in Barbados dollars)

## **6 Sales**

All of the Company's sales are recognised at a point in time, being the time of delivery to and acceptance by the customer, for both 2020 and 2019.

The Company's sales disaggregated by primary geographical market are as follows:

| <b>Country</b>                 | <b>2020</b>             | <b>2019</b>      |
|--------------------------------|-------------------------|------------------|
|                                | \$                      | \$               |
| Barbados                       | <b>43,366,938</b>       | 40,541,398       |
| St. Lucia                      | <b>2,218,926</b>        | 2,320,629        |
| Antigua and Barbuda            | <b>1,792,197</b>        | 1,860,247        |
| Guyana                         | <b>1,316,387</b>        | 1,113,749        |
| Other countries                | <b>1,286,097</b>        | 683,332          |
| St. Kitts and Nevis            | <b>1,163,076</b>        | 1,072,310        |
| Grenada                        | <b>871,170</b>          | 792,574          |
| St. Vincent and the Grenadines | <b>461,879</b>          | 522,586          |
|                                | <hr/> <b>52,476,670</b> | <hr/> 48,906,825 |

## **7 Operating expenses by nature**

The details of operating expenses by nature are shown below.

|   | <b>2020</b>             | <b>2019</b>      |
|---|-------------------------|------------------|
|   | \$                      | \$               |
| Materials                                     | <b>30,769,494</b>       | 27,566,789       |
| Production overhead                           | <b>7,957,094</b>        | 7,319,259        |
| Staff costs (note 8)                          | <b>6,085,661</b>        | 6,371,034        |
| Depreciation (note 16)                        | <b>2,624,023</b>        | 2,885,158        |
| Administrative and office expenses            | <b>1,699,907</b>        | 1,404,165        |
| Management fees (note 13)                     | <b>1,374,000</b>        | 1,008,000        |
| Advertising and promotions                    | <b>906,502</b>          | 1,685,680        |
| Provision of inventory obsolescence (note 12) | <b>185,453</b>          | —                |
| Professional fees                             | <b>117,558</b>          | 123,181          |
| Information technology and communications     | <b>22,351</b>           | 21,105           |
| Vehicle expenses                              | <b>—</b>                | 38,152           |
| Changes in inventories                        | <b>(1,639,032)</b>      | (147,827)        |
|   | <hr/> <b>50,103,011</b> | <hr/> 48,274,696 |

# **Barbados Dairy Industries Limited**

Notes to Financial Statements

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(expressed in Barbados dollars)

## **7 Operating expenses by nature ...continued**

These expenses are classified in the statement of income as follows:

|  | <b>2020</b><br>\$ | <b>2019</b><br>\$ |
|--|-------------------|-------------------|
| Cost of sales                                | <b>45,788,546</b> | 44,247,833        |
| Selling, general and administrative expenses | <b>4,314,465</b>  | 4,026,863         |
|  | <b>50,103,011</b> | 48,274,696        |

## **8 Staff costs**

The breakdown of this account follows:

|   | <b>2020</b><br>\$ | <b>2019</b><br>\$ |
|---|-------------------|-------------------|
| Salaries, wages and allowances              | <b>6,079,038</b>  | 6,458,300         |
| NIS contributions                           | <b>559,312</b>    | 558,973           |
| Bonus and gratuity                          | <b>67,392</b>     | 157,763           |
| Other staff costs                           | <b>59,919</b>     | 259,998           |
| Post-employment medical liability (note 18) | <b>41,000</b>     | 38,000            |
| Pension – defined benefit plan (note 17)    | <b>(721,000)</b>  | (1,102,000)       |
|   | <b>6,085,661</b>  | 6,371,034         |

## **9 Taxation**

### **Change in tax rate**

Effective January 1, 2019, that tax rate was reduced to 5.5% to 1% on a sliding scale. Previously, the corporation tax rate applicable to manufacturing companies was 15%.

|  | <b>2020</b><br>\$ | <b>2019</b><br>\$ |
|--|-------------------|-------------------|
| <b>Statement of income</b>                 |                   |                   |
| Current tax expense                        | <b>20,394</b>     | –                 |
| Deferred tax expense/(credit) for the year | <b>298,884</b>    | (63,287)          |
|  | <b>319,278</b>    | (63,287)          |

# Barbados Dairy Industries Limited

Notes to Financial Statements

**December 31, 2020**

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(expressed in Barbados dollars)

## 9 Taxation ...continued

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

|   | 2020             | 2019      |
|---|------------------|-----------|
|   | \$               | \$        |
| Income before taxation  | <u>2,018,162</u> | 483,379   |
| Taxed at statutory rates of 5.5% (2019: 5.5%)   | 110,999          | 26,586    |
| Manufacturing allowance   | (54,631)         | (348,098) |
| Unutilized tax losses   | (20,393)         | 221,404   |
| Depreciation on assets not qualifying for capital allowances  | 22,699           | 159,728   |
| Pension and post-employment medical benefits  | (38,280)         | (59,620)  |
| <b>Current tax expense</b>  | <b>20,394</b>    | —         |
| <b>Deferred tax expense/(credit) arising from the recognition or reversal of deferred tax asset</b> | <b>298,884</b>   | (63,287)  |
|   | <b>319,278</b>   | (63,287)  |
| <b>Deferred tax asset</b>   |                  |           |
| Balance at beginning of year  | <u>1,591,334</u> | 1,407,652 |
| Deferred tax (expense)/credit recognised in statement of income                                     |                  |           |
| Unutilized tax losses   | (423,541)        | 199,313   |
| Post-retirement medical liability   | 1,375            | 990       |
| Pension plan asset  | (39,655)         | (60,610)  |
| Accelerated depreciation for accounting purposes  | 162,937          | (76,406)  |
|   | <b>(298,884)</b> | 63,287    |
| Deferred tax credit recognised in other comprehensive income  |                  |           |
| Pension plan asset  | 228,140          | 118,525   |
| Post-retirement medical liability   | 17,380           | 1,870     |
|   | <b>245,520</b>   | 120,395   |
| Balance at end of year  | <b>1,537,970</b> | 1,591,334 |

