

THIS PROSPECTUS IS DATED AS OF November 5, 2012. A copy of this Prospectus was delivered to the Registrar of Companies for registration pursuant to section 40(2) of the Companies Act, 2004 and was so registered on November 5, 2012. The Registrar of Companies accepts no responsibility whatsoever for the contents of this Prospectus. A copy of this Prospectus was also delivered to the Financial Services Commission (“FSC”) for the purposes of the registration of the Company as issuer pursuant to section 26 of the Securities Act and the Company was so registered on November 5, 2012. The FSC has not approved the shares for which subscription is invited nor has the FSC passed upon the accuracy or adequacy of this Prospectus.



**CONSOLIDATED BAKERIES (JAMAICA) LIMITED**  
**2F Valentine Drive, Kingston 19, Saint Andrew, Jamaica**  
**Phone (876) 924-1151/(876) 969-9249 Fax (876) 925-2649**  
**E-Mail : [info@purityjamaica.com](mailto:info@purityjamaica.com)**  
**Website <http://www.purityjamaica.com>**

#### **INVITATION FOR SUBSCRIPTION**

**Up to 51,805,171 ORDINARY SHARES (the “Shares”) AT THE INVITATION PRICE OF \$1.88 per Share**

Up to 20,722,068 Shares in the Invitation (the “Reserved Shares”) are initially reserved at the Invitation Price for priority application from, and subscription by, the following persons: (1) up to 2,072,208 Reserved Shares, for employees at the discounted price of \$1.69 per Reserved Share, (2) up to 12,898,936 Reserved Shares for Stocks and Securities Limited Clients at the Invitation Price and (3) up to 5,750,924 Reserved Shares for non-executive Directors and Key Persons of the Company at the Invitation Price. If any group of the Reserved Shares is not fully subscribed it will be available for subscription at the Invitation Price by other priority

applicants (namely, other Company Applicants) and thereafter, they will become available for subscription by the general public. (See Section 6.5 of this Prospectus for terms and conditions.)

An Application for use by both Company Applicants and the general public is provided at the end of this Prospectus together with notes on how to complete it. The subscription list for the Shares will open at 9:00 a.m. on the Opening Date, November 13, 2012. Applications submitted prior to the Opening Date will be received, but not processed until the Opening Date. The subscription list for the Shares will close at 4:30 p.m. on the Closing Date November 27, 2012 subject to the right of the Company to: (a) close the subscription list at any time after it opens on 9:00 a.m. on the Opening Date once the issue is fully subscribed and (b) extend the Closing Date for any reason.

In the case of a closing of the subscription list before November 27 2012, or an extension of the date for closing beyond November 27 2012, notice of the new Closing Date will be posted on the website of the Jamaica Stock Exchange ("JSE") ([www.jamstockex.com](http://www.jamstockex.com)). It is the intention of the Company to apply to the JSE for the Shares to be admitted to the Junior Market. The application to the JSE is dependent on the Company's ability to (i) raise at least \$97million as a result of the Invitation and (ii) meet the criteria for admission. Please note that this statement of the Company's intention is not a guarantee that the Shares will in fact be admitted to the Junior Market of the JSE. If, however, the Invitation is not fully subscribed and the Company does not raise at least \$97 million as a result of it, the Company will not make application for the Shares to be admitted to the Junior Market of the JSE and all payments for Shares received from Applicants will be returned (or refunded) to the persons making them.

#### SHARE CAPITAL

Authorised	427,260,000
Maximum to be issued fully paid assuming:	51,805,171
(1) all 31,083,103 Shares are subscribed by the general public	
(2) all 20,722,068 Reserved Shares are subscribed by the Company Applicants and the Key Partners:	
2,072,208 Reserved Shares for employees at the discounted price of \$1.69 each	J\$ 3,502,031.52
18,649,860 Reserved Shares for SSL applicants and Company Applicants who are not Employees at the Invitation Price of \$1.88 each	J\$ 35,061,736.80
31,083,103 Shares for the general public at the Invitation Price of \$1.88 each	<u>J\$ 58,436,233.64</u>
<b>Total Consideration</b>	<u>J\$ 97,000,001.96</u>

Details of the issued share capital of the Company prior to and after the Invitation, assuming that it is fully subscribed, are set out in Section 7.8 of this Prospectus.

**Table of Contents**

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<u>Section</u>	<u>Page</u>
1. Important Disclaimers	4
2. Summary of Key Information on the Invitation	6
3. Letter to Prospective Investors	8
4. Definitions Used in this Prospectus	13
5. Disclaimer: Forward Looking Statements	16
6. The Invitation	17
7. Information about the Company	21
8. Directors and Senior Managers and their Interests	35
9. Management Discussion and Analysis	40
10. Financial Highlights	43
11. Auditor's Report and Historical Financial Information	48
12. Risk Factors	86
13. Professional Advisors to the Company	88
14. Statutory and General Information	89
15. Documents Available for Inspection	93
16. Directors' Signatures	94
Appendix 1: Application Forms	95

**Section 1****Important Disclaimers****Responsibility for the Contents of this Prospectus**

This Prospectus has been reviewed and approved by the Board of Directors of the Company. The Directors of the Company, whose names appear in Section 8 of this Prospectus, are the persons responsible (both individually and collectively) for the information contained in it. To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and no information has been omitted which is likely to materially affect the import of information contained herein.

**Contents of this Prospectus**

**This Prospectus contains important information for prospective investors in the Company. All prospective investors should read this Prospectus carefully in its entirety before submitting an Application.**

This Prospectus also contains summaries of certain documents, which the Board of Directors of the Company believe are accurate. Prospective investors may wish to inspect the actual documents that are summarized, copies of which will be available for inspection as described in Section 15. Any summaries of such documents appearing in this Prospectus are qualified in their entirety by reference to the complete document.

The publication of this Prospectus shall not imply that there has been no change in the business, results of operations, financial condition or prospects of the Company since the date of this Prospectus. No person is authorised to provide information or to make any representation whatsoever in connection with this Prospectus, which is not contained in this Prospectus.

Neither the FSC nor any Government agency or regulatory authority in Jamaica has made any determination as to the accuracy or adequacy of the matters contained in this Prospectus.

**The Invitation is made to Jamaican Residents in Jamaica Only**

This Prospectus is intended for use in Jamaica only and is not to be construed as making an invitation to persons outside of Jamaica to subscribe for any Shares. The distribution or publication of this Prospectus and the making of the invitation in certain jurisdictions outside of Jamaica is prohibited by law.

**Application to Subscribe for Shares**

This Prospectus is not a recommendation by the Company that prospective investors should submit Applications to subscribe for Shares in the Company. Prospective investors in the Company are expected to make their own assessment of the Company, and the merits and risks of subscribing for Shares. Prospective investors are also expected to seek appropriate advice on the financial and legal implications of subscribing for Shares, including but not limited to any tax implications. Each Applicant who submits an Application acknowledges and agrees that:

- (1) he/she/it has been afforded a meaningful opportunity to review this Prospectus (including the terms and conditions in Section 6.5), and to gather and review all additional information considered by him/her/ it to be necessary to verify the accuracy of the information contained in this Prospectus;

- (2) he/she/it has not relied on the Company or any other persons in connection with his/her/its investigation of the accuracy of such information or his/her/its investment decision; and
- (3) no person connected with the Company has made any representation concerning the Company or this Prospectus not contained in this Prospectus, on which the Applicant has relied in submitting his/her/its Application.

**Section 2****Summary of Key Information on the Invitation**

<b>Issuer:</b>	CONSOLIDATED BAKERIES (JAMAICA) LIMITED	
<b>Securities:</b>	UP TO 51,805,171 ORDINARY SHARES inclusive of 20,722,068 Reserved Shares*	
<b>Invitation Price:</b>	\$1.88 PER SHARE (EXCEPT IN THE CASE OF COMPANY APPLICANTS WHO ARE EMPLOYEES WHO SHALL PAY A DISCOUNTED PRICE OF \$1.69) PAYABLE IN FULL ON DELIVERY OF AN APPLICATION (Applicants for Reserved Shares see * below).	
<b>Application:</b>	SEE APPENDIX 1 OF THIS PROSPECTUS	
<b>Terms and Conditions:</b>	SEE SECTION 6.5 OF THIS PROSPECTUS	
<b>Payment Method:</b>	(1) MANAGER'S CHEQUE PAYABLE TO "STOCKS AND SECURITIES LIMITED" or (2) CLEARED FUNDS HELD IN STOCKS AND SECURITIES LIMITED ACCOUNT IN THE NAME OF THE APPLICANT. ABSOLUTELY NO CASH PAYMENTS WILL BE ACCEPTED.	
<b>Timetable of Key Dates:</b>	REGISTRATION AND PUBLICATION OF PROSPECTUS:	November 5, 2012
	OPENING DATE:	November 13, 2012
	CLOSING DATE (see ** below):	November 27, 2012
	APPLICATIONS MAY BE SUBMITTED TO STOCKS AND SECURITIES LIMITED, 33½ HOPE ROAD, KINGSTON 10, BEFORE THE OPENING DATE. Any such Applications will be received, but not processed until the Opening Date. All early Applications will be treated as having been received at the same time, being 9:00 a.m. on the Opening Date. All other Applications will be received and processed on a first come, first served basis.	
	CONFIRMATION OF BASIS OF SHARE ALLOTMENTS: All Applicants may refer to the notice that will be posted on the website of the Jamaica Stock Exchange ( <a href="http://www.jamstockex.com">www.jamstockex.com</a> ) 3 business days after the Closing Date ***.	
	RETURNED APPLICATIONS/REFUND CHEQUES: Available for collection from Stocks and Securities Limited, 33½ Hope Road, Kingston 10, 7 business days after the Closing Date.	
	FINAL ALLOTMENT OF SHARES AND APPLICATION FOR ADMISSION TO JUNIOR MARKET OF THE JSE within 4 weeks of the Closing Date (See *** below).	

\*Up to 20,722,068 Shares in the Invitation are initially reserved for priority application (the “Reserved Shares”) for and subscription by Directors, Key Persons, and Employees of the Company (the “Company Applicants”). If the Reserved Shares available for subscription by Employees are not subscribed for by Employees such Shares will become available for subscription by other Company Applicants at the Invitation Price. Any Reserved Shares not subscribed for by Company Applicants will become available for subscription by the general public at the Invitation Price. See Section 6.5 of this Prospectus for terms and conditions.

\*\*An Application form for use by both Company Applicants and the general public is provided at the end of this Prospectus together with notes on how to complete it. The subscription list for the Shares will open at 9:00 a.m. on the Opening Date, November 13 2012. Applications submitted prior to the Opening Date will be received, but not processed until 9:00 a.m. on the Opening Date. The subscription list for the Shares will close at 4:30 p.m. on the Closing Date, November 27, 2012 subject to the right of the Company to: (a) close the subscription list at any time after it opens at 9:00 a.m. on the Opening Date once the issue is fully subscribed; and (b) extend the Closing Date for any reason.

\*\*\*In the case of an early closing or an extension of the Closing Date, notice will be posted on [www.jamstockex.com](http://www.jamstockex.com). It is the intention of the Company to apply to the JSE for admission of the Shares to the Junior Market. The application to the JSE is dependent on the Company's ability to (i) raise at least \$97 million as a result of the Invitation and (ii) meet the criteria for admission. Please note that this statement of the Company's intention is not a guarantee that the Shares will in fact be admitted to the Junior Market of the JSE. If, however, the Invitation is not fully subscribed by the Closing Date and the Company does not raise at least \$97 million as a result of it, the Company will not make application for the Shares to be admitted to the Junior Market of the JSE and all payments will be returned (or refunded) to the Applicants making them.

**CONSOLIDATED BAKERIES (JAMAICA) LIMITED**  
**2F Valentine Drive, Kingston 19, Saint Andrew, Jamaica**  
**Phone (876) 924-1151/ (876) 969-9249 Fax (876) 925-2649**  
**E-Mail [info@purityjamaica.com](mailto:info@purityjamaica.com)**  
**Website <http://www.purityjamaica.com>**

November 5, 2012

Dear Prospective Investors,

We are pleased to invite you to subscribe for up to 51,805,171 Shares in the capital of Consolidated Bakeries (Jamaica) Limited (the “Company”) on terms and conditions set out in this Prospectus.

### **The Business**

The Company is a wholesale bakery that manufactures baked products primarily under its “Purity” and “Miss Birdie” brands with a distribution network to key population centres throughout Jamaica and growing exports to the Jamaican Diaspora and ethnic markets of North America.

The Company’s real estate holding consists of approximately four and a half acres of land located on Valentine Drive, in the bustling commercial district of upper Red Hills Road in Saint Andrew. At this location the Company houses its administrative offices, plant, garage and distribution facilities.

Our route to market employs the direct store distribution or DSD method using our vehicles to deliver directly to retailers and other customers every day of the week, ensuring fresh baked products are always available to our customers. The Company has over 1000 accounts primarily in the Kingston area serviced by over 50 sales employees and contracted persons. Recently our routes to market programs have been customised creating new matrices resulting in even greater effectiveness.

We view ourselves as not only bakers but also distributors with a DSD system. We produce a range of products for our retail outlets including the Jamaican hard dough bread, sliced wheat and white bread, Jamaican Easter Buns and non-Easter buns, single serve snack items such as buns and breads, hot dog buns, dinner buns and an assortment of pastry and crackers. Under our flagship brand, Purity, we pride ourselves on delivering fresh and healthy products with carefully selected ingredients with no animal fats or trans fats and zero cholesterol. Our whole wheat products contain no artificial colouring or items to add colour and is suitable also for vegetarians.

We will continue to source and use fine, healthy and economic ingredients in our production. Our home style premium brand, “Miss Birdie” has a portfolio consisting of golden Easter buns, corn bread and crackers, soya bread and wheat crackers. Miss Birdie products contain no cholesterol, no animal fats and are also suitable for vegetarian diets.

We are strategically developing three existing platforms of the Company and its business: production, relationships and brand. Production utilizes processes that have been developed by the Company and enhanced by benchmarking international industry best practices. Recent collaborations with offshore entities who are experts in the field of product development and plant processes are aimed at widening the scope of our knowledge and skill in these areas. These collaborations are expected to continue and create greater pride in and value for our products.



We have consistently made and delivered wholesome quality products from our family to yours. It is our intention to work to achieve ISO 22000:2005 certification by 2014 while complying with the American Institute of Baking Consolidated Standards. The ISO 22000 management system incorporates the requirements of the Hazard Analysis Critical Control Point (“HACCP”) food safety system and will position our Company to achieve a standard that is recognized by international regulatory bodies and facilitate trade with major distributors. The ISO certification will also provide frequent periodic systematic independent verification of the maintenance of the implemented systems.

In the course of 2011 we reflected on our past and consolidated our vision for this Company over the next 50 years. This invitation and the proposed listing on the Junior Market of the Jamaica Stock Exchange is a part of that refined and consolidated vision. In building on our past successes and creating and executing a program and culture of “refresh” we are excited about our future. The success of this invitation will position us to increase the Company’s capacity to meet and exceed our goals.

### **The History**

The Company was incorporated in 1957 following the consolidation of three existing bakeries: Valentine Bakery owned by the Chang family, Powell's Bakery owned by the Powell family and Huntington Bakery owned by the Seivright family.

In 1972 the Chang family members acquired the shares of the Powell and Seivright families and since then, have owned and operated the Company. The Company later expanded and diversified into pastries, sliced breads and in biscuit production. Under the leadership of then Chairman, Gladstone V. Chang, and other executives such as Rufus R. Chang and Richard Chang, the Company continued to expand its business and improve production through the increased use of technology. In the 1980’s, after gaining valuable professional experience in North America, Vincent Chang and Anthony Chang joined the Company. In 2004, Anthony temporarily left the Company to lead another Jamaican group of companies but returned in 2011, while Vincent remained Managing Director. In 2008, after the passing of Rufus R. Chang, the chairmanship was passed to Vincent Chang. In May 2012 Anthony Chang succeeded Vincent Chang as its Managing Director.

### **The Invitation and Reserved Shares**

We are pleased to offer these Reserved Shares to our Employees, Directors and Key Persons, who have contributed much to our success over the years, thereby allowing them to have a preference in the allocation of shares in the event that the Invitation is oversubscribed

The Company is seeking to raise at least \$97 million dollars, by inviting Applications for up to 51,805,171 Shares. Of those Shares 31,083,103 Shares are being offered to the general public at an invitation price of \$1.88. The Company has initially reserved 20,722,068 of the Shares for subscription by the following groups and persons: (1) 2,072,208 for Employees of the Company at a price of \$1.69 per Share; and (2) 18,649,860 for Directors and Key Persons including contractors, suppliers and customers of the Company at the Invitation Price of \$1.88 (including 12,898,936 Shares to be reserved for SSL’s or its Clients at the Invitation Price of \$1.88 as part of the agreement for its engagement as principal stockbroker and financial advisers to the Company for this Invitation). If Reserved Shares available for subscription by Employees are not taken up they will become available for subscription by other Company Applicants at the Invitation Price. Any Reserved Shares not subscribed for by Company Applicants will become available for subscription by the general public at the Invitation Price. For information on Reserved Share Price see Section 6.5.6.

An Application form for use by Applicants is provided at the end of this Prospectus together with notes on how to complete it. The subscription list for the Shares will open at 9:00 a.m. on the Opening Date, November 13, 2012. Applications submitted prior to the Opening Date will be received, but not processed until the Opening Date. The subscription list for the Shares will close at 4:30 p.m. on the Closing Date, November 27, 2012. It is the intention of the Company to apply for admission of the Shares to the Junior Market of the JSE. The outcome of the application for admission is dependent on many things including but not limited to the Company's ability to (i) raise at least \$97 million as a result of the Invitation and (ii) meet the criteria for admission set out in the JSE Junior Market Rules. This is a statement of the Company's intention and is not a guarantee that the Shares will in fact be admitted to the Junior Market of the JSE. If, however, the Invitation is not fully subscribed and the Company does not raise at least \$97 million as a result, the Company will not make an application for the Shares to be admitted to the Junior Market of the JSE and all payments received for Shares will be returned or refunded to the Applicants who made them. Equally, if after applying to be admitted to the Junior Market of the JSE, the Shares are not admitted to trading, then all payments received for Shares will be returned or refunded to Applicants. See the terms and conditions set out in Section 6.5.

### **Benefits of listing on the Junior Market of the Jamaica Stock Exchange**

The Board of Directors believes that if the Invitation is successful the additional equity raised will improve the ability of the Company to expand and develop additional competitive strengths.

The listing on the Junior Market of the JSE, the Directors also believe, will permit the Company access to a special concessionary tax regime provided that the Company remains listed on the JSE's Junior Market and/or Main Market for 15 years.

In its first 5 years on the Junior Market, the Company will not be liable to pay any corporate income tax. In years 6 to 10 on the Junior Market, the Company will only be liable to pay corporate income tax at half of the prevailing rate. Dividends paid by the Company to its Shareholders will be subject to income tax at the rate of 5% on dividend income. Shareholders will not be liable to pay transfer tax on the transfers of Shares over the exchange. Section 14.2 of this Prospectus provides further details of the concessionary tax regime for companies listed on the Junior Market of the JSE.

Finally, the Directors consider a listing on the Junior Market of the JSE to be an attractive and ordered method of enhancing corporate governance arrangements within the Company while providing its employees with an opportunity to participate in its ownership.

### **Use of Proceeds**

The Company intends to use the proceeds of the Invitation to further strengthen its operations, retool and improve its operational processes so as to fulfil its strategic plans and business goals and improve the Company's financial and non-financial performance. The use of proceeds includes, but is not limited to, the following areas:

- **Improved Production** by re-tooling and process changes;
- **Improved Distribution** by installation of computerized route management systems;
- **Balance Sheet improvement** by strengthening the Company's working capital and reducing debt levels.
- **Expenses of the Invitation** which, the Company estimates, will not exceed \$7 million (inclusive of brokerage and financial advisory fees, legal fees, auditors' fees, Companies Registrar's fees, initial fees and General Consumption Tax ("GCT")). The Directors currently consider that these

expenses will be accounted for as a deduction from the proceeds of issue and will not be charged against the results of operations if the Company, in accordance with the Companies Act.

The Board of Directors feels that focusing on the key areas of production, distribution and capital improvement will allow the Company to improve its performance through greater “go to market” execution and production efficiencies.

### **Dividend Policy**

If the Company gains admission to the Junior Market of the JSE the Directors anticipate continued growth in the Company’s profitability. Accordingly, going forward the Board intends to pay an annual dividend of not less than 15% of the annual after tax profits where such profits are available for distribution, subject to the Company’s need for reinvestment of some or all of its profits from time to time in order to finance its growth and development.

### **How to make an Application for Shares**

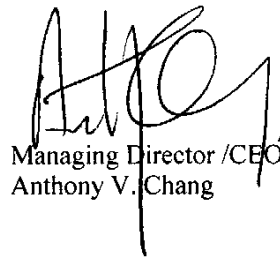
Those investors who are interested in subscribing for Shares should read this Prospectus in its entirety and the full terms and conditions of the Invitation set out in Section 6.5, and then complete the Application set out in Appendix 1.

We hope that you will join the Purity family and invest in a business, dedicated to producing best quality wholesome products, at an affordable price.

Pure wholesome goodness for our family and yours.

For on behalf of the Company

  
Chairman  
Vincent Chang

  
Managing Director /CEO  
Anthony V. Chang



**Section 4 Definitions Used in this Prospectus**

“Act”	means the Companies Act, 2004
“Allotment”	means the allotment of the Shares by the Company to successful Applicants
“Applicant”	means a person (being an individual or a body corporate resident in Jamaica, whether an Applicant for Reserved Shares, or a member of the general public) who submits an Application
“Application”	means the form of application to be used by all Applicants who wish to make an offer to subscribe for Shares in the Invitation, which is set out in Appendix 1
“Articles of Incorporation”	means the Articles of Incorporation of the Company adopted by the shareholders of the Company as of August 23, 2012 together with any amendments thereto
“Auditors’ Report”	means the report of Bogle & Co. dated June 29, 2012 set out in Section 11 that precedes the Historical Financial Information
“Board of Directors” or “Board”	means the Board of Directors of the Company, details of which are set out in Section 8 of this Prospectus
“Bogle & Co.”	means Bogle & Co., Chartered Accountants of Shop#16, Hagley Park Plaza, 127 Maxfield Avenue, Kingston 10, Saint Andrew, Jamaica
“Company”	means Consolidated Bakeries (Jamaica) Limited, a company incorporated in Jamaica (company number 2409) with its registered office at 2F Valentine Drive, Kingston 19, Saint Andrew, Jamaica
“Company Applicant(s)”	means the Directors, Key Persons and Employees, of the Company and Company Applicant shall mean any one of them
“Closing Date”	means the date on which the subscription list in respect of the Invitation closes, being November 27 2012, or on any earlier or later date the Company may determine to be the Closing Date in the circumstances set out in this Prospectus
“Debt”	means the current and long term portions of long term debt and bank overdraft and excludes accounts payable.
“Director(s)”	means a director(s) of the Company

“forward looking statement(s)”	means the forward looking statements referred to in Section 5 of this Prospectus
“FSC”	means the Financial Services Commission of Jamaica
“Historical Financial Information”	means the figures set out in Section 11 including those extracted from the financial statements of the Company as audited by Bogle & Co., for each of the 12 month financial reporting periods ended December 31 <sup>st</sup> in the years 2007 to 2011 inclusive and the unaudited financial information for the period ended June 30, 2012
“Invitation”	means the invitation to subscribe for 51,805,171 Shares in the capital of the Company on the terms and conditions set out in this Prospectus
“Invitation Price”	means \$1.88 per Share and includes the discounted price of \$1.69 for Employees
“JSE”	means the Jamaica Stock Exchange
“Junior Market”	means the Junior Market of the JSE
“Key Persons”	means the key suppliers, customers and contractors of the Company, SSL and SSL’s clients
“Mentor”	means Keith Collister, the Mentor of the Company required to be appointed under the rules of the Junior Market
“Opening Date”	means the date on which the subscription list in respect of the Invitation opens, being November 13 2012.
“Reserved Share(s)”	means the 20,722,068 shares in the Invitation that are reserved for priority application for, and subscription by, the Company Applicants on the terms and conditions set out in section 6.5 of this Prospectus
“Reserved Share Price”	means the discounted price of \$1.69 for Employees and the Invitation Price in respect of all other Reserved Shares
“Prospectus”	means this document dated as of November 5, 2012, which constitutes a prospectus for the purposes of the Companies Act, 2004 and the Securities Act of Jamaica

“SSL”	means Stocks and Securities Limited, a licensed securities dealer with offices at 33½ Hope Road, Kingston 10, Saint Andrew , the principal stockbroker and financial adviser for this Invitation to the Company
“Share(s)”	means the ordinary shares in the capital of the Company inclusive of the 51,805,171 Shares that are offered for subscription in the Invitation on the terms and conditions set out in this Prospectus and the expression “Shares” shall include Reserved Shares where the context so requires
“Shareholder(s)”	means holders of the Shares
“terms and conditions”	means the terms and conditions of the Invitation set out in Section 6.5 of this Prospectus
“\$”	means Jamaican dollars unless otherwise indicated

**Section 5****Disclaimer: Forward Looking Statements**

Save for the Historical Financial Information contained in this Prospectus, certain matters discussed in this Prospectus contain forward-looking statements including but not limited to statements of expectations, future plans or future prospects, and financial projections. Forward-looking statements are statements that are not about historical facts and speak only as of the date they are made. Although the Directors believe that in making any such statements its expectations are based on reasonable assumptions, such statements may be influenced by factors that could cause actual outcomes and results to be materially different from those projected. Prospective investors in the Company are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the dates on which they have been made. Future events or circumstances could cause actual results to differ materially from historical or anticipated results.

When used in this Prospectus, the words "anticipates", "believes", "expects", "intends" and similar expressions, as they relate to the Company, are intended to identify those forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties. Once this Prospectus has been signed by or on behalf of the Company, and prior to the admission of the Company to the Junior Market of the JSE, the Company undertakes no obligation to update publicly or revise any of the forward-looking statements in light of new information or future events, including changes in the Company's financial or regulatory position, or to reflect the occurrence of unanticipated events (subject to any legal or regulatory requirements for such disclosure to be made). There are important factors that could cause actual results to differ materially from those in forward-looking statements, certain of which are beyond the Company's control. These factors include, without limitation, the following:

- economic, social and other conditions prevailing both within and outside of Jamaica, including actual rates of growth of the Jamaican and external economies, instability, high domestic interest rates or exchange rate volatility
- adverse climatic events and natural disasters
- unfavourable market receptiveness to new products
- changes in any legislation or policy adversely affecting the revenues or expenses of the Company
- any other factor negatively impacting on the realization of the assumptions on which the Company's financial projections are based
- other factors identified in this Prospectus
- factors as yet unknown to the Company

Neither the FSC nor any governmental agency or regulatory authority in Jamaica has made any determination on the accuracy or adequacy of the matters contained in this Prospectus.



### 6.1 General Information

The Company is seeking to raise at least \$97 million from subscriptions for up to 51,805,171 Shares in the Invitation to the general public at the Invitation Price. A total of up to 31,083,103 Shares have been initially reserved for subscription by the general public, while up to 20,722,068 Shares have been initially reserved for subscription by the Company Applicants at \$1.88 except in the case of Employees, who are being offered 2,072,208 Shares at the discounted price of \$1.69. If any of the Reserved Shares are not subscribed for by the Company Applicants, they will then be made available for subscription by the general public at the Invitation Price of \$1.88.

Assuming that all 51,805,171 Shares are taken up by investors, the Company intends to make an application to the JSE for the Shares to be admitted to the Junior Market. If the application is successful, it is anticipated that the Shares will be admitted to trading within 4 weeks of the Closing Date. In the event that the Company does not raise at least \$97 million, and/or the Shares are not admitted to trade on the Junior Market of the JSE, all payments for Shares made by Applicants will be returned or refunded.

**Prospective investors should read this Prospectus carefully. Those prospective investors who wish to subscribe for Shares should review the full terms and conditions of the Invitation set out in Section 6.5 before completing the Application set out in Appendix 1.**

### 6.2 Minimum Fundraising

For the purposes of the requirement for disclosure set out in section 48 of the Companies Act, the minimum amount which, in the opinion of the Directors, must be received by the Company as a result of the subscription of its Shares in the Invitation in order to provide for the matters set out in paragraph two of the Third Schedule to the Act is \$97 million.

### 6.3 Use of Proceeds

The Company intends to use the proceeds of the Invitation to further strengthen its operations, retool and improve its operational processes so as to fulfil its strategic plans and business goals and improve the Company's financial and non-financial performance. The use of proceeds includes but is not limited to, the following areas:

- **Improved Production** using re-tooling and process changes;
- **Improved Distribution** by installation of computerized route management systems;
- **Balance Sheet** improvement by strengthening the Company's working capital and reducing debt levels.
- **Expenses of the Invitation** which, the Company estimates, will not exceed \$7 million (inclusive of brokerage and financial advisory fees, legal fees, auditors' fees, Companies Registrar's fees, initial fees and General Consumption Tax ("GCT")). The Directors currently consider that these expenses will be accounted for as a deduction from the proceeds of issue and will not be charged against the results of operations of the Company, in accordance with the Companies Act.

The Board of Directors feels that focusing on these key areas will allow the Company to improve its performance through greater "go to market" execution and production efficiencies.

## 6.4 Key Dates

An Application for use by all Applicants, including Company Applicants and the general public, is provided at the end of this Prospectus together with notes on how to complete it. The subscription list will open at 9:00 a.m. on the Opening Date, November 13 2012 and will close at 4:30 p.m. on the Closing Date, November 27 2012 subject to the right of the Company to: (a) close the subscription list at any time after 9:00 a.m. on the Opening Date once the issue is fully subscribed and (b) to shorten or extend the Closing Date for any reason. In either case the Company will arrange for a notice to be posted on the website of the JSE ([www.jamstockex.com](http://www.jamstockex.com)). It is the intention of the Company to apply to the JSE for admission of the Shares to the Junior Market. The application is dependent on the Company's ability to (i) raise at least \$97 million as a result of the Invitation and (ii) meet the criteria for admission. If such application is made and it is successful the Company expects the Shares to be admitted to trading on the Junior Market of the JSE within 4 weeks of the Closing Date and for dealings to commence on that date. In the event that the Shares are not admitted to trading on the Junior Market of the JSE all payments for Shares received by the Company will be returned or refunded to the Applicants making them.

## 6.5 Terms and Conditions for Applicants

1. All Applicants (whether Company Applicants or members of the general public) must submit the Application provided at Appendix 1 to this Prospectus.
2. Company Applicants must specify their status on the Application and provide reasonably verifiable proof of their identity. Up to 2,072,208 Reserved Shares will be available for subscription by Employees and any such shares not subscribed for by Employees will become available for subscription by other Company Applicants at the Invitation Price of \$1.88. Any Reserved Shares not subscribed for by Company Applicants will become available for subscription by the general public at the Invitation Price of \$1.88. For information on Reserved Share Prices see paragraph 6 below.
3. All Applicants will be deemed to have accepted the terms and conditions of the Invitation and any other terms and conditions set out in this Prospectus, including any terms and conditions set out in this Section 6 and Appendix 1.
4. Each Applicant acknowledges and agrees that:
  - (a) he/she/it has been afforded a meaningful opportunity to review this Prospectus (including the terms and conditions in this Section 6.5), and to gather and review all additional information considered by him/her/it to be necessary to verify the accuracy of the information contained in this Prospectus;
  - (b) he/she/it has not relied on any person other than the Company and the Directors, each of whom have individual and collective responsibility for the contents of this Prospectus, in connection with his/her/its investigation of the accuracy of such information or his/her/its investment decision; and
  - (c) no person connected with the Company has made any representation concerning the Company or this Prospectus not contained herein, on which the Applicant has relied in submitting his/her/its Application.

5. Applicants must request a minimum of one thousand (1,000) Shares and in multiples of one thousand (1,000). Applications in any other denomination will not be processed.
6. All completed Applications together with payment for the Shares in the form of either:
  - (a) a manager's cheque made payable to “**Stocks and Securities Limited**”, or
  - (b) authorization from the Applicant on the Application, instructing SSL to make payment from cleared funds held in an investment account in the Applicant's name at SSL

must be delivered to SSL at 33½ Hope Road, Kingston 10, Saint Andrew.

All Shares are priced at the Invitation Price of \$1.88 per Share except for the Reserved Shares for Employees which are priced at the discounted price of \$1.69.

A non-refundable processing fee of \$110 per Application must also accompany the payment for Shares.

The Application form also sets out an option to make a voluntary donation to The United Way of Jamaica. The donation may be treated as an allowable deduction under the Income Tax Act of Jamaica. Neither the processing fee of \$110 nor the voluntary donation will be refunded to an Applicant in the event that the Company refunds payments received from Applicants for Shares in accordance with paragraph 11 below.

7. **Applications submitted to SSL in advance of the Opening Date will be received and checked for completeness, but not processed until after the Closing Date. All Applications received before 9:00 a.m. on the Opening Date will be treated as having been received at 9:00 a.m. on the Opening Date, November 13, 2012. All Applications received from 9:00 a.m. onwards on the Opening Date will be time stamped for processing in the order in which they were received and dealt with in that same order (e.g. on a first come first served basis).**
8. The Company may:
  - (a) accept or reject any Application in whole or part without giving reasons, and neither the Company nor its Directors or agents shall be liable to any Applicant or any other person for doing so; and
  - (b) allot Shares to Applicants on a basis to be determined by it in its sole discretion. Multiple Applications by any person (whether in individual or joint names) may be treated as a single Application.
9. Neither the submission of an Application by an Applicant nor its receipt by the Company will result in a binding contract between the Applicant and the Company. Only the Allotment of Shares by the Company to an Applicant (whether such Shares represent all or part of those requested by the Applicant in his/her/its Application) will result in a binding contract under which the Applicant will be deemed to have agreed to subscribe for the number of allotted Shares, subject to the Articles of Incorporation of the Company and the terms and conditions set out in this Section 6.5 and the Prospectus generally.

10. If the Invitation is successful in raising at least \$97 million and the Shares are admitted to trade on the Junior Market of the JSE, Applicants will be allotted Shares for credit to their account in the Jamaica Central Securities Depository specified in their Applications. Applicants may refer to the notice that will be posted on the website of the JSE ([www.jamstockex.com](http://www.jamstockex.com)) after the Closing Date. Applicants who wish to receive share certificates must make a specific request to the Jamaica Central Securities Depository. In the event that the Company does not raise at least \$97 million and/or the Shares are not admitted to trade on the on the Junior Market of the JSE, all payments for Shares received from Applicants will be returned or refunded to the persons making them. Please note that the Company does not guarantee admission of the Shares to the Junior Market of the JSE.
11. The Company will endeavour to return cheques or make refunds to Applicants whose Applications are not successful (in whole or in part) to SSL within 7 working days after the Closing Date or as soon as practicable thereafter. Each Applicant's returned cheque or refund cheque will be sent to SSL for collection by the Applicant (or the first-named joint Applicant) stated in the Application. Any other persons purporting to collect a cheque on behalf of an Applicant must be authorised in writing to do so and provide verification of identity reasonably satisfactory to the Company and/or SSL.
12. Applicants, if individuals, must be at least 18 years old.

## 7.1 The Company

In 1957, families owning three bakeries came together: Valentine Bakery, owned by the Chang Family, Powell's Bakery, owned by the Powell Family and Huntington Bakery, owned by the Seivright Family, to form a company now called Consolidated Bakeries (Jamaica) Limited. The Company opened its doors at a new factory at the foot of Red Hills in St. Andrew. This is where the tradition of baking goods of pure wholesome goodness began. As horse drawn carts made home deliveries of brown hard dough, sandwich loaves and cookies, the Purity brand and the tradition of baking goods of pure wholesome goodness was born.



In 1972 the Chang Family, the original owners of Valentine Bakery, acquired the shares of the other shareholders of the Company and continued to operate the business. The Company expanded and diversified into pastries, sliced breads and via investment, biscuit production. The senior management consisted of Chairman Gladstone Chang and other executives including Rufus R. Chang and Richard Chang. Under their leadership the Company continued to expand its business and improve the production process using modernized technology. After Gladstone Chang's untimely death, Rufus R. Chang succeeded him as Chairman and continued on the path of growth on which the Company had been set. This transition in leadership was further strengthened when Vincent Chang and Anthony Chang returned from North America to join the Board, contributing to the Company by way of professional expertise.

Today the Chang Family continues the tradition of providing families with a wide variety of breads, buns and pastries. The Company's wholesale bakery manufactures its baked products under the Purity and Miss Birdie brands.

The Company's plant, administrative offices and distribution facilities is located on 4.5 acres of land on Valentine Drive, on Red Hills Road. These lands, once farm lands, are now part of a busy urban commercial district. The Company has over 1000 accounts primarily in the Kingston metropolitan area, inclusive of supermarkets, wholesales, pharmacies and hotels island-wide. It engages over 50 sales employees and contracted persons.

Production is conducted using a process developed by the Company based on international industry best practices. Products are delivered seven days a week directly to retailers and other

customers. The Company is seeking to improve its operational efficiencies and also hopes to implement specialised systems with a view to make its distribution efforts more efficient and customer-centric. Distribution of products has been established in key population centres in Jamaica with growing exports to the Jamaica Diaspora and ethnic markets in North America.

## **7.2 Products, Strategic Goals and Key Strengths**

The Company views its earnings in the context of general areas of production, distribution and real estate.

The Company is located in an active commercial section of Red Hills Road and has been associated with the development of the area having established its operations there in 1957. The Company's prime real estate location provides it with the opportunity to expand its onsite plant, currently a 50,000 square foot reinforced concrete structure, and its distribution facilities and to develop other commercial activities on the property.

The key objective of the plant is to produce quality outputs at optimal levels. The plant presently produces for the Company's own distribution but is also capable of pursuing co-packing and similar opportunities advantageous to the Company. The plant is currently being re-organized with the assistance of local and overseas experts.

Our distribution network covers key stores in the main towns islandwide. We have a strong relationship with retailers and we will continue to leverage this to our mutual advantage. At the same time we are working to improve our distribution performance by expanding and strengthening our networks and points of sale. The Company is always seeking to establish additional branded products that meet our standard of pure wholesome goodness.