# **Barbados Dairy Industries Limited**

Notes to Financial Statements

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(expressed in Barbados dollars)

## **9 Taxation ...continued**

The deferred tax asset is analysed as follows:

|  | <b>2020</b><br>\$ | <b>2019</b><br>\$ |
|--|-------------------|-------------------|
| Accelerated depreciation for accounting purposes | 1,325,375         | 1,162,438         |
| Unutilized tax losses                            | 423,850           | 847,391           |
| Post-retirement medical liability                | 35,695            | 16,940            |
| Pension plan asset                               | <u>(246,950)</u>  | <u>(435,435)</u>  |
|  | <b>1,537,970</b>  | <b>1,591,334</b>  |

## **Income tax payable**

The movement of income tax payable as at December 31, is shown below.

|                              | <b>2020</b><br>\$ | <b>2019</b><br>\$ |
|------------------------------|-------------------|-------------------|
| Balance at beginning of year | —                 | —                 |
| Current tax expense          | <u>20,394</u>     | <u>—</u>          |
| Balance at end of year       | <b>20,394</b>     | <b>—</b>          |

## **Tax losses**

The Company has unutilised tax losses of \$7,706,351 (2019: \$15,407,096) 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.

| <b>Income Year</b> | <b>Amount</b><br>\$ | <b>Expiry Date</b> |
|--------------------|---------------------|--------------------|
| 2012               | 1,867,650           | 2021               |
| 2018               | 1,813,177           | 2025               |
| 2019               | <u>4,025,524</u>    | <u>2026</u>        |
| <b>7,706,351</b>   |                     |                    |

# **Barbados Dairy Industries Limited**

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(expressed in Barbados dollars)

## **10 Cash**

|               | <b>2020</b><br>\$ | <b>2019</b><br>\$ |
|---------------|-------------------|-------------------|
| Cash on hand  | 372               | 372               |
| Cash at banks | <u>10,553,590</u> | <u>7,850,651</u>  |
|               | <b>10,553,962</b> | <b>7,851,023</b>  |

Cash at banks is held with several local commercial banks in non-interest-bearing accounts. The amounts held in these accounts facilitate the short-term commitments and day-to-day operations of the Company.

## **11 Receivables and prepayments**

|                   | <b>2020</b><br>\$ | <b>2019</b><br>\$ |
|-------------------|-------------------|-------------------|
| Trade receivables | 4,672,546         | 3,770,820         |
| Other receivables | 491,955           | 545,341           |
| Prepayments       | <u>549,070</u>    | <u>234,126</u>    |
|                   | <b>5,713,571</b>  | <b>4,550,287</b>  |

### **Trade receivables**

The Company's trade receivables represent amounts due from customers for the goods sold in the ordinary course of business. They are generally due for settlement within 30 to 60 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Company's impairment policies and expected credit loss measurement are disclosed in Note 23(a)(ii). Due to the short-term nature of the Company's trade receivables, their carrying amount is considered to be the same as their fair value.

# **Barbados Dairy Industries Limited**

Notes to Financial Statements

**December 31, 2020**

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(expressed in Barbados dollars)

## **12 Inventories**

|                                      | <b>2020</b><br>\$                       | <b>2019</b><br>\$         |
|--------------------------------------|---|---------------------------|
| Raw materials                        | <b>12,012,972</b>                       | 15,362,331                |
| Finished goods                       | <b>3,459,887</b>                        | 2,795,549                 |
| Fuel and factory supplies            | <b>3,945,189</b>                        | 3,447,083                 |
| Marketing materials                  | <b>7,812</b>                            | 16,737                    |
|                                      | <hr/>                                   | <hr/>                     |
| Provision for inventory obsolescence | <b>19,425,860</b><br><b>(1,322,889)</b> | 21,621,700<br>(1,137,436) |
|                                      | <hr/>                                   | <hr/>                     |
|                                      | <b>18,102,971</b>                       | 20,484,264                |

The movement of provision for inventory obsolescence is shown below.

|                                     | <b>2020</b><br>\$ | <b>2019</b><br>\$ |
|-------------------------------------|-------------------|-------------------|
| Balance at beginning of year        | <b>1,137,436</b>  | 1,222,654         |
| Provisions during the year (note 7) | <b>185,453</b>    | –                 |
| Write-offs during the year          | <b>–</b>          | (85,218)          |
|                                     | <hr/>             | <hr/>             |
| Balance at end of year              | <b>1,322,889</b>  | 1,137,436         |

The net of change in provision and direct write-down of inventories recognized in the statement of income is \$185,453 (2019: \$nil). This amount is included in cost of sales.

## **13 Related party transactions and balances**

Related party relationship exists when one party has the ability to control directly or indirectly, through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between or among entities under common control, parent company and its key management personnel, directors and shareholders.

# **Barbados Dairy Industries Limited**

Notes to Financial Statements

**December 31, 2020**

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(expressed in Barbados dollars)

## **13 Related party transactions and balances ...continued**

### **Related party balances**

#### *Amounts due from/to related parties*

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

|                                    | <b>2020</b>      | <b>2019</b> |
|------------------------------------|------------------|-------------|
|                                    | \$               | \$          |
| <b>Receivables</b>                 |                  |             |
| Entities under common control      | <u>7,661,188</u> | 9,623,207   |
| <b>Payables</b>                    |                  |             |
| Entities under common control      | <u>3,257,663</u> | 5,659,129   |
| <i>Loans due to parent company</i> |                  |             |
|                                    | <b>2020</b>      | <b>2019</b> |
|                                    | \$               | \$          |
| Total loans due to parent company  | 916,667          | 2,118,625   |
| Less: current portion              | <u>(549,996)</u> | (1,201,958) |
| Non-current portion                | <u>366,671</u>   | 916,667     |

#### *Interest-bearing loan*

The Company obtained an unsecured, interest-bearing loan from its parent company on January 21, 2016 amounting to \$3,000,000 for working capital support. The loan bore interest at a rate of 4.25% per annum, matured on December 21, 2020 and is repayable in equal monthly instalment of \$55,589.

Interest expense incurred in 2020 charged to the statement of income amounted to \$15,106 (2019: \$42,187).

#### *Noninterest-bearing loan*

The Company obtained an unsecured noninterest-bearing loan from its parent company amounting to \$5,500,000 on September 30, 2012 for working capital support, which matures on August 31, 2022 and is repayable in equal monthly instalment of \$45,833.

# **Barbados Dairy Industries Limited**

Notes to Financial Statements

**December 31, 2020**

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(expressed in Barbados dollars)

## **13 Related party transactions and balances ...continued**

### **Related party transactions**

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

|  | <b>2020</b><br>\$ | <b>2019</b><br>\$ |
|--|-------------------|-------------------|
| Sales to a related company                       | <b>14,167,905</b> | 12,732,927        |
| Purchases from related companies                 | <b>8,345,257</b>  | 9,486,690         |
| Management fees paid to related company (note 7) | <b>750,000</b>    | 750,000           |
| Management fee paid to parent company (note 7)   | <b>624,000</b>    | 258,000           |
| Interest expense                                 | <b>15,106</b>     | 42,187            |
| Rent charged to related parties                  | <b>75,852</b>     | 37,926            |

Compensation of key management personnel of the Company:

|                              | <b>2020</b><br>\$ | <b>2019</b><br>\$ |
|------------------------------|-------------------|-------------------|
| Short-term employee benefits | —                 | 30,000            |

## **14 Bank overdraft**

The security for the bank overdraft facility of \$500,000 is 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.

Interest is charged and payable monthly on the overdraft balance at 4.25% (2019: 4.25%).

# **Barbados Dairy Industries Limited**

Notes to Financial Statements

**December 31, 2020**

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(expressed in Barbados dollars)

## **15 Accounts payable and accruals**

|                             | <b>2020</b>      | <b>2019</b> |
|-----------------------------|------------------|-------------|
|                             | \$               | \$          |
| Accruals and other payables | <b>6,823,071</b> | 5,945,995   |
| Trade payables              | <b>2,154,880</b> | 3,084,203   |
| Lease liabilities           | <b>257,868</b>   | 355,932     |
| Dividends payable           | <b>62,435</b>    | 64,451      |
|                             | <b>9,298,254</b> | 9,450,581   |
| Current                     | <b>9,177,951</b> | 9,195,809   |
| Non-current                 | <b>120,303</b>   | 254,772     |
|                             | <b>9,298,254</b> | 9,450,581   |

Terms and conditions of the above liabilities are as follows:

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

## **Leases**

Lease liabilities are presented in the statement of financial position as follows:

|             | <b>2020</b>    | <b>2019</b> |
|-------------|----------------|-------------|
|             | \$             | \$          |
| Current     | <b>137,565</b> | 101,160     |
| Non-current | <b>120,303</b> | 254,772     |
|             | <b>257,868</b> | 355,932     |

The Company has leases for equipment and motor vehicles and are reflected on the statement of financial position as right-of-use assets and lease liabilities. The Company classifies its right-of-use asset in a separate class in the property, plant and equipment (see note 16).

# Barbados Dairy Industries Limited

Notes to Financial Statements

**December 31, 2020**

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(expressed in Barbados dollars)

## 15 Accounts payable and accruals ...continued

### Leases ...continued

The lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the right-of-use asset can only be used by the Company. The lease is either non-cancellable or may only be cancelled by incurring a substantive termination fee. The Company is prohibited from selling or pledging the underlying leased asset as security. Further, the Company must keep the office building in a good state of repair and return the property in its original condition at the end of the lease. Also, the Company must insure items of property and equipment and incur maintenance fees on such items in accordance with the lease contract.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognised on statement of financial position:

**December 31, 2020**

| Right-of-use asset | No. of right-of-use asset leased | Range of remaining term | Average remaining lease term | No. of leases with extension option | No. of leases with options to purchase | No. of leases with variable payments linked to an index | No. of leases with termination options |
|--------------------|----------------------------------|-------------------------|------------------------------|-------------------------------------|--|---|--|
| Motor vehicles     | 15                               | 0.5 years to 3.58 years | 0.5 years to 3.58 years      | 15                                  | —                                      | —   | —                                      |
| Equipment          | 8                                | 2 years                 | 2 years                      | 8                                   | —                                      | —   | —                                      |