The Company has successfully established products with retailers such as No Frills and Loblaw's in Toronto, Canada as a means of fulfilling the demands of the diaspora marketplace in North America. Although at present export represents a relatively small percentage of sales the Company will vigorously pursue export opportunities as it continues to receive expressions of interest in its products from overseas.

The Company is committed to the fulfilment of its brand promise to the people it serves, ensuring that the Purity family provides tasty, healthy products to our consumers' families. To that end we have embarked on a plant and product improvement program which would be enhanced by a successful invitation and listing on the Junior Market of the JSE.

We are driven by the desire to produce the best quality wholesome products, with the least amount of artificial additives at an affordable price. This reflects values inherited from our founders and their belief that they should provide only products that they would give to their own families. It is our intention if successful to use the proceeds of this Invitation to improve our ability to continue to fulfil this promise. The Company's Board is of the view that the Company is capable of building on this foundation, with its loyal employees and strong relationships.

The Company has as a key financial goal, ensuring that the Shares are respected as a Share of choice by investors. The Company will focus on increasing its customers' excitement and pleasure with our products and has contracted the services of marketing professionals to assist in developing additional trade programs. Product development will focus on enticing the palates, satisfying the needs of our consumers and building stronger brand association and loyalty. Additionally, internal processes will be modified to strengthen our ability to deliver on our targets

and should allow us to better monitor critical areas important for our success such as, our plant and logistics.

### **The Brand**

The brand bears wholesome, home grown appeal and is known for delivering quality products with confidence. At the heart of our brand are the emotions of love, quality, value and most importantly respect, reflecting the authentic nature and philosophy of the Company and its founders.

### **Breads**

The Company produces a line of premium and standard wheat breads along with standard loaves. The premium line consists of the 100% whole wheat and oats bread while the standard line consists of the enriched whole wheat and special bran. The sandwich bread is our standard loaf but we also produce hard dough and hard dough sliced breads. These are healthy, affordable and are made with carefully selected ingredients with no animal fats or trans fats and contain zero cholesterol. The Company prides itself on its wheat bread which has no artificial colours.

### **Baked Snack Items**

The Purity and Miss Birdie branded items are affordable, tasty and suited to all: the young, the young at heart and those with busy lifestyles. The Company markets a wide variety of snack items including whole wheat raisin breads, corn breads, spice buns, cinnamon rolls, coconut buns and biscuits. The Company is presently developing additional snack items with functional properties providing additional nutritional benefits to families.

### **Speciality Rolls**

The Company pioneered the creation of the four pack roll for the market. In this category the Company currently produces corn rolls and in near future intends to roll out protein soya based rolls. The Company distributes Purity branded traditional hot dog rolls and Miss Birdie branded four pack corn breads made with quality ingredients and baked to delectable perfection.

### **Easter Buns and Pastries**

Our traditional Jamaican Easter spiced buns consist of Purity and Miss Birdie buns which are made with high quality ingredients. These buns, are distributed islandwide and exported to cities in Canada and the United States of America. Our pastry department bakes an assortment of pastries that are sold only in our retail store located on lands on Red Hills Road adjacent to Pricemart, and to select retailers.

We have expanded our healthy goodness line to include a low sugar and a whole wheat bun.

### **The Company's Competitors**

The Company considers its main brand competition in Jamaica to be National, HTB, Holsum and Yummy Bakeries. Other competitors include Coronation Bakery and Honey Bun. The Company's market share varies with the category of product, but independent reliable market share data is not readily available in Jamaica. The Company considers itself to be a prominent player the domestic market.

## **Social Outreach and Awareness**

The Company has willingly accepted its responsibility as a corporate citizen and wants to make a difference in the lives of its community members and Purity team members. We reach out to as many as we can and try to improve and nourish their daily lives. In responding to many community requests, we provide breads, buns and other baked products to various individuals and organizations including the Stella Maris Church Feeding the Poor Program, Father Ho Lung and Missionaries of the Poor and the August Town S.D.A. Church Children's Treat.

In keeping with our principle that healthy eating equals healthy living we support clubs including the Harbour View Football and St. George's College Football Clubs by providing a variety of breads for their athletes. The Kingston College Football program and Campion College Breakfast Club also receive product donations for their students as we support a nutritious diet for quality performance on the play field and in the classroom.

We give financial support to many cultural and educational programs such as the Miss Deaf Jamaica Contest and also invite high school students in our community and their teachers to participate in Spanish conversation classes at our offices.

We are grateful that so many of our Purity family members have had the opportunity to fulfil their educational pursuits, as we encourage all employees to pursue their individual educational goals. In our quest to have each family member enjoy the gift of a good education we provide assistance with literacy programs through our in-house Educator, the Jamal Foundation and customer service skills through the H.E.A.R.T. Program.

### **7.3 Operations and executive structure**

Our business employs a flat and simple organizational structure. The operations and senior leaders of the Company are charged with managing the operations. Responsibility for crafting, monitoring and implementing strategy rests with the Managing Director.

The Board is chaired by Vincent Chang whose many years of experience in commercial enterprises and engineering talent have provided the necessary leadership at this stage of the Company's history.

The Managing Director, Anthony V. Chang, brings to the table his extensive professional experience, particularly in the consumer packaged food businesses, involving both domestic and international brands. He also has experience on public sector boards and boards of both domestic and international private sector firms. He has completed several professional courses at reputable North American universities and holds a degree from University of Western Ontario in Canada.

Production is led by Javier Salazar Chang who was trained in Europe and has been recently appointed as Plant Manager. He oversees a support team of production supervisors.

The plant operates seven days a week to facilitate maintenance and daily fresh deliveries of product to market. The laboratory will report not only to the production supervisors but also to the Managing Director in order to realise even greater oversight over quality.

The Marketing and Logistics Department is headed by Nicola Chang Murphy who has several years' experience in baked snack sales working with domestic and regional brands. Nicola,



together with the Managing Director is responsible for coordinating customer and channel management. Trade management and development is organized into regions with each region being handled by sales supervisors and sales representatives who report to Nicola.

Our fleet of trucks, managed by the Production Manager, are maintained and repaired at our onsite garage by a team of mechanics. The Company is presently reviewing fleet management software and new processes to drive fleet efficiencies.

#### 7.4 Mission Statement

The Company's mission statement is rooted in values inherited from its founders: "We sell only products that we would give to our families". With this in mind we are committed to being a profitable business producing quality and affordable products for consumers while respecting our employees and other stakeholders.



#### 7.5 People

Headquartered on Valentine Drive in St. Andrew, the Company employs over 100 persons across Jamaica.

Our team is integral to our success. The Company feels that this Invitation allows its team members an excellent opportunity to participate in the Company's ownership and will create better alignment of the goals of staff and the Company.

#### 7.6 Taxation

If the Shares are admitted to trading on the Junior Market of the JSE, the Company expects to benefit from a ten year concessionary tax regime that starts from that date. This involves, in the first 5 years a full remission of corporate income tax, and in the subsequent 5 year period a partial (50%) remission of corporate income tax. In order to take advantage of the concessions, the Company must remain listed on the JSE for at least 15 years.

Currently transfers of Shares on the JSE are exempt from transfer tax and stamp duty.

Section 30(3)(d) of the Income Tax Act provides that as from 1 June 2012 the rate of income tax payable on dividend income derived from companies resident in Jamaica shall be 5%. See Section 14.2 of this Prospectus for further information.

## **7.7 Incorporation Details**

The Company was incorporated as Consolidated Bakeries (Jamaica) Limited on November 22, 1957. The Company is engaged in the business of a bakery, producing a variety of breads and baked products primarily under the Purity and Miss Birdie brands.

## **7.8 Details of the Authorised and Issued Share Capital and the Shares in the Invitation**

### **Capital Structure of the Company**

As at November 2, 2012 the latest practicable date prior to publication of this Prospectus, the authorized and issued share capital of the Company were as follows:

**Authorised:** 427,260,000 shares  
**Issued:** 170,904,000 shares

The 51,805,171 shares in the Invitation will be newly issued shares of the Company.

### **Recent Capital Reorganisation**

At an extraordinary general meeting of the Company held on August 17, 2012 the shareholders of the Company approved the increase of the authorised share capital to \$4,272,600 and the subdivision of each share in the capital of the Company into 200 shares.

At an extraordinary general meeting of the Company held on August 23, 2012, the shareholders of the Company approved the following actions in respect of the capital structure of the Company:

- Re-registration as a public company under the Companies Act, 2004
- The adoption of new Articles of Incorporation, which are available for inspection as set out in Section 15.

### **Shareholdings in the Company Before and After the Invitation**

As at November 2, 2012, being the latest practicable date prior to publication of this Prospectus, the holdings of Shares in the capital of the Company (including legal and, where known to the Company, beneficial holdings) were as follows:

<b>Name and Registered Office Address of Shareholder</b>	<b>Number of Shares before Opening Date of Invitation</b>	<b>% of Issued Shares before Opening Date of Invitation</b>
Chang Brothers Limited	170,886,910	99.99
Gladstone V. Chang (Deceased)*	17,090	.01
<b>Total Issued Share Capital</b>	<b>170,904,000</b>	<b>100%</b>

After the subscription lists for the Invitation are closed, and assuming that the Invitation is fully subscribed by the public and also, by the Company Applicants and SSL and its Clients, the percentage shareholdings in the Company will be as follows:

<b>Name of Shareholder</b>	<b>Number of Issued Shares after Opening Date of Invitation</b>	<b>% of Issued Shares after Opening Date of Invitation</b>
Chang Brothers Limited	170,886,910	76.73%
Gladstone V. Chang (Deceased)*	17,090	.01%
Shares for subscription by the general public at the Invitation Price	31,083,103	13.96%
Reserved Shares for Employees at the discounted price of \$1.69	2,072,208	.93%
Reserved Shares for Company Applicants other than Employees at the Invitation Price	18,649,860	8.37%
<b>Total Issued Share Capital Following Invitation</b>	<b>222,709,171</b>	<b>100%</b>

\*Gladstone V . Chang is deceased. Attorneys have been instructed to take steps to probate his last will and testament which leaves all his estate, which would include his 0.01% interest in the Company, to his children.

## 7.9 Applicable Regulatory Regime

The Company has the following certificates, permits and licences, that the Directors consider are material for the purposes of its ongoing business:

Issuing Authority	Type of Permit / Licence	Expiry Date
Taxpayer Audit and Assessment Department	Tax Compliance	August 13, 2012*
The Factories Act and The Factories Regulations	Re-registration of Factory	January 6, 2013
Bureau of Standards Jamaica	Registration as manufacturers of Baked Products	July 10, 2013
Public Health Act Public Health (Food Handling)	Health Certificate License No. KSAP002434Z4-00102335769	May 3, 2013

The Company has entered into discussions with Tax Administration Jamaica (“TAJ”) concerning uncertainty surrounding the general consumption tax treatment of certain products since the Minister of Finance’s budget presentation on Thursday, May 24, 2012, in which he announced that effective Friday, June 1, 2012, several items on the General Consumption Tax exempt/zero-rated list will now attract GCT at the new rate of 16.5%. The Company is awaiting the determination on the treatment of these products and advice on the general consumption tax (if any) payable by the Company whereupon the Company will discharge this obligation and apply for a tax compliance certificate.

## 7.10 Intellectual and Real Property

As at November 2, 2012, the latest practicable date prior to the publication of this Prospectus, the Company has the following interests in intellectual and real property.

### Intellectual property

The Company owns and has registered the following intellectual property rights for use in Jamaica:

<b>Trademark</b>	<b>Registration Number</b>	<b>Application/Registration Date</b>	<b>Next Renewal Due</b>	<b>Class</b>
PURITY	33735	November 8, 1985	November 8, 2016	30
BIGGA BREAD	37026	January 30, 2012	April 28, 2016	30
MISS BIRDIE & Logo	59706 (Pending)	February 1, 2012	February 1, 2022	30

The intellectual property rights in the marks are protected for a period of 10 years following their registration, and can be renewed for further periods of 10 years on payment of a nominal fee.

### Real Property

The Company owns the premises it operates from at 2F Valentine Drive, Kingston 19, St Andrew. Registered at Volume 1450 Folio 148 in the Register Book of Titles in the name of the Company. The property land and building thereon were last valued in 2007 at an appraised value of US\$5,215,000.00 by Keith Alexander (Succ.) Limited, of 3 Easton Avenue, Kingston 5 Jamaica.

### 7.11 Material Contracts

The following material contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company with the following persons (“counterparties”) in the 2 years preceding November 2, 2012, being the latest practicable date prior to the publication of this Prospectus:

<b>Date</b>	<b>Counterparty</b>	<b>Amount</b>	<b>Facilities, Dates for Repayment and Security</b>
March 15, 2012	National Commercial Bank Jamaica Limited	Banking facilities in the aggregate amount of J\$34,354,426.00	<p><b><u>Overdraft Facility</u></b> Limit: J\$7,500,000.00 Expires March 13, 2013</p> <p><b><u>Amortised Loan</u></b> Limit: J\$11,283,000.00 Expires March 22, 2017</p> <p><b><u>Revolving Loan</u></b> Limit: J\$7,000,000.00 Expires March 13, 2013</p>

			<p><b><u>DBJ Loan</u></b>  Limit: J\$8,571,426  Expires February 28, 2014</p> <p><b><u>Security</u></b>  Repayment under the abovementioned facilities are secured by way of legal mortgages over the Company's lands located at 2F Valentine Drive and Guarantees of Directors.</p>
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In addition to the above, the Company considers its insurance arrangements (see section 7.15 below for details) to be material.

The Company has undocumented arrangement with suppliers and customers that are not subject to long - term contracts and are instead concluded on the basis of invoices received, or issued, by the Company (as the case may be). Many of the suppliers of the Company have granted it credit terms for the purposes of settling invoices varying from fourteen (14) to thirty (30) days credit. The Company's customers generally settle invoices within thirty (30) days of delivery of product.

#### **7.12 Related Party Transactions**

Poly Cello Packaging Limited is a company with shareholders that are also shareholders of the Company. Poly Cello supplies plastic packing products to the Company on commercial terms.

Sharon Kong, a shareholder of Chang Brothers Limited, is engaged by the Company and charged with responsibility for the Company's Social Media presence. She is responsible for the Company's interaction on the Web on Purity's Facebook page where she engages the audience about the Company's products, team members, current events and promotions. She also responds to questions and comments as the Company aims to maintain a positive image for the Company.

Victor Salazar Chang is the nephew of Vincent Chang, Anthony Chang and Nicola Chang Murphy and the brother of Javier Salazar Chang. He has been retained by the Company under contract as a Consultant with responsibility for special projects including projects to streamline operations and retail management. Victor is also the Company Secretary.

The Company is the registered proprietor of the lands situated at 1 Rougemont Way, Lot 9, Stony Hill, Saint Andrew which is beneficially owned and held to the order of Vincent Chang, the Company's Chairman. A mortgage to the Victoria Mutual Building Society Limited ("VMBS") stamped to secure the amount of J\$3,000,000 is registered against this property. Vincent Chang has repaid the balance due to VMBS under the said mortgage and obtained a statement of account from VMBS reflecting a zero balance on this account. He is currently awaiting delivery of the documentation required to have the mortgage to VMBS discharged and satisfaction thereof noted at the relevant agencies. Thereafter the Company will transfer the property to Vincent Chang (or as he may direct the Company in writing) at no cost to the Company.

### **7.13 Litigation**

Save as indicated below, as at November 2, 2012, the latest practicable date prior to the publication of this Prospectus, there were no litigation, arbitration, or similar proceedings pending or threatened against the Company as defendant, nor do the Directors believe that there are circumstances which may give rise to such proceedings.

Suits have been filed by four (4) persons against the Company and one of the Company's drivers claiming damages for personal injury and property damage incurred arising from an accident that occurred in September 2011. Based on the nature of the injuries and the claims made thus far the Company's insurers have reserved \$9,000,000. The matter is expected to be referred to mediation and all attempts will be made to settle the claims within the reservation.

### **7.14 Dividend Policy**

The Directors expect that, in the absence of any adverse changes in the Jamaican economic climate, the profits of the Company will continue to grow. Accordingly, the Board anticipates a payment of an annual dividend of not less than 15% of the annual after tax profits where such profits are available for distribution, subject to the Company's need for reinvestment of some or all of its profits from time to time in order to finance its growth and development.

In the period covered by the Historical Financial Information the Company paid no dividends to the ordinary shareholders.

### **7.15 Insurance Arrangements**

The Company has procured insurance cover for certain major risks, as follows:

- Fire and Allied Perils
- Employers liability
- Public/Products liability
- Personal accident
- Motor vehicle
- Consequential Loss
- Directors & Officers Liability
- Cash in transit

The cover is evidenced by Fraser Fontaine & Kong Insurance Brokers cover notes and is valid until December 31, 2012; save as, Management liability insurance, which is executed by Fraser Fontaine & Kong Insurance Brokers and underwritten by CGM Gallagher Insurance Brokers Limited and is valid until July 25, 2013.

### **7.16 Charges Registered Against the Assets of the Company**

As at November 2, 2012, being the latest practicable date prior to the publication of this Prospectus, the following charges were registered against the assets of the Company:

All the mortgages to National Commercial Bank Jamaica Limited referred to below are stamped in the aggregate to cover over \$38 million and are being held by the Bank as security for the

repayment of sums due to the Bank under the facilities extended to the Company as outlined in Section 7.11 above with aggregate principal payments of just over \$34 million.

<b>Charge</b>	<b>Date of Creation of Charge</b>	<b>Beneficiary</b>	<b>Amount secured</b>	<b>Charged Assets</b>
Debenture	3/12/1957	Barclays Bank D.C.O. (now National Commercial Bank Jamaica Limited)	\$350,000 (stamped initially to cover £150,000 equivalent to \$300,000 upstamped by \$50,000)	A specific charge on the real & leasehold property and a floating charge on all assets
Debenture	30/11/1967	Maurice Karl Powell	£15,848.00	All property of the company including uncalled capital, goodwill, real and lease hold property
Debenture	30/11/1967	Daphne Elizabeth Ashworth	£14,000.00	All property of the company including uncalled capital, goodwill, real and lease hold property
Debenture	30/11/1967	Richard Elgin Powell	£6,500.00	All property of the company including uncalled capital, goodwill, real and lease hold property
Mortgage	18/06/1986	National Commercial Bank Jamaica Limited	\$500,000.00	Land registered at Volume 942 Folio 37*
Mortgage	18/08/1986	National Commercial Bank Jamaica Limited	\$500,000.00	Land registered at Volume 942 Folio 37*



<b>Charge</b>	<b>Date of Creation of Charge</b>	<b>Beneficiary</b>	<b>Amount secured</b>	<b>Charged Assets</b>
Mortgage	14/12/1990	National Commercial Bank Jamaica Limited	\$400,000.00	Land registered at Volume 942 Folio 37*
Mortgage	27/11/1991	National Commercial Bank Jamaica Limited	\$300,000.00	Land registered at Volume 942 Folio 37*
Mortgage	14/12/1993	Victoria Mutual Building Society	\$3,000,000.00	Land registered at Volume 1104 Folio 187
Mortgage	18/10/1995	National Commercial Bank Jamaica Limited	\$3,930,000.00	Land registered at Volume 942 Folio 37*
Mortgage	28/10/2002	National Commercial Bank Jamaica Limited	\$1,000,000.00	Land registered at Volume 942 Folio 37*
Mortgage	28/10/2002	National Commercial Bank Jamaica Limited	\$2,000,000.00	Land registered at Volume 942 Folio 37*
Mortgage	17/8/2006	National Commercial Bank Jamaica Limited	\$2,270,000.00	Land registered at Volume 942 Folio 37*

Charge	Date of Creation of Charge	Beneficiary	Amount secured	Charged Assets
Mortgage	17/04/2007	National Commercial Bank Jamaica Limited	\$2,000,000.00	Land registered at Volume 942 Folio 37*
Mortgage	08/02/2010	National Commercial Bank Jamaica Limited	\$20,000,000.00	Land registered at Volume 1403 Folio 67*

\*These remaining lands formerly contained in these certificates of title are now contained in the certificate of title registered at Volume 1450 Folio 148 of the Register Book of Titles.