**December 31, 2019**

| Right-of-use asset | No. of right-of-use asset leased | Range of remaining term | Average remaining lease term | No. of leases with extension option | No. of leases with options to purchase | No. of leases with variable payments linked to an index | No. of leases with termination options |
|--------------------|----------------------------------|-------------------------|------------------------------|-------------------------------------|--|---|--|
| Motor vehicles     | 15                               | 0.5 years to 4.58 years | 0.5 years to 4.58 years      | 15                                  | —                                      | —   | —                                      |
| Equipment          | 8                                | 2 years                 | 2 years                      | 8                                   | —                                      | —   | —                                      |

# **Barbados Dairy Industries Limited**

Notes to Financial Statements

**December 31, 2020**

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(expressed in Barbados dollars)

## **15 Accounts payable and accruals ...continued**

### **Leases ...continued**

The lease liability is unsecured and future minimum lease payments at December 31, are as follows:

#### **December 31, 2020**

|                    | <b>Within 1 year</b><br>\$ | <b>2 – 5 years</b><br>\$ | <b>Total</b><br>\$ |
|--------------------|----------------------------|--------------------------|--------------------|
| Lease payments     | 161,136                    | 243,264                  | 404,400            |
| Finance charges    | (23,571)                   | (122,961)                | (146,532)          |
| Net present values | <b>137,565</b>             | <b>120,303</b>           | <b>257,868</b>     |

#### **December 31, 2019**

|                    | <b>Within 1 year</b><br>\$ | <b>2 – 5 years</b><br>\$ | <b>Total</b><br>\$ |
|--------------------|----------------------------|--------------------------|--------------------|
| Lease payments     | 161,136                    | 404,400                  | 565,536            |
| Finance charges    | (59,976)                   | (149,628)                | (209,604)          |
| Net present values | <b>101,160</b>             | <b>254,772</b>           | <b>355,932</b>     |

The Company did not enter into any short-term lease arrangements during the year with no commitments as at December 31, 2020.

As at December 31, 2020, the Company has no commitment to a lease which has not yet commenced.

Total cash outflows for repayments of lease liabilities and interest portion of the lease liabilities for the year ended December 31, 2020 were \$101,160 (2019: \$71,750) and \$34,826 (2019: \$9,296), respectively.

The right-of-use assets and accumulated depreciation as at December 31, 2020 and 2019 and the related depreciation expense for the year then ended are shown separately under property, plant and equipment (see note 16).

# Barbados Dairy Industries Limited

Notes to Financial Statements  
**December 31, 2020**

(expressed in Barbados dollars)

## 16 Property, plant and equipment

|                                  | <b>Buildings on leasehold land</b><br>\$ | <b>Plant and machinery</b><br>\$ | <b>Furniture, fittings and other equipment</b><br>\$ | <b>Motor vehicles</b><br>\$ | <b>Containers</b><br>\$ | <b>Capital works in progress</b><br>\$ | <b>Right of use assets</b><br>\$ | <b>Total</b><br>\$ |
|----------------------------------|--|----------------------------------|--|-----------------------------|-------------------------|--|----------------------------------|--------------------|
| <b>At December 31, 2018</b>      |  |                                  |  |                             |                         |  |                                  |                    |
| Cost                             | 15,731,069                               | 38,683,452                       | 2,253,239  | 116,661                     | 423,247                 | 578,359                                | —                                | 57,786,027         |
| Accumulated depreciation         | (10,392,263)                             | (31,172,851)                     | (2,213,124)  | (114,430)                   | (423,247)               | —                                      | —                                | (44,315,915)       |
| <b>Net book value</b>            | <b>5,338,806</b>                         | <b>7,510,601</b>                 | <b>40,115</b>  | <b>2,231</b>                | <b>—</b>                | <b>578,359</b>                         | <b>—</b>                         | <b>13,470,112</b>  |
| <b>Year ended</b>                |  |                                  |  |                             |                         |  |                                  |                    |
| <b>December 31, 2019</b>         |  |                                  |  |                             |                         |  |                                  |                    |
| Opening net book value           | 5,338,806                                | 7,510,601                        | 40,115   | 2,231                       | —                       | 578,359                                | —                                | 13,470,112         |
| Effect of IFRS 16                | —  | —                                | —  | —                           | —                       | —                                      | 392,279                          | 392,279            |
| Additions                        | —  | 1,162,740                        | 24,028   | —                           | —                       | 1,503,336                              | —                                | 2,690,104          |
| Transfers                        | 8,085                                    | 336,905                          | —  | —                           | —                       | (344,990)                              | —                                | —                  |
| Disposals                        | —  | (52,599)                         | —  | —                           | —                       | (3,529)                                | (165,219)                        | (221,347)          |
| Writeback of depreciation        | —  | —                                | —  | —                           | —                       | —                                      | 22,948                           | 22,948             |
| Depreciation charges<br>(note 7) | (396,597)                                | (2,399,851)                      | (20,333)   | (958)                       | —                       | —                                      | (67,419)                         | (2,885,158)        |
| <b>Closing net book value</b>    | <b>4,950,294</b>                         | <b>6,557,796</b>                 | <b>43,810</b>  | <b>1,273</b>                | <b>—</b>                | <b>1,733,176</b>                       | <b>182,589</b>                   | <b>13,468,938</b>  |
| <b>At December 31, 2019</b>      |  |                                  |  |                             |                         |  |                                  |                    |
| Cost                             | 15,739,153                               | 40,130,498                       | 2,277,268  | 116,661                     | 423,247                 | 1,733,176                              | 227,060                          | 60,647,063         |
| Accumulated depreciation         | (10,788,859)                             | (33,572,702)                     | (2,233,458)  | (115,388)                   | (423,247)               | —                                      | (44,471)                         | (47,178,125)       |
| <b>Net book value</b>            | <b>4,950,294</b>                         | <b>6,557,796</b>                 | <b>43,810</b>  | <b>1,273</b>                | <b>—</b>                | <b>1,733,176</b>                       | <b>182,589</b>                   | <b>13,468,938</b>  |