All sums secured by a debenture created 03/12/1957 having been repaid, a memorandum of satisfaction signed by National Commercial Bank Jamaica Limited in respect of the aforesaid debenture was submitted to the Companies Office of Jamaica to note the satisfaction of the debenture as upstamped. This was rejected by the Companies Office of Jamaica on the basis that no documents evidencing the upstamping were filed with that office. The Company is working with National Commercial Bank Jamaica Limited to resolve this and to obtain and file a memorandum of satisfaction of the said charge.

Debentures granted by the Company in November 1967 to Richard Elgin Powell to secure £6500, to Maurice Karl Powell to secure £15,848 and to Daphne Elizabeth Ashworth to secure £14,000 were registered with the Companies Office of Jamaica in December 1967.

To the best of the knowledge and belief of the Directors the sums secured by these Debentures have long since been repaid but satisfaction of the said charges were overlooked and never obtained. The said Richard Elgin Powell, Maurice Karl Powell and Daphne Elizabeth Ashworth are, to the best of the belief of the Directors, deceased and directors do not know the personal representatives of the deceased and so have been unable to obtain memoranda of satisfaction. The Company's financial statements for at least the past fifteen years do not reflect any indebtedness in connection with these Debentures and no request or claim has been made within the last fifteen years with respect thereto. For this reason and by virtue of The Limitation of Actions Act no action or suit may now be brought or recovery made under the Debentures.

The Company is up to date in its filings at the Companies Office of Jamaica, having filed its Annual Return for the period ended 1<sup>st</sup> August 2012.

**Section 8****Directors and Senior Managers and their Interests****8.1 Biographical details of the Directors and Senior Managers of the Company**

Brief biographical details of the Directors and Senior Managers of the Company appear below. The Directors' residential addresses are set out in section 14 and all of them may be contacted for business purposes in care of the registered office of the Company, 2F Valentine Drive, Kingston 19, Saint Andrew.

**BOARD OF DIRECTORS****Vincent J. Chang (Executive Director)**

Vincent has spent over 25 years in the Baking Industry at the Company and is presently the Chairman of the Company.

After completing high school at Campion College in Kingston, Jamaica and obtaining his Bachelor of Science Degree in Business Administration from Concordia University in Montreal, Quebec, he worked at Imperial Oil's Esso Chemical unit in Canada as well as for AC Nielsen a global marketing research firm. He has completed professional courses at the American Institute of Baking and holds degrees from Loyola University in Montreal, Canada.

It has been his vision to build effective, self-directed teams within the organization that now exists. He is proud to have been able to create a working environment in the Company where each employee combines his / her strengths to build the organization's culture of strong work ethics within each department.

Vincent's strong, empathetic leadership is visible as he leads the Company forward. He will continue the production of quality products, creating a customer service of excellence using traditional family values while nurturing a strong, caring bond with each team member in the Company.

Vincent is the Immediate Past President of the Chinese Benevolent Association in Jamaica. He enjoys his daily bicycle rides in his quest for healthy lifestyle.

**Keith Collister (Mentor)(Independent Non-Executive Director)**

As Mentor Keith shall act as compliance advisor during the period in which the company is listed on junior market. He started his career at Singer and Friedlander Merchant Bank in the City of London. In 1993, he joined Life of Jamaica's investment department as an analyst and was subsequently promoted to positions in its overseas subsidiaries, Global Cayman Ltd and Global Bahamas Holdings Ltd. In 2000, he joined the financial services division of GraceKennedy Ltd, and had an integral role in the start up of both their stockbroking and mutual fund divisions. Mr. Collister is currently the Director for Special Projects in the Finance and Planning Division of the Sandals Group and Chairman of the Appliance Traders Limited Pension Fund. He is a Director of the Statistical Institute of Jamaica (STATIN) and the Jamaica Chamber of Commerce ("JCC"), where he is also the Chairman of its Economic Affairs and Taxation Committee. He is also the Deputy Chairman of the Economic Policy Committee of the Private Sector Organisation of Jamaica ("PSOJ").

Keith holds an MA in Economics from Cambridge University, a Diploma in Accounting and Finance from the London School of Economics and an MBA in International Banking and Finance from Birmingham Business School. A financial journalist and columnist of note, he currently writes for the Jamaica Observer newspaper.

**Anthony V. Chang (Executive Director)**

Anthony V. Chang, an esteemed Jamaican businessman, has over two decades experience in marketing and business administration.

A graduate of the University of Western Ontario, Richard Ivey School of Business, recipient of the Humphrey Fellowship awarded by US State Department and has also completed many professional courses.

In addition to an impressive educational background, Mr. Chang has affiliations with various companies. He is a Past President of the Jamaica Chamber of Commerce, and director of several public and private sector boards. He is currently a director of The Bank of Nova Scotia Jamaica Limited, Scotia Jamaica Life Insurance Company Limited, Scotia Investments, Digicel Jamaica Limited, Lasco Distributors Limited and Lasco Manufacturing Limited.

Anthony enjoys jogging and horse-back riding.

**Nicola Chang Murphy (Executive Director)**

As the Company's Director of Sales and Marketing Nicola has overall responsibility for managing and directing a team of supervisors, sales representatives, merchandisers and promoters. She focuses on brand creativity and cost efficiencies as she seeks to improve and enhance the consumers' experience. Her team is also responsible for the maintenance and expansion of delivery routes..

Nicola launched the "Healthy Eating equals Healthy Living" campaign that involved promoters visiting schools across Jamaica. This brought heightened awareness of the Purity and Miss Birdie brands to a school aged demographic.

Nicola received an Honours Bachelor of Arts degree from the University of Western Ontario, London, Ontario, Canada and also holds a Masters in Business Administration from Nova Southeastern University. She previously worked at Falcon Corporation Limited as Sales Manager with responsibility for also expanding sales of their baked products. She is an advisor to the Franciscan Missionaries

**Thomas Chin (Executive Director)**

Thomas ("Tom") Chin is a Certified Management Accountant with 30 years experience in the communications industry.

Tom held the title of Director of Financial Operations at Rogers Communications Inc. in Toronto, Canada. In this role, he was responsible for managing the shared services of accounts payable, remittance processing and financial systems including Oracle, Hyperion and FileNexus in the Rogers group of companies. He has specific areas of expertise in areas of consolidations and reporting, budgeting and forecasting, acquisitions and divestitures, management of shared

services, and systems development and implementation. Tom is no stranger to cross border arenas, as he also implemented financial systems and managed financial operations in England and the United States.

On May 31, 2012, he retired as VP, Finance of Flow Jamaica (Columbus Communications Jamaica Limited), but continues as a Consultant.

**Noel daCosta, CD. ( Independent Non-Executive Director)**

Noel daCosta is a management consultant, and a well known and respected businessman who is retired from Desnoes & Geddes/Diageo where he held many positions including: Central American and Caribbean Corporate Relations Director for Diageo; Chief Engineer, Brewmaster, Technical Director, and Corporate Relations Director for D&G. Noel is a Chartered Engineer, a Fellow of the Institute of Chemical Engineers (UK), and a past President and Fellow of the Jamaica Institute of Engineers. He has postgraduate degrees in Engineering, Business Administration and Insurance. He is a former President of the Jamaica Chamber of Commerce and has served on the boards of many companies in the public and private sector. He currently serves on the Boards of Desnoes & Geddes Limited, the Victoria Mutual Building Society and is the Chairman of United Way of Jamaica.

**Philmore (“Phil”) Ogle, CD., OD., FCA. (In Retirement) ( Independent Non-Executive Director)**

Phil, is a founding member of the Institute of Chartered Accountants of Jamaica (“ICAJ”), and served as its President from 1965 to 1967. He continued to serve the ICAJ, chairing its Investigation and Disciplinary Committees at different times over several decades.

In December, 2005, on the occasion of the ICAJ’s 40<sup>th</sup> Anniversary Awards Banquet he became the first recipient of the ICAJ Distinguished Member Award.

He has a long record of service to the Jamaica Chamber of Commerce, as Chairman of the Chamber’s Finance, Law & Taxation Committee and as President of the Chamber from 1993 to 1995.

He is the recipient of two national honours, the Order of Distinction (Officer Class) in 1999 for service to the accounting profession and the Order of Distinction (Commander Class) in 2009 for his contribution to Tax Reform.

His record of public service includes membership of the Divestment Committee (1981), and of the Boards of The Agricultural Marketing Corporation, Jamaica Development Bank and National Development Bank .

In 1998 Philmore Ogle retired as Chairman of Deloitte & Touche in Jamaica, having been a partner in that firm for 40 years.

## **SENIOR MANAGERS**

### **Javier Salazar Chang**

Javier Salazar Chang was born in Jamaica and grew up in Valencia, Spain. He studied Food and Beverage Management at the "Universidad de Cheste" one of the top Food and Beverage Universities in Spain.

Javier gained extensive experiences in warehousing, front of house restaurant management, food preparation, menu planning and the fundamentals of a very busy and creative pastry department during his internship at a 5 star hotel in Spain, where he also learned how to work in the ISO 9001:2000 environment.

On returning to Jamaica, he worked at Falcon Corporation Limited for 6 years where he held the position of Warehouse Manager and Manager of Accounts Receivables.

For the past 7 years, he has been employed to the Company and currently holds the position of Production Manager and is committed to developing, reorganizing and improving all areas of the factory. His responsibilities include managing the warehouse, the issue department where finished goods are packaged and then issued and the production of bread, buns and pastries.

### **Rondene DaCosta**

Rondene DaCosta is the Company's Financial Controller. Rondene has over 10 years of experience at the management level in the field of Accounting, Internal and External Audit. Prior to joining the Company Rondene was the accountant for Western Sports Jamaica Limited., the Internal Auditor for Caymanas Track Limited and Senior Accountant at Mair Russell Grant Thornton.

Rondene received his Bachelor of Science Degree in Accounting from the University of the West Indies. He is a member of Chartered Association of Certified Accountant and has extensive training in software solutions, management information systems and systems audit.

## **8.2 Directors' and Senior Managers' interest in Ordinary Shares**

As at November 2 2012, the latest practicable date prior to the publication of this Prospectus, no Director or Senior Manager held any interest in the Ordinary Shares of the Company (including legal and beneficial holdings) save that Vincent Chang, Anthony Chang and Nicola Chang Murphy are shareholders in Chang Brothers Limited the holder of 99.99% of the shares in the Company.

No Director or Senior Manager receives Ordinary Shares, or options in respect of Ordinary Shares, in consideration of the services rendered by him or her to the Company. Please note however that as Company Applicants they are eligible to submit Applications for the Reserved Shares.

## **8.3 Corporate Governance and Accountability**

The Board has established 2 committees, namely the Audit Committee and the Compensation Committee, as required under the Junior Market Rules. The members of each Committee include

at least 2 independent non-executive Directors, and are as follows:

<b>Audit Committee</b>	<b>Compensation Committee</b>
Philmore Ogle (Chairman) Noel daCosta Keith Collister Anthony V. Chang Thomas Chin	Noel daCosta (Chairman) Philmore Ogle Keith Collister Vincent J. Chang Anthony V. Chang

**Historical Financial Information for the 5 year period from 1<sup>st</sup> January 2007 to 31<sup>st</sup> December 2011 and six months results to June 30, 2012**

The Company returned to sustained profitability in 2009 registering profit before tax of \$2.13 million. During the period, 1<sup>st</sup> January 2009 – 31<sup>st</sup> December 2011, the Company has grown Profit before Tax at a compound average annual rate (CAGR) of 118.57%, from \$2.13 million in 2009 to \$22.31 million in 2011 on the back of strong distribution, long-standing relationships and monitoring its costs diligently and aggressively in a difficult economic environment.

The Company's growth in profit before tax was as a direct result of the Company's strategic planning and vision in 2010 to drive its core business and to utilize its 55 year-old brand on a more market driven basis. In 2010, the Company's Board took the strategic decision to re-align the Company's internal processes in order to better fulfil their customers' needs. The Board believed that such an approach was critical, particularly in a challenging economic climate, as it encourages and supports increased efficiency as well as innovation.

The initiative yielded considerable benefits as the Company recorded, turnover of \$409 million, a significant improvement in its financial performance for 2010, posting profit before tax of \$15.06 million compared with \$2.13 million in 2009. The Company as a result of its planning had commenced in 2010 to generate significant top line and bottom line returns.

Over the last five decades, the Company's flagship brands, Purity and Miss Birdie have become household names synonymous with quality and providing nutritional value. The Company's profitability was impacted by high administrative expenses that contributed to financial losses for financial years, 2007 and 2008. In the 5 year period, 2007-2011, the Company registered its lowest gross profit margin of 29.91% in 2008 and its peak gross profit margin of 36.39% in 2011. In 2007, administrative expenses were \$43.98 million and represented 81% of gross profit. The Company gained control and stronger oversight of its costs and measurements in 2009, when administrative expenses represented 62.81% of gross profit (see the graphs in Section 10 for further illustrations).

Despite the impact of higher expenses in financial years 2007 and 2008, the Company has achieved consistent above average growth in its turnover at a CAGR of 26.41% - increasing from \$178.78 million to \$456.55 million over the 5 year period from 2007 to 2011, underscoring rising demand for the Company's products and the Company's rich history and strong brand recognition. The Directors believe that the growth in turnover in a challenging environment augurs well for the future growth of the brands.

Innovative thinking has also been a contributor to the improvement in sales over the 5 year period under review. While expanding its product line into pastries from breads and buns initially, it has also been the Company's focus to provide its customers with products that are not just delectable but which also offer nutritional value. Under the Miss Birdie brand, the Company has recently become the first local bakery to offer corn crackers to the market, which is already receiving positive feedback. In addition, the Company has added whole wheat crackers to its assortment of products. The Company continues to embark on being a diversified baker which the Board anticipates will add value to its turnover component.



When developing and manufacturing its products, the Company has relied on a combination of internally-developed processes and international industry best practices. The Company's production staff is critical to this process and the Company's facilities are operated 7 days per week as the Company aims to continue to deliver to its customers the highest standard of quality.

The Company employs over 100 persons inclusive of permanent and contracted workers. In managing its production and staff complement, the Company pays close attention to manufacturing costs in order to become more efficient and competitive in the market. From 2007 – 2011 manufacturing costs have increased at a CAGR of 23.53% , from \$124.72 million in 2007 to \$290.43 million in 2011. In the said period, administrative expenses increased at a CAGR 15.81%, from \$43.98 million in 2007 to \$79.12 million in 2011.

The Company has historically benefitted from having centralized operations. It owns premises at 2F Valentine Drive in Kingston, which houses its plant, garage, administrative offices as well as distribution facilities. Its total acreage is approximately four acres and the Company earns rental income via leases with neighbouring firms. The Company also owns a retail outlet on the same property at which customers can purchase freshly baked products. Overall, the Company has more than 1,000 accounts primarily in the Kingston metropolitan area inclusive of supermarkets, wholesales, pharmacies and hotels island-wide.

The Company's real estate holding of 4.5 acres of land and building represents 72% of total assets and 85% of shareholders' equity for the year ended 31<sup>st</sup> December 2011. Shareholders' Equity has remained relatively stable over the 5 year period, increasing by 4.45% from \$360.65 million on 31<sup>st</sup> December 2007 to \$376.69 million on 31<sup>st</sup> December 2011. The land and building have significant untapped value to the Company as it does not require this amount of space for its current or planned operations. The Company has been approached by a number of parties with viable options for the utilization of the excess space. No commitment or strategic decision has been made by the Company. The Directors are currently focused on leveraging the Company's soft and hard assets to grow business via distribution and product development while managing overheads. The Company will continue to evaluate options to improve the return on assets and return on equity.

### **Six Months results to June 30, 2012**

The Company has invested \$6 million in plant and machinery over the first two quarters of 2012, positioning itself for even greater profitability. Emphasis has been given to the tightening of controls throughout the organization, from production quality to distribution and recording.

Accounts receivable has increased 35.22% year to date in 2012, when compared to the same six-month period in 2011; from \$37.34 million to \$50.49 million. Shareholder's equity has also increased during the period under review. Retained earnings grew 83.21% in 2012, from \$18.17 million in 2011 to \$33.29 million this year. Flowing from these increases the current ratios over the six-month period have improved to 1.54 from 1.39 in 2011. The Company continues to manage its liquidity without impeding on its growth strategies.

Turnover has increased year over year by 5.29% from \$238.76 million to \$251.39 million for the six month period. Net Profit Before Taxation (PBT) has increased by 19.41% from \$9.53 million to \$11.38 million.

The Company is well-positioned for the remainder of 2012 and will seek to build on its strong six month 2012 financial results.

If the Invitation is successful in raising at least \$97 million and the Company gains admission to the Junior Market, the company will use the net proceeds after the payment of transaction costs to achieve process improvement and for general working capital purposes. The current proposed initiatives include:

- improving production by re-tooling and process changes
- improving distribution by installation of computerized route management systems
- improving balance sheet by strengthening the Company's working capital and reducing debt levels.
- expenses of the Invitation

**Section 10****Financial Highlights**

This Section provides an analysis of the Company's financial position and performance, using charts, ratios and trend analysis.

**10.1 Historical Five Year Ratio Analysis**

The table below shows financial ratios derived from the Company's income statement and balance sheet for each of the years from 2007 to 2011 inclusive. The financial ratios demonstrate the Company's strong capital and asset base with a significantly improving trend across all financial ratios from 31<sup>st</sup> December 2009 to 31<sup>st</sup> December 2011.

The Company over the 5-year period has financed its operation very conservatively, with debt to equity averaging 4.2%.

The Company returned to profitability in 2009 and has maintained this trend with its return on equity (ROE) and return on assets (ROA) improving each year from 2009 – 2011. ROE has increased from 0.60% in 2009 to 5.92% in 2011, demonstrating the Company's continued strategy of making its processes more efficient and generating annual profits for shareholders.

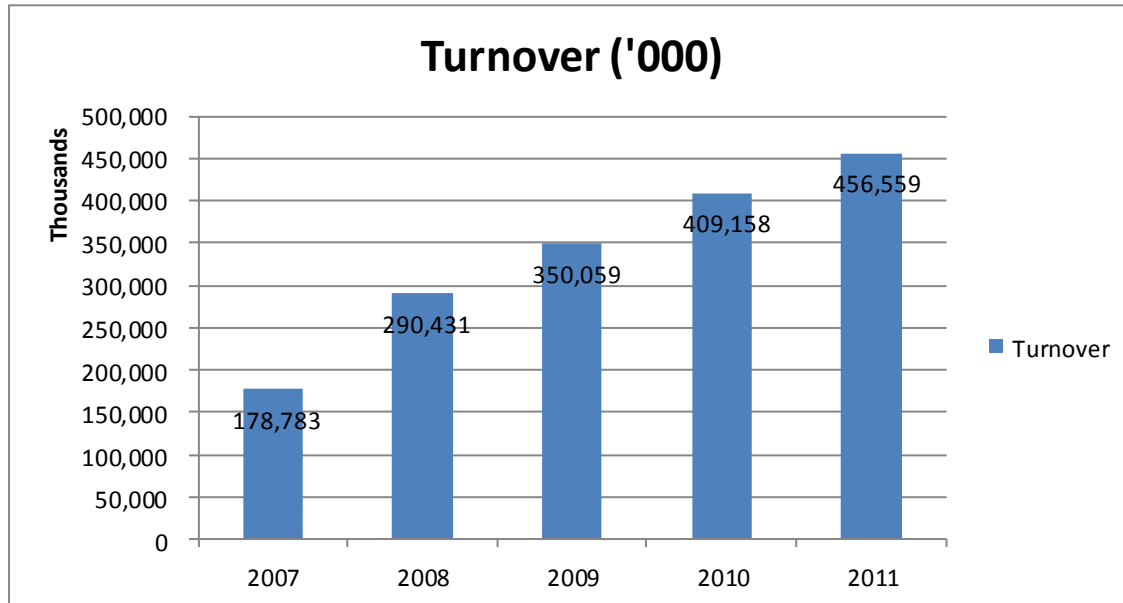
The Company's asset turnover remains lower than targeted, averaging 0.81 for the 5-year period, but peaking to 1.04 in 2011, due to the Company's balance sheet being asset rich with a large portion of Total Assets representing its Head Office location at 2F Valentine Drive. The Company does not utilize the entire real property asset at this location for current productive purposes.

The Company's Board recognizes that due to its large shareholder equity base, comprised of retained earnings and reserves create a large margin of safety for investors. The Company plans to find productive use for its non-utilized real estate.

	2007	2008	2009	2010	2011
<b>INCOME STATEMENT RATIOS</b>					
Gross Profit Margin	30.24%	29.91%	34.50%	33.44%	36.39%
Profit Margin (Pre-tax)	-8.80%	-0.70%	0.61%	3.68%	4.89%
Return on Equity (Pre-tax)	-4.36%	-0.57%	0.60%	4.16%	5.92%
<b>BALANCE SHEET RATIOS*</b>					
Debt to Equity	3.21%	1.82%	2.28%	5.82%	7.85%
Return on Assets	-3.98%	-0.51%	0.54%	3.59%	5.06%
Inventory Turnover	45.73	73.38	38.14	37.17	37.68
Accounts Receivable Turnover	9.37	14.98	17.98	15.79	12.66
Asset Turnover	0.45	0.74	0.88	0.97	1.04
Current Ratio	0.68	0.81	0.84	1.16	1.24

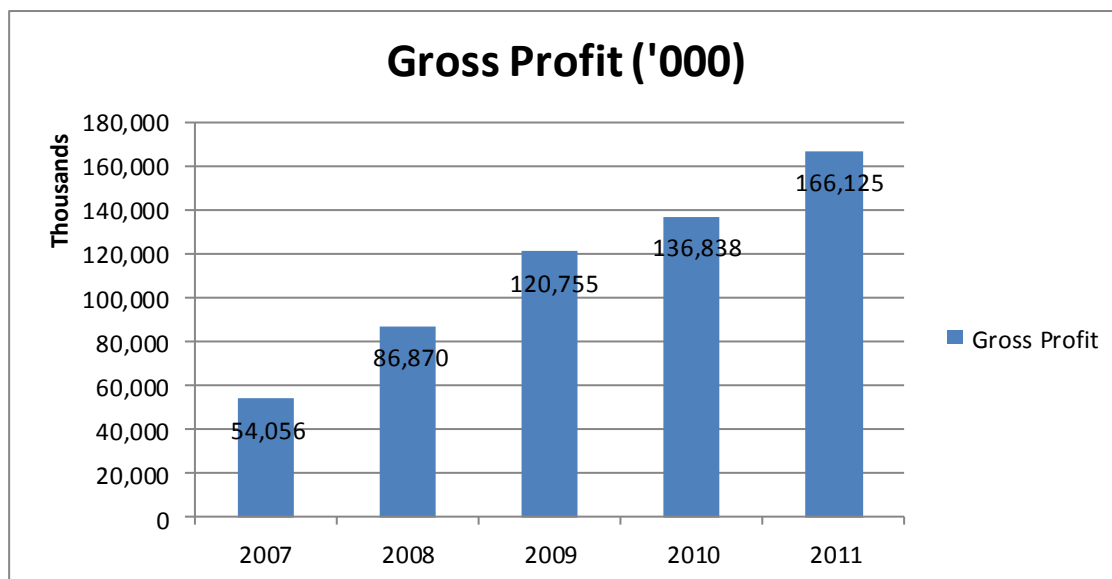
**\*These ratios are calculated as at the Company's year-end**

## 10.2 Turnover Growth Analysis



Over the period under review (being the financial years 2007-2011 inclusive), the Company has achieved considerable growth in its turnover. Revenue increased from \$178.78 million in 2007 to \$456.55 million in 2011, representing a CAGR in sales of 26.41%. This success has been due in part to the Company's tradition of excellence in baking breads, buns and single serving snacks as it remains committed to producing nutritional products of high quality for its valued Jamaican and North American customers.

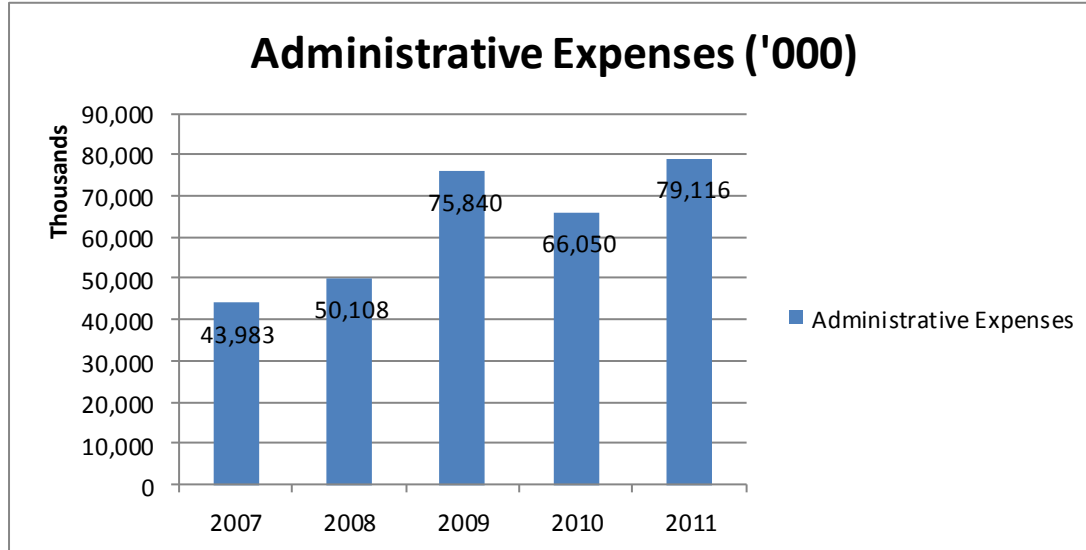
## 10.3 Gross Profit Analysis



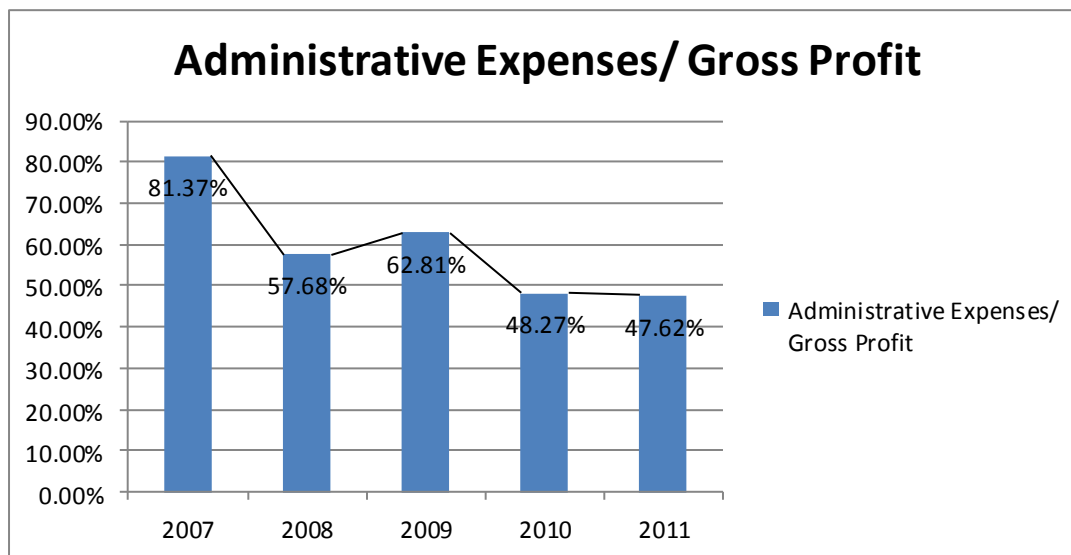
Gross Profit increased by 207.32% over the 5 year period to \$166.12 million in financial year 2011 from

\$54.05 million in financial year 2007. The CAGR for the period was 32.41%. The gross profit margin improved from 30.24% in 2007 to 36.39% in 2011.

#### 10.4 Expense Analysis

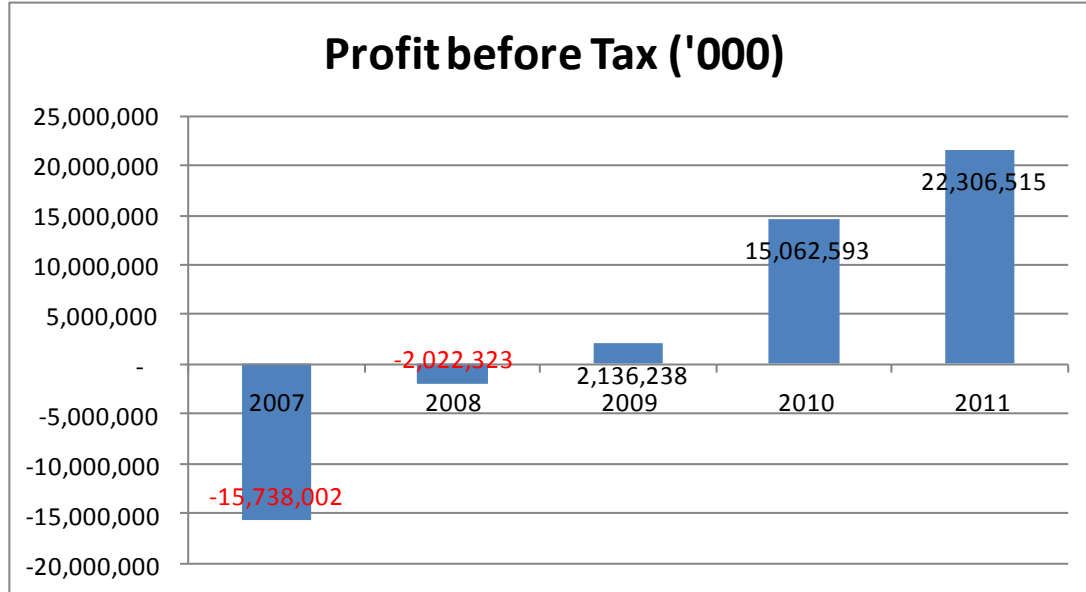


The Company monitors its overall costs carefully and places significant importance on controlling administrative expenses. Over the 5 year period, Administrative expenses have increased from \$43.98 million in 2007 to \$79.11 million in 2011. The large increase from 2008 to 2009 was due to the Company's rapid growth in sales during the period, and the need for additional staff, as well as repairs to plant and processes. Since 2009-2011, the Company has strategically contained Administrative expenses with the line item increasing from \$75.84 million to \$79.11 million, an increase of 4.31% while sales from 2009-2011 grew by 30.42%. The cost of selling and distribution increased 19.26% from \$52.9m in 2010 to \$63.09m in 2011, this is mostly attributable to an increase in sales and the implementation of control systems.



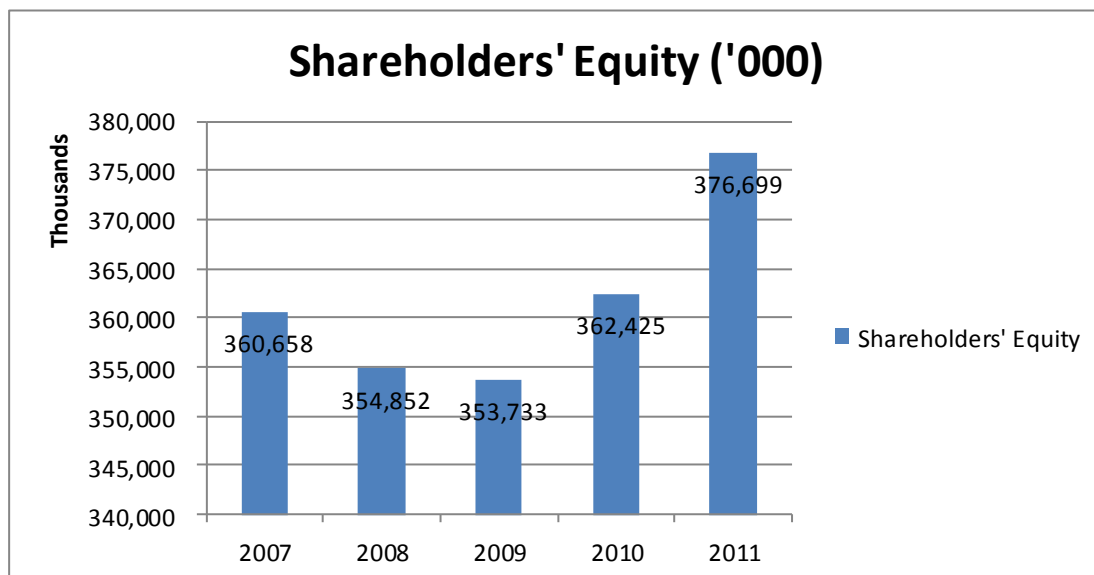
Over the period under review, the Company has focused on growing its Gross Profit while controlling or reducing its Administrative expenses. The ratio of Administrative Expenses-to-Gross Profit has favourably declined from 81.37% in 2007 to 47.62% in 2011. In 2007, the Company incurred non-operational charges higher than expected.

### 10.5 Profit before Tax



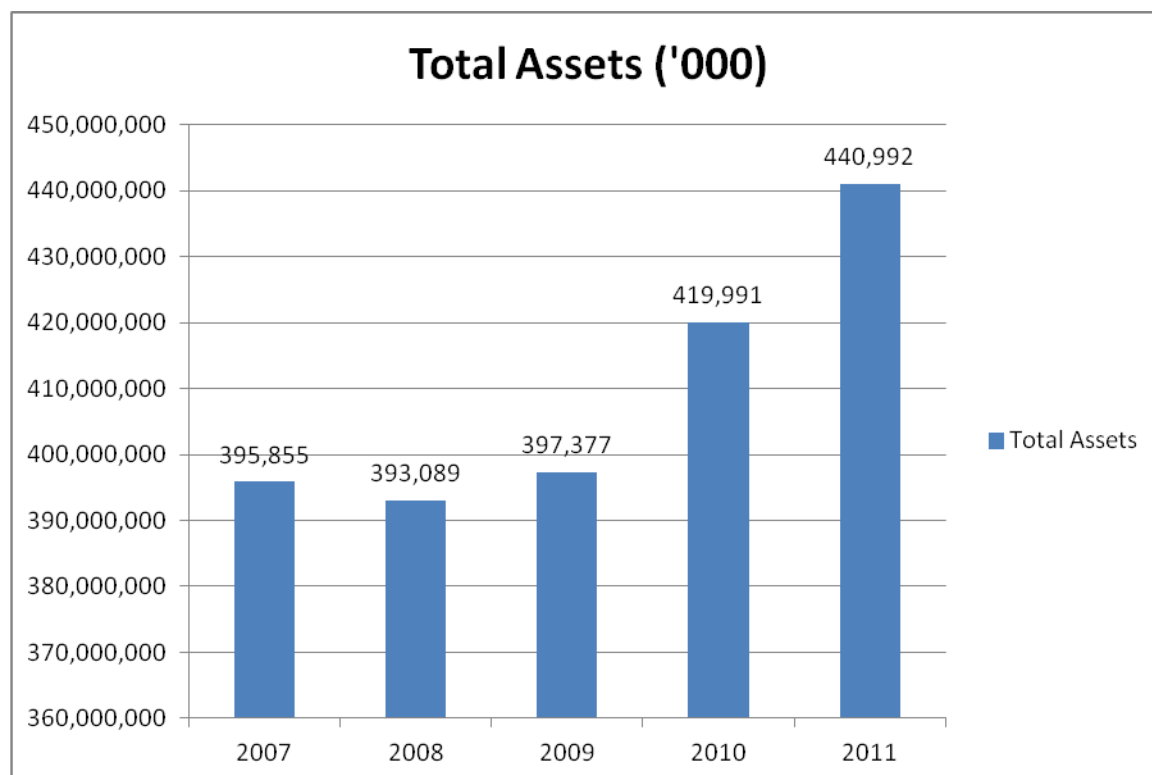
The Company's profit/ (Loss) before tax grew from a loss of \$15.7 million in 2007 to a profit before tax of \$22.3 million in 2011. The financial years of 2007 and 2008 were affected by non-operational expenses. The Company returned to a profit before tax position in 2009 and has continued to grow this line item for the past 3 years at a CAGR of 223.14%.

### 10.6 Shareholders' Equity Analysis



Over the 5 year period, Shareholders' Equity has steadily grown from 2009-2011 at a CAGR of 3.2% . The Company has been very conservative with its Debt to Equity strategy, always maintaining a ratio of below 10%. Shareholders' Equity has increased from \$360.65 million in 2007 to \$376.69 million in 2011. Shareholders' Equity has been bolstered by the Company's return to profitability in 2009 that has led to a significant increase in Retained Earnings over the 3 year period, from \$1.93 million in 2009 to \$24.89 million in 2011.

### 10.7 Total Assets Analysis



Over the 5 financial years under review, total assets have increased to \$440.99 million from \$395.85 million. The Company's total assets have grown by 11.40% from 31<sup>st</sup> December 2007 to 31<sup>st</sup> December 2011. Land and building represent 72% of total assets as at 31<sup>st</sup> December 2011. The financial years of 2010 and 2011 have seen the largest increase in total assets over the 5 year period, with 2011 increasing by 5% year over year and 2010 increasing by 5.69% year over year.

**BOGLE & COMPANY**  
CHARTERED ACCOUNTANTS

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Kingston 10  
Jamaica W.I.  
Tel: (876) 926-5106, 968-1656  
Fax: (876) 926-2995  
Website: [www.bogleandcompany.com](http://www.bogleandcompany.com)

June 29, 2012

The Board of Directors  
Consolidated Bakeries (Jamaica) Limited  
111 Red Hills Road  
Kingston 19

Dear Sirs,

We have audited, in accordance with International Standards on Auditing, the financial statements of Consolidated Bakeries (Jamaica) Limited for the five (5) years December 31, 2011, December 31, 2010, December 31, 2009, December 31, 2008 and December 31, 2007 and for each of the period ended on those dates, and in our reports dated, April 26, 2012, October 15, 2011, March 29, 2010, April 9, 2009 and March 27, 2008 we expressed unqualified opinions on these financial statements.