# Barbados Dairy Industries Limited

Notes to Financial Statements  
**December 31, 2020**

(expressed in Barbados dollars)

## 16 Property, plant and equipment ...continued

|                                  | <b>Buildings on leasehold land</b><br>\$ | <b>Plant and machinery</b><br>\$ | <b>Furniture, fittings and other equipment</b><br>\$ | <b>Motor vehicles</b><br>\$ | <b>Containers</b><br>\$ | <b>Capital works in progress</b><br>\$ | <b>Right of use assets</b><br>\$ | <b>Total</b><br>\$ |
|----------------------------------|--|----------------------------------|--|-----------------------------|-------------------------|--|----------------------------------|--------------------|
| <b>Year ended</b>                |  |                                  |  |                             |                         |  |                                  |                    |
| <b>December 31, 2020</b>         |  |                                  |  |                             |                         |  |                                  |                    |
| Opening net book value           | 4,950,294                                | 6,557,796                        | 43,810   | 1,273                       | —                       | 1,733,176                              | 182,589                          | 13,468,938         |
| Additions                        | —  | 204,739                          | 103,257  | —                           | 209,482                 | —                                      | 206,173                          | 723,651            |
| Transfers                        | —  | 431,015                          | —  | —                           | —                       | (431,015)                              | —                                | —                  |
| Disposals                        | —  | (52,599)                         | —  | —                           | —                       | (3,529)                                | (31,813)                         | (87,941)           |
| Writeback of depreciation        | —  | —                                | —  | —                           | —                       | —                                      | 31,813                           | 31,813             |
| Depreciation charges<br>(note 7) | (396,661)                                | (2,082,130)                      | (13,094)   | (956)                       | —                       | —                                      | (131,182)                        | (2,624,023)        |
| <b>Closing net book value</b>    | <b>4,553,633</b>                         | <b>5,058,821</b>                 | <b>133,973</b>                                       | <b>317</b>                  | <b>209,482</b>          | <b>1,298,632</b>                       | <b>257,580</b>                   | <b>11,512,438</b>  |
| <b>At December 31, 2020</b>      |  |                                  |  |                             |                         |  |                                  |                    |
| Cost                             | 15,739,153                               | 40,713,653                       | 2,380,525  | 116,661                     | 632,729                 | 1,298,632                              | 401,420                          | 61,282,773         |
| Accumulated depreciation         | (11,185,520)                             | (35,654,832)                     | (2,246,552)  | (116,344)                   | (423,247)               | —                                      | (143,840)                        | (49,770,335)       |
| <b>Net book value</b>            | <b>4,553,633</b>                         | <b>5,058,821</b>                 | <b>133,973</b>                                       | <b>317</b>                  | <b>209,482</b>          | <b>1,298,632</b>                       | <b>257,580</b>                   | <b>11,512,438</b>  |

# **Barbados Dairy Industries Limited**

Notes to Financial Statements

**December 31, 2020**

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(expressed in Barbados dollars)

## **17 Pension plan asset**

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

|   | <b>2020</b>        | <b>2019</b> |
|---|--------------------|-------------|
|   | \$                 | \$          |
| <b>Statement of financial position</b>  |                    |             |
| Present value of funded obligations   | (11,160,000)       | (8,415,000) |
| Fair value of plan assets   | <u>15,650,000</u>  | 16,332,000  |
| Net asset recognised in the statement of financial position                                 | <u>4,490,000</u>   | 7,917,000   |
| <b>Statement of income</b>  |                    |             |
| Interest cost   | 834,000            | 810,000     |
| Administrative fees   | 41,000             | 51,000      |
| Current service cost  | 41,000             | 6,000       |
| Expected return on plan assets  | <u>(1,637,000)</u> | (1,969,000) |
| Total, included in staff costs (note 8)   | <u>(721,000)</u>   | (1,102,000) |
| <b>Statement of other comprehensive income</b>  |                    |             |
| Loss from change in assumptions   | 2,407,000          | 1,702,000   |
| Expected return on plan assets  | 1,637,000          | 1,969,000   |
| Actual return on plan assets  | <u>104,000</u>     | (1,516,000) |
| Other comprehensive loss  | <u>4,148,000</u>   | 2,155,000   |
| <b>Net movement in pension plan asset recognised in the statement of financial position</b> |                    |             |
| Balance at beginning of year  | 7,917,000          | 8,970,000   |
| Net benefit income  | 721,000            | 1,102,000   |
| Other comprehensive loss  | <u>(4,148,000)</u> | (2,155,000) |
| Balance at end of year  | <u>4,490,000</u>   | 7,917,000   |