In our opinion, the extracted statements of Financial Position and statements of Comprehensive Income set out in the prospectus are consistent, in all material respects, with the financial statements referred to above, from which they were derived.

For a better understanding of the company's financial position at the end of the reporting periods referred to above, the results of its operations for each of the periods ended on those dates, and the scope of our audit, the extracted statements of financial position and statements of Comprehensive Income should be read in conjunction with the financial statements from which they were derived and our audit reports thereon.

Yours faithfully,

  
BOGLE & COMPANY

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WORRICK BOGLE, FCCA FCA CPA

Email: [info@bogleandcompany.com](mailto:info@bogleandcompany.com)

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**Section 11****Auditors Report and Historical Financial Information****HISTORICAL INFORMATION: STATEMENT OF FINANCIAL POSITION****CONSOLIDATED BAKERIES (JA) LTD****HISTORICAL DATE: STATEMENT OF FINANCIAL POSITION**

	December 31 2011 \$	December 31 2010 \$	December 31 2009 \$	December 31 2008 \$	December 31 2007 \$
<b>ASSETS</b>					
Cash and Cash Equivalents	1,745,857	4,736,053	3,224,444	1,526,465	2,176,490
Related Party	23,980,187	16,268,304	6,953,906	5,855,221	
Accounts Receivable	36,063,862	25,915,776	19,465,779	19,384,555	19,075,930
Investment	-	698,925	536,064	23,260	23,260
Inventories	7,707,753	7,326,079	6,012,513	2,774,120	2,727,189
Property Plant and Equipment	371,494,750	365,046,317	361,184,469	363,525,568	371,852,171
<b>TOTAL ASSETS</b>	<b>440,992,409</b>	<b>419,991,454</b>	<b>397,377,175</b>	<b>393,089,189</b>	<b>395,855,040</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Shareholders' Equity</b>					
Share Capital	120,000	120,000	120,000	120,000	120,000
Capital/ Revaluation Reserve	351,679,579	351,679,579	351,679,579	372,477,351	372,477,351
Retained Earnings	24,899,792	10,625,244	1,933,580	(17,745,413)	(11,939,459)
<b>TOTAL EQUITY</b>	<b>376,699,371</b>	<b>362,424,823</b>	<b>353,733,159</b>	<b>354,851,938</b>	<b>360,657,892</b>
<b>Liabilities</b>					
Longterm Debt	8,150,796	10,257,378	400,000	1,270,199	-

Payables	22,806,342	32,540,150	35,553,007	27,195,741	17,841,173
Current Portion of debt	5,054,895	1,500,000	533,333	725,828	162,162
Taxation	11,921,689	3,919,289	40,324	2,643,244	-
Bank Overdraft	16,359,316	9,349,814	7,117,352	4,457,532	11,400,515
Related Party	-	-	-	1,944,707	5,793,298
<b>TOTAL LIABILITIES</b>	<b>64,293,038</b>	<b>57,566,631</b>	<b>43,644,016</b>	<b>38,237,251</b>	<b>35,197,148</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>440,992,409</b>	<b>419,991,454</b>	<b>397,377,175</b>	<b>393,089,189</b>	<b>395,855,040</b>

**CONSOLIDATED BAKERIES (JA) LTD**  
**HISTORICAL DATA : STATEMENT OF COMPREHENSIVE INCOME**

	December 31 2011 \$	December 31 2010 \$	December 31 2009 \$	December 31 2008 \$	December 31 2007 \$
<b>Gross Income</b>	<b>456,559,036</b>	409,158,521	350,059,792	290,431,176	178,783,974
Manufacturing Costs	290,433,405	272,308,268	229,304,116	203,560,956	124,727,540
	166,125,631	136,850,253	120,755,676	86,870,220	54,056,434
Administrative Selling and Distribution	79,116,053	66,050,689	75,840,666	50,108,199	43,983,546
Finance	63,092,563	52,954,539	45,680,259	39,904,320	33,600,228
Administrative and Other Expenses	2,398,181	3,159,058	385,541	1,769,549	6,648,945
	144,606,797	122,164,286	121,906,466	90,357,372	75,881,750
<b>OPERATING PROFIT/(LOSS)</b>	<b>21,518,834</b>	14,685,967	(1,150,790)	(3,487,152)	(21,825,316)
<b>OTHER INCOME</b>	<b>787,681</b>	376,626	3,287,028	1,464,829	6,087,314
<b>PROFIT/(LOSS) BEFORE TAXATION</b>	<b>22,306,515</b>	15,062,593	2,136,238	(2,022,323)	(15,738,002)

TAXATION	9,508,718	6,370,928	3,255,018	3,203,733	672,662
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	12,797,797	8,691,665	(1,118,780)	(5,226,056)	(16,410,664)
GAIN /(LOSS) ON DISPOSAL OF ASSETS	1,476,750	-	-	(579,898)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>NET COMPREHENSIVE INCOME/(LOSS)</b>	<b>14,274,547</b>	<b>8,691,665</b>	<b>(1,118,780)</b>	<b>(5,805,954)</b>	<b>(16,410,664)</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

**AUDITED FINANCIAL STATEMENTS FOR YEAR-END DECEMBER 2011**

**CONSOLIDATED BAKERIES**  
**(JAMAICA) LIMITED**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**CONSOLIDATED BAKERIES (JAMAICA) LIMITED**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

C O N T E N T S

PAGE

AUDITORS' REPORT.....	1-2
STATEMENT OF FINANCIAL POSITION.....	3
STATEMENT OF COMPREHENSIVE INCOME.....	4
STATEMENT OF CHANGES IN EQUITY.....	5
STATEMENT OF CASHFLOWS.....	6
NOTES TO FINANCIAL STATEMENTS.....	7-15

**ADDITIONAL INFORMATION**

ACCOUNTANTS' REPORT.....	16
MANUFACTURING TRADING ACCOUNT.....	17
SCHEDULE OF ADMINISTRATIVE EXPENSES.....	18
SCHEDULE OF SELLING & DISTRIBUTION EXPENSES.....	19

**BOGLE & COMPANY**  
CHARTERED ACCOUNTANTS

PAGE 1

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**AUDITORS' REPORT**  
**TO THE MEMBERS**  
**OF**  
**CONSOLIDATED BAKERIES (JAMAICA) LIMITED**

We have audited the financial statements for Consolidated Bakeries (Jamaica) Limited set out on the following pages 3-15 which comprise the statement of financial position as of December 31, 2011 and the statement of comprehensive income, statement of changes in equity and statement of cashflows for the period then ended, and a summary of significant accounting policies and other explanatory notes.

**Management's responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

---

WORRICK BOGLE, FCCA FCA CPA

Email: [info@bogleandcompany.com](mailto:info@bogleandcompany.com)

**Opinion**

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as of December 31, 2011 and of the financial performance and cash flows of the company for the period then ended accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

**Report on Other Legal Regulatory Requirements**

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying financial statements are in agreement therewith and give the information required by the Act, in the manner so required.

  
-----  
**BOGLE & COMPANY**

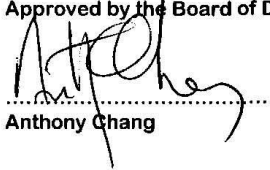
Apr. 1 2012




**CONSOLIDATED BAKERIES (JA) LTD**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2011**

	<u>Notes</u>	<u>2011</u>	<u>2010</u>
		\$	\$
<b><u>Assets</u></b>			
<b><u>Non Current Asset</u></b>			
Property , Plant & Equipment	3c & 6	371,494,750	365,046,316
Other Financial Asset	7	-	698,925
		<u>371,494,750</u>	<u>365,745,241</u>
<b><u>Currents Assets</u></b>			
Inventories	3b & 8	7,707,753	7,326,079
Accounts Receivables net of allowances	9	36,063,862	25,915,776
Related Parties	10	23,980,187	16,268,306
Cash & Cash Equivalents	11	1,745,857	4,736,053
		<u>69,497,659</u>	<u>54,246,214</u>
<b>Total Assets</b>		<u><u>440,992,409</u></u>	<u><u>419,991,455</u></u>
<b><u>Equity &amp; Liabilities</u></b>			
<b>Share Capital</b>			
<b>Authorised &amp; Issued 60,000 Shares of</b>			
\$2.00 Each Fully Paid	12	120,000	120,000
Capital Reserve	13	20,825,532	20,825,532
Revaluation Reserves	14	330,854,047	330,854,047
Retained Earnings		<u>24,899,792</u>	<u>10,625,245</u>
		<u>376,699,371</u>	<u>362,424,824</u>
Long Term Loan	15	8,150,796	10,257,378
		<u>384,850,167</u>	<u>372,682,202</u>
<b><u>Current Liabilities:</u></b>			
Current Portion - Long Term Loan	15	5,054,895	1,500,000
Payables & Accruals	16	22,806,342	32,540,151
Bank Overdraft	17	16,359,316	9,349,814
Taxation	18	11,921,689	3,919,289
		<u>56,142,242</u>	<u>47,309,254</u>
<b>Total Equity &amp; Liabilities</b>		<u><u>440,992,409</u></u>	<u><u>419,991,455</u></u>

Approved by the Board of Directors on April 26, 2012 and signed on its behalf by:

  
 Anthony Chang

  
 Vincent Chang

The accompanying notes form an integral part of these financial statements and should be read in conjunction therewith.

**CONSOLIDATED BAKERIES (JA) LTD**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**DECEMBER 31, 2011**

		<u>2011</u>	<u>2010</u>
		\$	\$
<u>Turnover</u>	<u>Notes</u> 19	<u>456,559,036</u>	<u>409,158,521</u>
Net operating Profit after charging the under mentioned items:		21,518,834	14,685,967
Depreciation		14,361,085	14,803,882
Auditors' Remuneration		850,000	760,000
Directors' Remuneration		13,021,809	7,038,012
Net Profit before taxation		21,518,834	14,685,967
Other Income	20	<u>787,681</u>	<u>376,626</u>
		22,306,515	15,062,593
Taxation		<u>9,508,718</u>	<u>6,370,928</u>
		12,797,797	8,691,665
<u>COMPREHENSIVE INCOME</u>			
Gain on disposal of Shares	21	<u>1,476,750</u>	<u>-</u>
Net Comprehensive Income		<u>14,274,547</u>	<u>8,691,665</u>

**CONSOLIDATED BAKERIES (JA) LTD**  
**STATEMENT OF CHANGES IN EQUITY**  
**DECEMBER 31, 2011**

	<u>Share Capital</u>	<u>Revaluation Reserve</u>	<u>Capital Reserve</u>	<u>Retained Earnings</u>	<u>Total</u>
	\$	\$	\$	\$	\$
Balance at January 1, 2010	120,000	330,854,047	20,825,532	1,933,580	353,733,159
Current Year Profit				8,691,665	8,691,665
Balance at December 31, 2010	120,000	330,854,047	20,825,532	10,625,245	362,424,824
Balance at January 1, 2011	120,000	330,854,047	20,825,532	10,625,245	362,424,824
Current Year Profit				14,274,547	14,274,547
Balance at December 31, 2011	120,000	330,854,047	20,825,532	24,899,792	376,699,371

**CONSOLIDATED BAKERIES (JA) LTD**  
**STATEMENT OF CASH FLOWS**  
**DECEMBER 31, 2011**

	<u>2011</u>	<u>2010</u>
	\$	\$
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Net Profit	14,274,547	8,691,664
Items not affecting cash resources:		
Add Depreciation Charged	<u>14,361,085</u>	<u>10,835,220</u>
	28,635,633	19,526,885
<b><u>(INCREASE)/DECREASE IN CURRENT ASSETS</u></b>		
Related Parties	(7,711,878)	(9,314,399)
Inventories	(381,675)	(1,313,566)
Receivables	(10,148,086)	(6,449,997)
<b><u>INCREASE/(DECREASE) IN CURRENT LIABILITIES</u></b>		
Trade Payables	(9,733,810)	(3,012,857)
Taxation	<u>8,002,400</u>	<u>3,878,965</u>
Net cash provided by operating activities	<u>8,662,583</u>	<u>3,315,031</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchase of Fixed Asset	<u>(20,809,519)</u>	<u>(14,697,067)</u>
Net cash used in investing activities	<u>(20,809,519)</u>	<u>(14,697,067)</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Financial Assets	698,925	(162,861)
Loan	<u>1,448,313</u>	<u>10,824,045</u>
Net cash flows from financing activities	<u>2,147,238</u>	<u>10,661,184</u>
Net cash generated this year	(9,999,697)	(720,853)
Cash & cash equivalents at beginning of year	<u>(4,613,761)</u>	<u>(3,892,908)</u>
Cash and cash equivalents at year end	<u><u>(14,613,459)</u></u>	<u><u>(4,613,761)</u></u>
<b><u>Represented By:</u></b>		
Cash & Cash Equivalents	1,745,857	4,736,053
Bank Overdraft	<u>(16,359,316)</u>	<u>(9,349,814)</u>
	<u><u>(14,613,459)</u></u>	<u><u>(4,613,761)</u></u>

**CONSOLIDATED BAKERIES (JA) LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**1 Identification and Principal Activities**

The company is incorporated under the Jamaica Companies Act and is a wholly owned subsidiary of Chang Brothers Limited which is also a wholly owned Jamaican company incorporated under the Jamaica Companies Act.

**Activity**

The main activity of the company is the Manufacture, Wholesale and Retail of edible baked products.

**2 Reporting Currency**

The amounts in these financial statements are expressed in Jamaican Dollars, which is the primary currency in the country which it operates.

**3 Statement of Compliance, Basis of Preparation and Significant Accounting Policies**

**(i) Statement of Compliance**

These Financial Statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and have been prepared under the historical cost convention as modified by the revaluations of available-for-sale investment securities, investments securities through profit and loss and investment property.

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.

**Standards that became effective during the year or earlier**

**IAS 36 (Amendment) 'Impairment of assets'** This amendment clarifies that the largest cash generating unit ( or group of units) to which goodwill should be allocated for the purpose of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8 , "Operating Segments' (i.e. before the aggregation of segments with similar economic characteristics). The company does not currently have goodwill on its Statement of Financial Position.

**IFRS 5 (Amendment), 'Non-Current assets held for sale and discontinued operations'**. The amendment clarifies that the IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, in particular paragraph 15 (to achieve a fair value presentation) and paragraph 125 ( source of estimation uncertainty) of IAS . The company does not have non-current assets held for sale or discontinued operations.

**IFRIC 19, 'Extinguishing financial liabilities with equity instruments'**. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is

**CONSOLIDATED BAKERIES (JA) LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

measured in the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The interpretation did not have an impact on the financial statements, as the entity has no debt for equity swap agreements.

**IAS 24 ( Revised), 'Related Party disclosures'** (effective for annual periods beginning on or after January 2011). A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the 'reporting entity') .

A person or a close member of that person's family is related to a reporting entity if that person:

- (a) (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

An entity is related to a reporting entity if any of the following conditions applies:

- (b) (i) The entity and the reporting entity are members of the same group ( which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key

**At the date of the Financial Statements there were standards in issue but not yet effective**  
**These are considered relevant to the company. They are as follows:**

**IFRS 9, 'Financial Instruments'** ( effective for annual periods beginning on or after 1 January 2013). This standard specifies how an entity should classify and measure financial instruments, including some hybrid contracts. It requires all financial assets to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset; initially measured at fair value plus, in the case of the financial asset not at fair value through profit or loss, particular transaction costs, and subsequently measured at amortised costs or fair value. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39. They apply a consistent approach to classifying financial assets and replace the four categories of financial assets in IAS 39, each of which had its own classification criteria. That also result in one impairment method, replacing the two impairment methods in IAS 39 that arise from the different classification categories. There has been no significant change in the recognition and measurement of financial liabilities carried at amortised cost.

**CONSOLIDATED BAKERIES (JA) LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**New standards, and interpretations of amendments to existing standards, that are not yet effective Cont'd**

**IFRS 13, 'Fair Value Measurement'** (effective for annual periods beginning on or after 1 January 2013). The standard explains how to measure fair value for financial reporting. It defines fair value; sets out in a single IFRS a framework for measuring fair value; and requires value measurements. This standard applies to those standards that require or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances.

**(ii) Basis of Preparation**

**(a) Use of Estimates**

The preparation of the Financial Statements to conform to IFRS requires management to make estimates and assumptions that reflect the reported amount of assets and liabilities. Contingent assets and contingent liabilities at the date of the Statements of Financial Position, and the Statement of Comprehensive Income for the year then ended. Actual amounts may vary from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision of accounting estimates are recognised in the period in which the estimate is reviewed if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**(b) Inventories**

Inventories are stated at the lower of costs and net realisable value with no profit being included in work in progress.

**(c) Depreciation**

Property, Plant & Equipment are depreciated under the straight line method at rates designed to write off their cost or valuation over their estimated useful lives. However depreciation is prorated on a monthly basis during the year of purchase. The rates used for depreciation are as follows:

Buildings	2.5%
Plant, Machinery & Equipment	10%
Furniture & Equipment	10%
Motor Vehicles	12.5%
Computers	20%

**(d) Foreign Currency**

Foreign currency transactions are converted and included in the financial statements at the prevailing rate of exchange at the transaction date. Deposits held and liabilities in foreign currency at the date of the Statement of Financial Position are therefore adjusted to reflect the Jamaican equivalent as at that date. Exchange differences arising from settling transactions are reflected in the Statement of Comprehensive Income.

**CONSOLIDATED BAKERIES (JA) LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**(e) Trade Receivables**

A trade receivable is carried at invoiced amounts less provision made for impairment losses. Provision for impairment of trade receivable is established when there is sufficient evidence that the company will not be able to recover the full amounts in accordance with the original terms of the transaction.

**(f) Borrowings & Borrowings & Costs**

Borrowings are recognised initially at the proceeds received plus transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between proceeds and the redemption value is recognised in the Statements of Comprehensive Income over the period of the borrowings. Borrowing costs are recognised in the period in which they are incurred.

**(g) Cash & Cash Equivalents**

Cash and cash equivalents are carried in the Statement of Financial Position at cost, for the purpose of the Statement of Cash flow, this is comprised of deposits, cash at bank and cash in hand.

**(h) Revenue Recognition**

Revenue is recognised in the Income Statement when it is probable that future economic benefit associated with the items of revenue will flow to the company and is able to be reliably measured. Revenue from the sale of goods are measured at fair value of the consideration received or receivable net of discounts and allowances.

**4 Financial Instruments**

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another. Financial assets carried on the statement of financial position include accounts receivable, cash and cash at bank. Bank overdraft and accounts payable are deemed financial liabilities.

**a) Interest Rate Risk**

Interest rate risk arises when the value of a financial instrument fluctuates during a specified period due to changes in market interest rates.

The company is exposed to interest rate risk regarding loan, foreign currency savings accounts and overdraft.

**b) Credit Risk**

Credit risk is the risk of exposure occasioned by one party to financial instruments. This occurs when the other party fails to discharge its obligation thus causing the other party to suffer a financial loss.

The company is exposed to credit risks in respect of its receivables from other companies and individuals.



**CONSOLIDATED BAKERIES (JA) LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**Financial Instruments Cont'd**

The maximum exposure to credit risk at the reporting date is represented by the carrying amount of each financial asset as follows:

	<u>Carrying Amount</u>	
	<u>2011</u>	<u>2010</u>
	\$	\$
Cash Equivalent	1,472,128	4,522,941
Receivables	36,063,862	25,915,776
Due From Related Parties	23,980,187	16,268,306
	<u>61,516,177</u>	<u>46,707,023</u>

**c) Liquidity Risk**

Liquidity risk is that risk which the company faces when it encounters difficulties in raising funds to meet commitments associated with its financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, and an adequate amount of committed facilities.

At 31 December 2011, the company did not face any liquidity risks.

**d) Cash Flow Risk**

Monetary financial instrument will fluctuate in amount. The company manages this risk by budgetary measures, ensuring that fluctuations in cash flows relating to the monetary financial assets and liabilities are matched, to mitigate any significant adverse cash flows.

**e) Foreign Currency Risk**

A foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in the foreign currency exchange rates.

The Company is exposed to foreign currency risk at December 31, 2011 in respect of bank balances and savings accounts.

**5 Employee Benefits**

The company participates in a defined contribution plan, the asset of which are held separately from those of the company. The scheme is funded by employee's contribution of 5% of salary or an option of the maximum 10% and the employer's contribution of 5%.

**CONSOLIDATED BAKERIES (JA) LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**6 Property, Plant & Equipment**

	<u>Land &amp; Building</u>	<u>Plant &amp; Machinery</u>	<u>Furniture &amp; Fixtures</u>	<u>Motor Vehicles</u>	<u>Loose Tools</u>	<u>Plastic Trays</u>	<u>Baking Tins &amp; Sheets</u>	<u>Software Package</u>	<u>Total</u>
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Costs/ Valuation</b>									
January 1, 2010	370,507,965	14,703,464	4,716,271	22,933,356	426,867	1,918,795	5,456,908	1,537,344	422,200,970
Additions		7,119,810	409,149	5,722,153	345,371		1,100,584		14,697,067
Disposal								(532,671)	(532,671)
December 31, 2010	370,507,965	21,823,274	5,125,420	28,655,509	772,238	1,918,795	6,557,492	1,004,673	436,365,366
Additions year 2011	1,711,597	13,528,664	294,570	2,819,125	145,854	1,603,875	364,436	341,398	20,809,519
Balance at 31 December 2011	372,219,562	35,351,938	5,419,990	31,474,634	918,092	3,522,670	6,921,928	1,346,071	457,174,885
<b>Accumulated Depreciation</b>									
January 1, 2010	37,095,889	7,608,605	2,217,712	9,704,552	67,931	1,280,902	1,437,049	736,194	60,148,834
Charge for the year	6,600,199	1,010,268	251,010	2,570,427	43,015	60,945	433,417	200,935	11,170,216
December 31, 2010	43,696,088	8,618,873	2,468,722	12,274,979	110,946	1,341,847	1,870,466	937,129	71,319,050
Charge for the year 2011	9,305,489	1,342,665	271,231	2,497,434	2,548	175,845	548,851	217,022	14,361,085
Balance at 31 December 2011	53,001,577	9,961,538	2,739,953	14,772,413	113,494	1,517,692	2,419,317	1,154,151	85,680,135
<b>Net Book Value</b>									
December 31, 2011	319,217,985	25,390,401	2,680,037	16,702,221	804,598	2,004,978	4,502,611	191,919	371,494,750
December 31, 2010	326,811,877	13,204,402	2,656,698	16,380,530	661,292	576,948	4,687,027	67,544	365,046,316

Bogle and Company

**CONSOLIDATED BAKERIES (JA) LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

<b>7 Other Financial Assets</b>	<b>2011</b>	<b>2010</b>
	\$	\$
Shares - Poly-Cello Packaging Limited	-	23,250
- Victoria Mutual Building Society	-	10
Victoria Mutual Building Society - Escrow Account	-	675,665
	<u>-</u>	<u>698,925</u>

<b>8 Inventories</b>	<b>2011</b>	<b>2010</b>
	\$	\$
Raw Materials	4,601,658	4,253,838
Packaging Materials & Spares	2,831,931	2,656,834
Finished Goods	274,164	415,406
	<u>7,707,753</u>	<u>7,326,079</u>

<b>9 Receivables</b>	<b>2011</b>	<b>2010</b>
	\$	\$
Trade Receivables	23,730,145	17,341,636
Less Provision for Bad Debt	(572,739)	(572,739)
	<u>23,157,406</u>	<u>16,768,897</u>
Other Receivables	12,906,456	9,146,878
	<u>36,063,862</u>	<u>25,915,776</u>

**Aged Trade Receivables**

	<u>Within 1</u> <u>Months</u>	<u>31 to 60</u> <u>Days</u>	<u>Over 60</u> <u>Days</u>	<u>Carrying</u> <u>Value</u>
	\$	\$	\$	\$
Balance at : December 31, 2011	<u>15,537,755</u>	<u>1,131,953</u>	<u>7,060,438</u>	<u>23,730,145</u>
December 31, 2010	<u>9,630,650</u>	<u>1,687,767</u>	<u>6,023,219</u>	<u>17,341,636</u>

<b>10 Related Parties</b>	<b>2011</b>	<b>2010</b>
	\$	\$
Parent Company	400,387	400,387
Directors' Accounts (Note 22)	14,474,456	8,042,344
Poly Cello Packaging Ltd	9,105,344	7,825,575
	<u>23,980,187</u>	<u>16,268,306</u>

<b>11 Cash &amp; Cash Equivalents</b>	<b>2011</b>	<b>2010</b>
	\$	\$
Cash in Hand	273,729	213,112
National Commercial Bank Limited		
- Payroll Account	49,801	86,315
- Merchant Account	354,641	552,173
- United States Dollar Savings Account	1,032,350	3,209,579
- Canadian Dollar Savings Account	35,336	674,874
	<u>1,745,857</u>	<u>4,736,053</u>

**CONSOLIDATED BAKERIES (JA) LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

<b>12 Share Capital</b>		<u>2011</u>	<u>2010</u>
		\$	\$
Authorized, Issued and Fully Paid- 60,000 Ordinary Shares at \$2.00 each		120,000	120,000
		<u>120,000</u>	<u>120,000</u>

**13 Capital Reserve**

This represents compensation received for building which had to be demolished due to land development with Pricesmart Limited

**14 Revaluation Reserve**

This represents revaluation of land and building done by independent professional valuers In October 2007.

**15 Loans**

		<u>2011</u>	<u>2010</u>
		\$	\$
National Commercial Bank Limited			
x) Business Grow loan		3,910,256	11,757,375
xx) DBJ loan		9,295,435	-
		<u>13,205,691</u>	<u>11,757,375</u>
Less Current Portion		5,054,895	1,500,000
Long Term Portion		<u>8,150,796</u>	<u>10,257,375</u>

x) This loan is for six and a half years with interest rate at 16.75% per annum.

xx) This loan is a DBJ loan through the National Commercial Bank Limited with interest at 13% per annum for three and a half years.

**Secured By:**

(i) First legal mortgage over commercial property located at 111 Red Hills Road. Registered stamped to cover \$29.5 million.

(ii) Unsupported director's guarantee stamped to cover \$28.6 million.

<b>16 Payables &amp; Accruals</b>		<u>2011</u>	<u>2010</u>
		\$	\$
Accounts Payable- Trade		20,984,541	22,507,079
Other Payables & Accruals		1,821,801	10,033,072
		<u>22,806,342</u>	<u>32,540,151</u>

	<u>Aged Trade Payables</u>			Amount Due
	Within 1 Months	31 to 60 Days	Over 60 Days	
<b>Balance at</b>	\$	\$	\$	\$
December 31, 2011	13,248,051	5,433,094	2,303,396	20,984,541
December 31, 2010	19,623,064	1,687,767	1,196,248	22,507,079

**CONSOLIDATED BAKERIES (JA) LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

17 **Bank Overdraft**

This is secured by first legal mortgage over commercial property located at 111 Red Hills Road and by Directors guarantee.

18 **Taxation**

Taxation is charged to account at the rate of 33 1/3% of profit after adjustment for tax purposes.

19 **Turnover**

Turnover represents goods sold net of General Consumption Tax and discounts.

20 **Other Income**

This is comprised of interest on saving accounts and rental of parking space to Pricemart Limited.

21 **Disposal of shares**

This represents gain on disposal of shares in Related Company.

22 **Directors Current Account**

Subsequent to year end the Directors significantly reduced their indebtedness to the company by a payment of \$6m.

23 **Contingent Liability**

Resulting from a motor vehicle accident involving one of the company's motor Vehicles claims have been filed against the company. Based on professional assessment however, it is unlikely that settlements will exceed the insurance policy limit. Therefore it is not deemed necessary to make a provision in these Statements.

**UNAUDITED SECOND QUARTER 2012 FINANCIAL STATEMENTS**

**CONSOLIDATED BAKERIES (JA) LTD**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30 2012**

	<u>Notes</u>	June 2012 \$	June 2011 \$
<b><u>Assets</u></b>			
<b><u>Non Current Asset</u></b>			
Property , Plant & Equipment	3c & 6	373,111,515	358,505,106
<b><u>Currents Assets</u></b>			
Inventories	3b & 7	5,349,554	6,196,547
Accounts Receivables net of allowances	8	50,492,108	37,342,028
Related Parties	9	20,660,307	15,929,742
Cash & Cash Equivalents	10	1,228,903	2,657,434
		<u>77,730,872</u>	<u>62,125,751</u>
<b>Total Assets</b>		<u>450,842,387</u>	<u>420,630,857</u>
<b><u>Equity &amp; Liabilities</u></b>			
<b>Share Capital</b>			
Authorised & Issued 60,000 Shares of \$2.00 Each Fully Paid	11	120,000	120,000
Capital Reserve	12	20,825,532	20,825,532
Revaluation Reserves	13	330,854,047	330,854,047
Retained Earnings		33,290,447	18,172,687
		<u>385,090,026</u>	<u>369,972,266</u>
Long Term Loan	14	15,384,000	6,063,121
		<u>400,474,026</u>	<u>376,035,387</u>
<b><u>Current Liabilities:</u></b>			
Current Portion - Long Term Loan	14	10,576,000	2,512,000
Payables & Accruals	15	30,522,992	28,033,932
Bank Overdraft	16	6,270,898	12,034,125
Taxation	17	2,998,471	2,015,412
		<u>50,368,361</u>	<u>44,595,470</u>
<b>Total Equity &amp; Liabilities</b>		<u>450,842,387</u>	<u>420,630,857</u>

  
 Anthony Chang

  
 Vincent Chang

The accompanying notes form an integral part of these financial statements and should be read in conjunction therewith.

**CONSOLIDATED BAKERIES (JA) LTD**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**HALF YEAR ENDED JUNE 30 2012**

		<u>June</u> <u>2012</u> \$	<u>June</u> <u>2011</u> \$									
<u>Turnover</u>	<u>Notes</u> 18	<u>251,399,368</u>	<u>238,765,980</u>									
Net operating Profit after charging the under mentioned items:		11,382,948	9,531,127									
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; padding: 5px;">Depreciation</td> <td style="width: 25%; text-align: right; padding: 5px;">5,807,489</td> <td style="width: 25%; text-align: right; padding: 5px;">5,807,489</td> </tr> <tr> <td style="padding: 5px;">Auditors' Remuneration</td> <td style="text-align: right; padding: 5px;">400,000</td> <td style="text-align: right; padding: 5px;">300,000</td> </tr> <tr> <td style="padding: 5px;">Directors' Remuneration</td> <td style="text-align: right; padding: 5px;">6,500,000</td> <td style="text-align: right; padding: 5px;">6,978,775</td> </tr> </table>				Depreciation	5,807,489	5,807,489	Auditors' Remuneration	400,000	300,000	Directors' Remuneration	6,500,000	6,978,775
Depreciation	5,807,489	5,807,489										
Auditors' Remuneration	400,000	300,000										
Directors' Remuneration	6,500,000	6,978,775										
Net Profit before taxation		11,382,948	9,531,127									
Other Income	19	<u>6,178</u>	<u>3,460</u>									
		11,389,126	9,534,587									
Taxation		<u>2,998,471</u>	<u>1,987,145</u>									
		8,390,655	7,547,442									
<b><u>COMPREHENSIVE INCOME</u></b>		<u>                    </u>	<u>                    </u>									
Net Comprehensive Income		<u><u>8,390,655</u></u>	<u><u>7,547,442</u></u>									



**CONSOLIDATED BAKERIES (JA) LTD**  
**STATEMENT OF CHANGES IN EQUITY**  
**HALF YEAR ENDED JUNE 30 2012**

	<u>Share Capital</u>	<u>Revaluation Reserve</u>	<u>Capital Reserve</u>	<u>Retained Earnings</u>	<u>Total</u>
	\$	\$	\$	\$	\$
Balance at January 1, 2011	120,000	330,854,047	20,825,532	10,625,245	362,424,824
Current Year Profit				14,274,547	14,274,547
Balance at December 31, 2011	120,000	330,854,047	20,825,532	24,899,792	376,699,371
Balance at January 1, 2012	120,000	330,854,047	20,825,532	24,899,792	376,699,371
Current Period Profit				8,390,655	8,390,655
Balance at March 31, 2012	120,000	330,854,047	20,825,532	33,290,447	385,090,026

**CONSOLIDATED BAKERIES (JA) LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**HALF YEAR ENDED JUNE 30 2012**

**1 Identification and Principal Activities**

The company is incorporated under the Jamaica Companies Act and is a wholly owned subsidiary of Chang Brothers Limited which is also a wholly owned Jamaican company incorporated under the Jamaica Companies Act.

**Activity**

The main activity of the company is the Manufacture, Wholesale and Retail of edible baked products.

**2 Reporting Currency**

The amounts in these financial statements are expressed in Jamaican Dollars, which is the primary currency in the country which it operates.

**3 Statement of Compliance, Basis of Preparation and Significant Accounting Policies**

**(i) Statement of Compliance**

These Financial Statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and have been prepared under the historical cost convention as modified by the revaluations of available-for-sale investment securities, investments securities through profit and loss and investment property.

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.

**Standards that became effective during the year or earlier**

**IAS 36 (Amendment) 'Impairment of assets'** This amendment clarifies that the largest cash generating unit ( or group of units) to which goodwill should be allocated for the purpose of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8 , "Operating Segments' (i.e. before the aggregation of segments with similar economic characteristics). The company does not currently have goodwill on its Statement of Financial Position.

**IFRS 5 (Amendment), 'Non-Current assets held for sale and discontinued operations'**. The amendment clarifies that the IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, in particular paragraph 15 (to achieve a fair value presentation) and paragraph 125 ( source of estimation uncertainty) of IAS . The company does not have non-current assets held for sale or discontinued operations.

**IFRIC 19, 'Extinguishing financial liabilities with equity instruments'**. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is

**CONSOLIDATED BAKERIES (JA) LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**HALF YEAR ENDED JUNE 30 2012**

measured in the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The interpretation did not have an impact on the financial statements, as the entity has no debt for equity swap agreements.

**IAS 24 ( Revised), 'Related Party disclosures'** (effective for annual periods beginning on or after January 2011). A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the 'reporting entity') .

A person or a close member of that person's family is related to a reporting entity if that person:

- (a) (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

An entity is related to a reporting entity if any of the following conditions applies:

- (b) (i) The entity and the reporting entity are members of the same group ( which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key

**At the date of the Financial Statements there were standards in issue but not yet effective**  
**These are considered relevant to the company. They are as follows:**

**IFRS 9, 'Financial Instruments'** ( effective for annual periods beginning on or after 1 January 2013). This standard specifies how an entity should classify and measure financial instruments, including some hybrid contracts. It requires all financial assets to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset; initially measured at fair value plus, in the case of the financial asset not at fair value through profit or loss, particular transaction costs, and subsequently measured at amortised costs or fair value. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39. They apply a consistent approach to classifying financial assets and replace the four categories of financial assets in IAS 39, each of which had its own classification criteria. That also result in one impairment method, replacing the two impairment methods in IAS 39 that arise from the different classification categories. There has been no significant change in the recognition and measurement of financial liabilities carried at amortised cost.

**CONSOLIDATED BAKERIES (JA) LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**HALF YEAR ENDED JUNE 30 2012**

**New standards, and interpretations of amendments to existing standards, that are not yet effective Cont'd**

**IFRS 13, 'Fair Value Measurement'** (effective for annual periods beginning on or after 1 January 2013). The standard explains how to measure fair value for financial reporting. It defines fair value; sets out in a single IFRS a framework for measuring fair value; and requires value measurements. This standards applies to those standards that require or permits fair value measurements or disclosures about fair value measurements ( and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances.

(ii) **Basis of Preparation**

(a) **Use of Estimates**

The preparation of the Financial Statements to conform to IFRS requires management to make estimates and assumptions that reflect the reported amount of assets and liabilities. Contingent assets and contingent liabilities at the date of the Statements of Financial Position, and the Statement of Comprehensive Income for the year then ended. Actual amounts may vary from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision of accounting estimates are recognised in the period in which the estimate is reviewed if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(b) **Inventories**

Inventories are stated at the lower of costs and net realisable value with no profit being included in work in progress.

(c) **Depreciation**

Property, Plant & Equipment are depreciated under the straight line method at rates designed to write off their cost or valuation over their estimated useful lives. However depreciation is prorated on a monthly basis during the year of purchase. The rates used for depreciation are as follows:

Buildings	2.5%
Plant, Machinery & Equipment	10%
Furniture & Equipment	10%
Motor Vehicles	12.5%
Computers	20%

(d) **Foreign Currency**

Foreign currency transactions are converted and included in the financial statements at the prevailing rate of exchange at the transaction date. Deposits held and liabilities in foreign currency at the date of the Statement of Financial Position are therefore adjusted to reflect the Jamaican equivalent as at that date. Exchange differences arising from settling transactions are reflected in the Statement of Comprehensive Income.

77  
**CONSOLIDATED BAKERIES (JA) LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**HALF YEAR ENDED JUNE 30 2012**

**(e) Trade Receivables**

A trade receivable is carried at invoiced amounts less provision made for impairment losses. Provision for impairment of trade receivable is established when there is sufficient evidence that the company will not be able to recover the full amounts in accordance with the original terms of the transaction.

**(f) Borrowings & Borrowings & Costs**

Borrowings are recognised initially at the proceeds received plus transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between proceeds and the redemption value is recognised in the Statements of Comprehensive Income over the period of the borrowings. Borrowing costs are recognised in the period in which they are incurred.

**(g) Cash & Cash Equivalents**

Cash and cash equivalents are carried in the Statement of Financial Position at cost, for the purpose of the Statement of Cash flow, this is comprised of deposits, cash at bank and cash in hand.

**(h) Revenue Recognition**

Revenue is recognised in the Income Statement when it is probable that future economic benefit associated with the items of revenue will flow to the company and is able to be reliably measured. Revenue from the sale of goods are measured at fair value of the consideration received or receivable net of discounts and allowances.