# Barbados Dairy Industries Limited

Notes to Financial Statements

**December 31, 2020**

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(expressed in Barbados dollars)

## 17 Pension plan asset ...continued

Changes in present value of the funded obligations are as follows:

|                              | 2020                     | 2019      |
|------------------------------|--------------------------|-----------|
|                              | \$                       | \$        |
| Balance at beginning of year | <b>8,415,000</b>         | 6,459,941 |
| Interest cost                | <b>834,000</b>           | 810,000   |
| Current service cost         | <b>41,000</b>            | 6,000     |
| Benefits paid                | <b>(599,000)</b>         | (636,000) |
| Contributions by employee    | <b>20,000</b>            | 22,000    |
| Administrative fees          | <b>41,000</b>            | 51,000    |
| Actuarial loss on obligation | <b>2,407,000</b>         | 1,702,000 |
| Other adjustments            | <b>1,000</b>             | 59        |
|                              |                          |           |
| Balance at end of year       | <b><u>11,160,000</u></b> | 8,415,000 |

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

|  | 2020                     | 2019       |
|--|--------------------------|------------|
|  | %                        | %          |
| Balance at beginning of year           | <b>16,332,000</b>        | 15,429,941 |
| Benefits paid                          | <b>(599,000)</b>         | (636,000)  |
| Actual return on plan assets           | <b>(104,000)</b>         | 1,516,000  |
| Contributions by employer and employee | <b>20,000</b>            | 22,000     |
| Other adjustments                      | <b>1,000</b>             | 59         |
|  |                          |            |
| Balance at end of year                 | <b><u>15,650,000</u></b> | 16,332,000 |

Principal actuarial assumptions as at year were:

|  |                |         |
|--|----------------|---------|
| Discount rate at end of year                 | 7              | 10.25   |
| Future promotional salary increases          | 5              | 5       |
| Future inflationary salary increases         | 3              | 3       |
| Future increases in NIS ceiling for earnings | 4.25           | 4.25    |
| Future pension increases                     | 3.75           | 3.75    |
| Mortality                                    | <b>UP94-AA</b> | UP94-AA |

A quantitative sensitivity analysis for significant assumptions on the present value of the funded obligations as at December 31, 2020 is shown below.

|                                   | Increase  | Decrease  |
|-----------------------------------|-----------|-----------|
|                                   | \$        | \$        |
| Change in discount rate by 1%     | (752,000) | 830,000   |
| Change in salary increase by 0.5% | 292,000   | (248,000) |

# **Barbados Dairy Industries Limited**

Notes to Financial Statements

**December 31, 2020**

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(expressed in Barbados dollars)

## **17 Pension plan asset ...continued**

Life expectancy at age 65 for current pensioners in years:

Male – 19.2

Female – 21.7

The weighted duration of the defined benefit obligation was 15 years.

The Company expects to contribute \$nil to its defined benefit pension plans in 2021 (2020: \$1,000).

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

|              | <b>2020</b><br>% | <b>2019</b><br>% |
|--------------|------------------|------------------|
| Bonds        | <b>36</b>        | 33               |
| Mortgages    | <b>21</b>        | 19               |
| Real estate  | <b>15</b>        | 19               |
| Mutual funds | <b>15</b>        | 14               |
| Equities     | <b>11</b>        | 15               |
| Others       | <b>2</b>         | –                |

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.

## **18 Post-employment medical liability**

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

|   | <b>2020</b><br>\$ | <b>2019</b><br>\$ |
|---|-------------------|-------------------|
| Present value of unfunded obligation                        | <b>649,000</b>    | 308,000           |
| Liability recognised in the statement of financial position | <b>649,000</b>    | 308,000           |

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

|                      |               |        |
|----------------------|---------------|--------|
| Interest cost        | <b>31,000</b> | 33,000 |
| Current service cost | <b>10,000</b> | 5,000  |
|                      | <b>41,000</b> | 38,000 |

# **Barbados Dairy Industries Limited**

Notes to Financial Statements

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(expressed in Barbados dollars)

## **18 Post-employment medical liability ...continued**

|  | <b>2020</b><br>\$ | <b>2019</b><br>\$ |
|--|-------------------|-------------------|
| <b>Statement of other comprehensive income</b> |                   |                   |
| Loss from change in assumptions                | <b>316,000</b>    | 34,000            |

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

|   | <b>2020</b><br>\$ | <b>2019</b><br>\$ |
|---|-------------------|-------------------|
| Net liability at beginning of year                | <b>308,000</b>    | 256,000           |
| Net expense recognised in the statement of income | <b>41,000</b>     | 38,000            |
| Other comprehensive loss                          | <b>316,000</b>    | 34,000            |
| Benefits paid                                     | <b>(16,000)</b>   | (20,000)          |
| Net liability at end of year                      | <b>649,000</b>    | 308,000           |

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

|                                 | <b>2020</b><br>\$ | <b>2019</b><br>\$ |
|---------------------------------|-------------------|-------------------|
| Obligation at beginning of year | <b>308,000</b>    | 256,000           |
| Interest cost                   | <b>31,000</b>     | 33,000            |
| Current service cost            | <b>10,000</b>     | 5,000             |
| Benefits paid                   | <b>(16,000)</b>   | (20,000)          |
| Actuarial loss                  | <b>316,000</b>    | 34,000            |
| Obligation at end of year       | <b>649,000</b>    | 308,000           |

Principal actuarial assumptions used for accounting purposes at December 31, were as follows:

|   | <b>2020</b><br>% | <b>2019</b><br>% |
|---|------------------|------------------|
| Discount rate at end of year            | <b>7</b>         | 10.25            |
| Future medical claims/premium inflation | <b>4.25</b>      | 4.25             |

# **Barbados Dairy Industries Limited**

Notes to Financial Statements

**December 31, 2020**

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(expressed in Barbados dollars)

## **18 Post-employment medical liability ...continued**

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:

|                                   | <b>Increase</b><br>\$ | <b>Decrease</b><br>\$ |
|-----------------------------------|-----------------------|-----------------------|
| Change of medical inflation by 1% | 47,000                | (53,000)              |
| Change of discount rate by 1%     | (24,000)              | 22,000                |

The weighted duration of the defined benefit obligation was 16 years.

Assuming no changes in the premium rates the Company expects to pay premiums of \$20,000 during the 2021 financial year (2020: \$20,000).

## **19 Share capital**

### **Authorized**

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

### **Issued**

|                                      | <b>Number of Shares</b> |           | 2019<br>\$     |
|--------------------------------------|-------------------------|-----------|----------------|
|                                      | 2020                    | 2019      |                |
| Balance at beginning and end of year | <b>4,691,094</b>        | 4,691,094 | <b>998,028</b> |

## **20 Other reserves**

The movement of other reserves is as follows:

|   | 2020<br>\$         | 2019<br>\$  |
|---|--------------------|-------------|
| Balance at beginning of year  | <b>1,105,898</b>   | 3,174,503   |
| Re-measurement loss on defined benefit plan and post-employment medical liability, net of tax | <b>(4,218,480)</b> | (2,068,605) |
| Balance at end of year  | <b>(3,112,582)</b> | 1,105,898   |

# **Barbados Dairy Industries Limited**

Notes to Financial Statements

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(expressed in Barbados dollars)

## **21 Commitments and contingencies**

### **Capital commitment**

There was no capital expenditure approved by the Directors and there were no amounts subject to contract in 2020 or 2019.

### **Legal claims**

There are pending claims and legal actions filed by the Company or against the Company arising from the normal course of business. These include claims filed against the Company for breaches of contracts and damages for personal injuries, and other related matters. No provision has been made in the financial statements as of December 31, 2020, in respect of these claims as the amount and outcome is not presently determinable.

As of the date of approval of the financial statements, the Company does not believe that any of the litigation matters will have a material effect on its consolidated profit or loss or statement of financial position.

### **Other contingencies**

Effective December 2019, the Company had its shares suspended on the Barbados Stock Exchange Inc. (BSE) pursuant to Rule 3.01.5 1(a) and (b) of the Rules of the BSE as a consequence of the requirement to submit the quarterly and annual audited financial statements to the Financial Services Commission and annual audited financial statements to the BSE within the time period stipulated by those regulatory bodies. Management is in the process of re-aligning its internal processes in order to rectify these instances of non-compliance.

## **22 Earnings per share**

|  | <b>2020</b>      | <b>2019</b> |
|--|------------------|-------------|
|  | \$               | \$          |
| Profit for the year                                      | <b>1,698,884</b> | 546,666     |
| Divided by weighted average number of outstanding shares | <b>4,691,094</b> | 4,691,094   |
| Basic and diluted earnings per share                     | <b>0.36</b>      | 0.12        |

Earnings per share are based on a net income of \$1,698,884 (2019: \$546,666) and a weighted average of 4,691,094 (2019: 4,691,094) common shares in issue during the year.

# **Barbados Dairy Industries Limited**

Notes to Financial Statements

**December 31, 2020**

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(expressed in Barbados dollars)

## **23 Financial risk management**

### **a) Financial risk factors**

The Company's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company has not entered into forward contracts to reduce risk exposures. The Company's risk management focuses on actively seeking to minimise potential adverse effects on its financial performance.

The Company's risk management is coordinated with the Board of Directors and focuses on actively securing the Company's short to medium-term cash flows by minimising the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed are described below.

#### **i) Market risk**

##### *i) 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 43% (2019: 70%) 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.

##### *ii) 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. As at the end of financial year 2020, the Company's only interest-bearing loans are with its parent company. As a result, management does not consider that there is any significant risk to the company with respect to changes in market interest rates.

##### *iii) Price risk*

The Company is not materially exposed to equity securities price risk as the equity investment held by the Company and classified in the statement of financial position as financial assets classified as FVTPL is not significant to the financial statements.

# **Barbados Dairy Industries Limited**

Notes to Financial Statements

**December 31, 2020**

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(expressed in Barbados dollars)

## **23 Financial risk management ...continued**

### **a) Financial risk factors ...continued**

#### **ii) Credit risk**

##### *Credit risk management*

Credit risk arises from cash at banks, contractual cash flows of financial assets carried at amortised cost as well as credit exposure to customers, including outstanding trade and other receivables and due from related parties.

The Company's credit risk is managed on an individual basis. The Company has made adequate provision for any potential credit losses and the amount of the Company's maximum exposure to credit risk is indicated by the carrying amount of its financial assets.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the statement of financial position, as summarized below.

|                             | <b>2020</b>             | <b>2019</b>      |
|-----------------------------|-------------------------|------------------|
|                             | \$                      | \$               |
| Cash at banks               | <b>10,553,590</b>       | 7,850,651        |
| Trade and other receivables | <b>5,164,501</b>        | 4,316,161        |
| Due from related parties    | <b>7,661,188</b>        | 9,623,207        |
|                             | <hr/> <b>23,379,279</b> | <hr/> 21,790,019 |

##### *Credit quality and expected credit loss measurement*

The credit quality of financial assets and expected credit loss measurement was determined as follows:

- Cash at banks is only placed with well-known reputable banks. The credit quality of this financial asset is considered to be of high grade. While cash at banks are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.
- Trade and other receivables are considered to have low credit risk as these amounts are all current and were all performing and fully collected within the credit period. Accordingly, there is no impairment allowance for trade and other receivables provided as these financial assets were substantially collected subsequent to the statement of financial position date.
- Due from related parties are considered to have low credit risk. There is no impairment allowance for the due from related parties as the counterparties have access to sufficient highly liquid assets in order to repay the receivables, if demanded at the reporting date.

# **Barbados Dairy Industries Limited**

Notes to Financial Statements

**December 31, 2020**

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(expressed in Barbados dollars)

## **23 Financial risk management ...continued**

### **a) Financial risk factors ...continued**

#### **ii) Credit risk ...continued**

##### *Geographic*

The Company's counterparties are located in Barbados, Antigua and Barbuda, Guyana, Grenada, St. Kitts and Nevis, St. Vincent and the Grenadines and other Caribbean territories.

#### **iii) 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 December 31, based on contractual undiscounted payments.

| <b>As at December 31, 2020</b> | <b>Less than<br/>1 year</b> | <b>More than<br/>1 year</b> | <b>Total</b>      |
|--------------------------------|-----------------------------|-----------------------------|-------------------|
|                                | <b>\$</b>                   | <b>\$</b>                   |                   |
| Accounts payable and accruals  | 9,201,522                   | 243,264                     | 9,444,786         |
| Due to related companies       | 3,257,663                   | —                           | 3,257,663         |
| Loans due to parent company    | 549,996                     | 366,671                     | 916,667           |
| <b>Total</b>                   | <b>13,009,181</b>           | <b>609,935</b>              | <b>13,619,116</b> |
| <b>As at December 31, 2019</b> | <b>Less than<br/>1 year</b> | <b>More than<br/>1 year</b> | <b>Total</b>      |
|                                | <b>\$</b>                   | <b>\$</b>                   |                   |
| Accounts payable and accruals  | 9,255,785                   | 404,400                     | 9,660,185         |
| Due to related companies       | 5,659,129                   | —                           | 5,659,129         |
| Loans due to parent company    | 1,217,064                   | 916,667                     | 2,133,731         |
| <b>Total</b>                   | <b>16,131,978</b>           | <b>1,321,067</b>            | <b>17,453,045</b> |

# **Barbados Dairy Industries Limited**

Notes to Financial Statements

**December 31, 2020**

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(expressed in Barbados dollars)

## **23 Financial risk management ...continued**

### **b) 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 year ended December 31, 2020 and 2019.

### **c) Fair value of financial assets and liabilities**

Set out below is a comparison by category of carrying amounts and fair values of the Company's financial instruments that are not carried at fair value in the financial statements:

#### *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, trade and other receivables and due from related companies. Short-term financial liabilities comprise accounts payable and accruals and due to related companies.

#### *Long-term financial liabilities*

The estimated fair value of loans due to parent company not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

|                               | <b>Carrying amount</b> |             | <b>Fair value</b> |             |
|-------------------------------|------------------------|-------------|-------------------|-------------|
|                               | <b>2020</b>            | <b>2019</b> | <b>2020</b>       | <b>2019</b> |
|                               | \$                     | \$          | \$                | \$          |
| <b>Financial assets</b>       |                        |             |                   |             |
| Cash                          | <b>10,553,962</b>      | 7,851,023   | <b>10,553,962</b> | 7,851,023   |
| Trade and other receivables   | <b>5,164,501</b>       | 4,316,161   | <b>5,164,501</b>  | 4,316,161   |
| Due from related companies    | <b>7,661,188</b>       | 9,623,207   | <b>7,661,188</b>  | 9,623,207   |
|                               | <b>23,379,651</b>      | 21,790,391  | <b>23,379,651</b> | 21,790,391  |
| <b>Financial liabilities</b>  |                        |             |                   |             |
| Accounts payable and accruals | <b>9,298,254</b>       | 9,450,581   | <b>9,298,254</b>  | 9,450,581   |
| Due to related companies      | <b>3,257,663</b>       | 5,659,129   | <b>3,257,663</b>  | 5,659,129   |
| Loans due to parent company   | <b>916,667</b>         | 2,118,625   | <b>916,667</b>    | 1,996,525   |
|                               | <b>13,472,584</b>      | 17,228,335  | <b>13,472,584</b> | 17,106,235  |

# **Barbados Dairy Industries Limited**

Notes to Financial Statements

**December 31, 2020**

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(expressed in Barbados dollars)

## **24 Impact of COVID-19 pandemic**

In December 2019, a novel strain of coronavirus (COVID-19) began to spread around the world, resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organisation (WHO) on January 30, 2020. WHO subsequently declared COVID-19 a pandemic on March 11, 2020. The effect of this pandemic did not have significant impact on the financial statements as at December 31, 2020. The effect of the virus regarding the operations of the Company is unknown at this time.