**4 Financial Instruments**

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another. Financial assets carried on the statement of financial position include accounts receivable, cash and cash at bank. Bank overdraft and accounts payable are deemed financial liabilities.

**a) Interest Rate Risk**

Interest rate risk arises when the value of a financial instrument fluctuates during a specified period due to changes in market interest rates.

The company is exposed to interest rate risk regarding loan, foreign currency savings accounts and overdraft.

**b) Credit Risk**

Credit risk is the risk of exposure occasioned by one party to financial instruments. This occurs when the other party fails to discharge its obligation thus causing the other party to suffer a financial loss.

The company is exposed to credit risks in respect of its receivables from other companies and individuals.

**CONSOLIDATED BAKERIES (JA) LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**HALF YEAR ENDED JUNE 30 2012**

**c) Liquidity Risk**

Liquidity risk is that risk which the company faces when it encounters difficulties in raising funds to meet commitments associated with its financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, and an adequate amount of committed facilities.

At 31 March 2012, the company did not face any liquidity risks.

**d) Cash Flow Risk**

Monetary financial instrument will fluctuate in amount. The company manages this risk by budgetary measures, ensuring that fluctuations in cash flows relating to the monetary financial assets and liabilities are matched, to mitigate any significant adverse cash flows.

**e) Foreign Currency Risk**

A foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in the foreign currency exchange rates.

The Company is exposed to foreign currency risk at March 31, 2012 in respect of bank balances and savings accounts.

**5 Employee Benefits**

The company participates in a defined contribution plan, the asset of which are held separately from those of the company. The scheme is funded by employee's contribution of 5% of salary or an option of the maximum 10% and the employer's contribution of 5%.

**CONSOLIDATED BAKERIES (JA) LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**HALF YEAR ENDED JUNE 30 2012**

**6 Property, Plant & Equipment**

	<u>Land &amp; Building</u>	<u>Plant &amp; Machinery</u>	<u>Furniture &amp; Fixtures</u>	<u>Motor Vehicles</u>	<u>Loose Tools</u>	<u>Plastic Trays</u>	<u>Baking Tins &amp; Sheets</u>	<u>Software Package</u>	<u>Total</u>
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<u>Costs/Valuation</u>									
January 1, 2011	370,507,965	21,823,274	5,125,420	28,655,509	772,238	1,918,795	6,557,492	1,004,673	436,365,366
Additions	1,711,597	13,528,664	294,570	2,819,125	145,854	1,603,875	364,436	341,398	20,809,519
December 31, 2011	372,219,562	35,351,939	5,419,989	31,474,634	918,092	3,522,670	6,921,928	1,346,071	457,174,884
Additions for the half year 2012	876,999	333,830	286,272	-	55,620	2,405,523	220,706	3,245,305	7,424,254
Balance at June 30, 2012	373,096,561	35,685,769	5,706,261	31,474,634	973,712	5,928,193	7,142,634	4,591,376	464,599,140
<u>Accumulated Depreciation</u>									
January 1, 2011	43,696,088	8,618,873	2,468,722	12,274,979	110,946	1,341,847	1,870,466	937,129	71,319,050
Charge for the year	9,305,489	1,342,665	271,231	2,497,434	2,548	175,845	548,851	217,022	14,361,085
December 31, 2011	53,001,577	9,961,538	2,739,953	14,772,414	113,493	1,517,692	2,419,317	1,154,151	85,680,135
Charge for half year 2012	4,663,707	446,072	71,328	393,433	12,171	74,102	89,283	57,392	5,807,489
Balance at 30 June 2012	57,665,284	10,407,610	2,811,282	15,165,846	125,666	1,591,794	2,508,600	1,211,544	91,487,625
<u>Net Book Value</u>									
June 30, 2012	315,431,277	25,278,159	2,894,980	16,308,788	848,046	4,336,399	4,634,034	3,379,832	373,111,515
June 30, 2011	323,511,777	12,113,236	2,400,428	14,589,561	622,680	481,008	4,359,151	427,264	358,505,106

80  
**CONSOLIDATED BAKERIES (JA) LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**HALF YEAR ENDED JUNE 30 2012**

<b>7 Inventories</b>	<b>2012</b>	<b>2011</b>
	\$	\$
Raw Materials	3,244,585	3,981,546
Packaging Materials & Spares	1,830,806	2,015,487
Finished Goods	274,163	199,514
	<u>5,349,554</u>	<u>6,196,547</u>
<b>8 Receivables</b>	<b>2012</b>	<b>2011</b>
	\$	\$
Trade Receivables	36,217,129	27,366,056
Less Provision for Bad Debt	(572,739)	(572,739)
	<u>35,644,390</u>	<u>26,793,317</u>
Other Receivables	14,847,718	10,548,711
	<u>50,492,108</u>	<u>37,342,028</u>
<b>9 Related Parties</b>	<b>2012</b>	<b>2011</b>
	\$	\$
Parent Company	139,382	400,387
Directors' Accounts	11,415,581	9,014,568
Poly Cello Packaging Ltd	9,105,344	6,514,787
	<u>20,660,307</u>	<u>15,929,742</u>
<b># Cash &amp; Cash Equivalents</b>	<b>2011</b>	<b>2012</b>
	\$	\$
Cash in Hand	293,729	199,514
National Commercial Bank Limited		
- Payroll Account	-	14,578
- Merchant Account	-	301,578
- United States Dollar Savings Account	898,895	2,105,484
- Canadian Dollar Savings Account	36,279	36,280
	<u>1,228,903</u>	<u>2,657,434</u>



**CONSOLIDATED BAKERIES (JA) LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**HALF YEAR ENDED JUNE 30 2012**

<b>11</b>	<b><u>Share Capital</u></b>	2,012	<u>2011</u> \$
	Authorised, Issued and Fully Paid- 60,000 Ordinary Shares at \$2.00 each	120,000	120,000
		<u>120,000</u>	<u>120,000</u>

**12 Capital Reserve**

This represents compensation received for building which had to be demolished due to land development with Pricemart Limited

**13 Revaluation Reserve**

This represents revaluation of land and building done by independent professional valuers In October 2007.

<b>14</b>	<b><u>Loans</u></b>	2012	<u>2011</u> \$
	National Commercial Bank Limited	\$	\$
	x) Business Grow loan	18,460,000	8,575,121
	xxx) Revolving Loan	7,500,000	
		<u>25,960,000</u>	<u>8,575,121</u>
	Less Current Portion	10,576,000	2,512,000
	Long Term Portion	<u>15,384,000</u>	<u>6,063,121</u>

x) This loan is for six and a half years with interest rate at 16.75% per annum.

xx) This loan is a DBJ loan through the National Commercial Bank Limited with interest at 13% per annum for three and a half years.

**Secured By:**

(i) First legal mortgage over commercial property located at 111 Red Hills Road. Registered stamped to cover \$29.5 million.

(ii) Unsupported director's guarantee stamped to cover \$28.6 million and \$5.8m stamped to cover \$34.4m

<b>15</b>	<b><u>Payables &amp; Accruals</u></b>	2012	<u>2011</u> \$
	Accounts Payable- Trade	24,216,108	25,874,521
	Other Payables & Accruals	6,306,884	2,159,411
		<u>30,522,992</u>	<u>28,033,932</u>

**CONSOLIDATED BAKERIES (JA) LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**HALF YEAR ENDED JUNE 30 2012**

**16 Bank Overdraft**

This is secured by first legal mortgage over commercial property located at 111 Red Hills Road and by Directors guarantee.

**17 Taxation**

Taxation is charged to account at the rate of 33 1/3% of profit after adjustment for tax purposes.

**18 Turnover**

Turnover represents goods sold net of General Consumption Tax and discounts.

**19 Other Income**

This is comprised of interest on saving accounts and rental of parking space to Pricemart Limited.

**20 Trust Property**

The company is the registered proprietor of the lands situate at 1 Rougemont Way, Lot 9, Stony Hill, St. Andrew which is beneficially owned and hold to the the order of Vincent Chang, the company 's Chairman. The property is subject to a mortgage to the Victoria Mutual Building Society Limited ( VMBS) stamped to secure the amount of J \$3,000,000. Vincent Chang has secured a loan to repay VMBS and is currently taking steps to have the mortgage to VMBS discharged and satisfaction thereof noted at the relevant agencies. Thereafter the company will transfer the property to Vincent Chang (or as he may direct the company in writing) at no cost to the company.

**CONSOLIDATED BAKERIES (JA) LTD**  
**MANUFACTURING & TRADING ACCOUNT**  
**HALF YEAR ENDED JUNE 30 2012**

	2012	2011
	\$	\$
Sales	251,399,368	238,765,980
<b><u>Cost of Sales</u></b>		
Material Used	<u>93,447,186</u>	<u>91,296,323</u>
<b><u>Direct Production Expenses</u></b>		
Direct Wages	20,647,730	18,277,292
Pension	612,770	489,202
Casual Labour	387,915	3,848,583
Cleaning & Sanitation	1,809,670	1,322,452
Depreciation	3,368,343	2,938,616
Electricity, Fuel & Oil	13,011,109	15,037,810
Packaging	12,945,036	9,046,246
Insurance	980,454	804,364
Rental of Equipment	321,742	237,835
Repairs to Machinery & Plant	1,684,769	2,491,852
Water	71,907	89,527
	<u>55,841,445</u>	<u>54,583,779</u>
Purchase of Finished Goods	<u>16,163,914</u>	<u>10,583,198</u>
Total Cost of Sales	<u>165,452,545</u>	<u>156,463,300</u>
Gross Profit	85,946,823	82,302,680
<b><u>Less Expenses</u></b>		
Administration	42,343,420	45,385,410
Selling & Distribution	32,104,970	27,386,143
Finance Costs	115,485	
	<u>74,563,875</u>	<u>72,771,553</u>
Net Operation Profit	<u><u>11,382,948</u></u>	<u><u>9,531,127</u></u>

**CONSOLIDATED BAKERIES (JA) LTD**  
**SCHEDULE OF ADMINISTRATIVE EXPENSES**  
**HALF YEAR ENDED JUNE 30 2012**

	<u>2012</u>	<u>2011</u>
<b><u>Administration:</u></b>		\$
Asset Tax & Annual Returns	35,000	35,000
Auditing Fees	400,000	300,000
Bank Charges	674,393	840,135
Depreciation	1,451,872	1,565,044
Salaries, Wages & Statutory Contributions	16,959,092	12,441,278
Directors Emoluments	6,500,000	6,978,775
Pension	75,621	132,512
Donations & Subscriptions	32,625	45,600
Electricity	1,540,146	1,396,590
Foreign Travel	709,371	2,028,991
General Expenses	38,939	318,289
Insurance	926,166	896,145
Medical & Health Insurance	236,779	413,091
Motor Vehicle Expenses	1,378,379	1,404,492
Printing & Stationery	702,462	938,169
Legal & Professional Fees	3,810,125	3,162,453
Rates & Taxes	328,232	358,611
Rental		
Repairs & Maintenance	1,792,588	607,944
Security	2,586,659	3,021,471
Staff Welfare & Benefits	411,625	870,858
Website & Telecommunication	478,124	456,984
Postage and Courier	1,275,222	670,936
(Gain)/Loss on Foreign Exchange	-	(7,798)
	<u>42,343,420</u>	<u>38,875,570</u>

\* Certain previous year expenses have been reclassified for comparative purposes.

**CONSOLIDATED BAKERIES (JA) LTD**  
**SCHEDULE OF SELLING & DISTRIBUTION EXPENSES**  
**HALF YEAR ENDED JUNE 30 2012**

	<u>June</u> <u>2012</u> \$	<u>June</u> <u>2011</u> \$
<b><u>Selling &amp; Distribution</u></b>		
Distribution Wages	7,211,388	6,695,472
Printing & Stationery	68,737	116,325
Staff Welfare	89,145	196,015
Depreciation	987,273	1,018,476
Sub- Contractors	7,956,709	10,284,694
Advertising & Promotion	6,313,410	4,526,829
Motor Vehicle Expenses & Repairs	7,726,994	6,592,573
Telephone	1,059,118	325,142
Training	-	6,255
Rental of Sales office	355,000	435,000
Travelling & Entertainment	<u>337,196</u>	<u>642,625</u>
	<u><u>32,104,970</u></u>	<u><u>30,839,406</u></u>
 <b><u>Finance Costs</u></b>	 <u>2012</u>	 <u>2011</u>
Overdraft interest	1,200,541	712,547
Loan Interest	<u>895,142</u>	<u>396,145</u>
	<u><u>2,095,683</u></u>	<u><u>1,108,692</u></u>

**Macro Economic Policies**

Changes in fiscal and monetary policies introduced by the Government of Jamaica may affect the behaviour of capital markets including the Junior Market of the JSE. Such changes in policies may create opportunities as well as challenges for the Company. This is a risk that is not faced by the Company alone but also, by any trading business although the risk could have particular impact on its particular business model.

**Operational Risk**

The Company is subject to the risk of loss resulting from disruptions to its business, inadequate or failed internal processes, people and systems, or from external events (including severe weather, other acts of God and social unrest). This definition also includes systemic risk (including the risk of accounting errors, failure to procure appropriate insurance coverage, and compliance failures), legal risk and reputation risk. This catch-all category of risks also includes employee errors, computer and manual systems failures, security failures, fire, floods or other losses to physical assets, and fraud or other criminal activity or any other risk that affects the volume of visitor arrivals to the island. The Company insures itself against some (but not all) of these risks: for instance, the Company is insured in respect of damage to its business by fire, flood or other physical damage. It may not be feasible for the Company to insure itself in respect of all of the risks mentioned, because no coverage may be available or it is not economical to do so.

**New Accounting Rules or Standards**

The Company may become subject to new accounting rules or standards that differ from those that are presently applicable. Such new accounting rules or standards could require significant changes in the way the Company currently reports its financial position, operating results or cash flows. Such changes could be applied retrospectively. This is a risk that is not faced by the Company alone but also, by any trading business.

**Admission of the Shares to the Junior Market of the JSE**

After the Closing Date, and assuming that the Company is able to raise at least \$97 million as a result of the Invitation by the Closing Date, the Company intends to make an application to the JSE to admit the Shares to the Junior Market. However, the Company is not able to guarantee the full subscription of the Shares in the Invitation or the admission of the Shares to the Junior Market.

**Volatility in Price of Shares**

Following their proposed admission to trading on the Junior Market the Shares may experience volatility in their market price which may extend beyond the short term and which may be dependent on the Company's financial performance, as well as on investors' confidence and other factors over which the Company has no control.

**Revocation of Tax Concessions Risk**

If the Invitation is successful in raising at least \$97 million by the Closing Date, and the Company is admitted to the Junior Market, it must remain listed on the JSE trading platforms for a period of 15 years in order to be eligible for the concessionary tax regime described in Section 14.2.

The instrument governing the concessionary tax regime is the Income Tax Act (Jamaica Stock Exchange Junior Market) (Remittance) Notice dated 13 August 2009, which was made by the Minister of Finance under section 86 of the Income Tax Act. The instrument provides that if the Company is de-listed at any time during the 15 year concessionary tax period, it will become retrospectively liable to pay corporate income tax at the rate that would otherwise have been applicable to it during the concessionary period.

**Close Company**

Until recently the Company has been owned and operated as a close company. It is important that the Company attract and retain appropriately skilled non executive directors, senior managers and a Mentor to assist it in considering and implementing new business strategies as well as for the purposes of compliance with the requirements for Junior Market Companies on the Jamaica Stock Exchange. Failure to do so could have a material adverse impact on the future prospects of the Company.

**Key Personnel**

It is important that the Company attracts and retains appropriately skilled personnel in order to operate its business which is labour intensive, and to accommodate growth and promote the establishment of new services. It is also important for the Company to replace personnel whose employment may be terminated for any reason within a reasonable time. In Jamaica, competition for qualified personnel can be intense, as there is a limited number of people with the requisite skills, knowledge and experience. The Company will need to attract and retain honest qualified personnel and failure to do so could have a material adverse impact on the future prospects of the Company.

**Product Liability**

The Company produces and or distributes fast moving consumer packaged food products primarily in the baked food category. The Company faces the risk of product liability given the type of the products sold and the perishable nature of these items. Hence there is a risk of contamination or sub-standard product being offered to market and the possible cost to company in financial and or reputational damage. The Company has implemented plant and handling processes that are aimed at reducing these risks and has also sought to limit the Company's exposure by carrying liability insurance against such risks. The Company's intended medium term goal of obtaining ISO 22000:2005 certification should reduce this risk.

**Section 13****Professional Advisers to the Company**

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**Principal Stockbrokers and Financial Advisers**

Stocks and Securities Limited  
33 ½ Hope Road  
Kingston 10  
Jamaica

**Auditors and Reporting Accountants**

Bogle & Co  
Shop#16 Hagley Park Plaza  
127 Maxfield Avenue  
Kingston 10  
Jamaica

**Attorneys to the Company**

Myers, Fletcher & Gordon  
21 East Street  
Kingston

**Registrars and Transfer Agents**

JCSD Trustee Services Limited  
40 Harbour Street  
Kingston



**14.1 Statutory Information required to be set out in this Prospectus by section 42 and the Third Schedule to the Companies Act , 2004**

1. The Company has no founders or management or deferred shares save for the ordinary shares held by the original directors of the Company as disclosed in sections 7 and 8.
2. The Articles of Incorporation fix no shareholding qualification for directors and none has been otherwise fixed by the Company in general meeting.
3. The Articles of Incorporation contain the following provisions with respect to the remuneration of Directors:
  - (a) The remuneration of the directors shall from time to time be determined by the Company in general meeting. Such remuneration shall be deemed to accrue from day to day. The directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings or any committee of the Directors or general meetings of the Company in connection with the business of the Company. (Article 82)
  - (b) A director of the Company may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or in which the Company may be interested as shareholder or otherwise, and no such director shall be accountable to the Company for any remuneration or other benefits received by him as a director or officer of, or from his interest in, such other company unless the Company otherwise directs. (Article 84)
  - (c) A director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of director for such period and on such terms (as to remuneration and otherwise) as the directors may determine and no director or intending director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise, nor shall any such contract, or any contract or management entered into by or on behalf of the Company in which any director is in any way interested, be liable to be avoided, nor shall any director so contracting or being so interested be liable to account to the Company for any profit realized by any such contract or arrangement by reason of such director holding that office or of the fiduciary relation thereby established. (Article 95)
  - (d) Any director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a director; provided that nothing herein contained shall authorize a director or his firm to act as auditor to the company. (Article 97)
  - (e) The Directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any Director who has held any other salaried office or place of profit with the Company or to his widow or dependants and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance. (Article 99)

- (f) A Managing Director shall receive such remuneration (whether by way of salary, commission or participation in profits, or partly in one way and partly in another) as the directors may determine. (Article 126)
4. The names of the Directors of the Company appear in Section 8 of this Prospectus. The residential addresses of the Directors are as follows:
- |                     |  |
|---------------------|--|
| Vincent J. Chang    | 1 Rougemont Way, Lot 9, Stony Hill, St. Andrew.                    |
| Anthony V. Chang    | Manor Court Mews,#7, Kingston 8, St. Andrew.                       |
| Nicola Chang Murphy | 7 Roselle Ave, Kingston 6, St. Andrew.                             |
| Thomas Chin         | 17 East King House Road, #51, Kingston 6, St. Andrew.              |
| Noel daCosta        | “Green Valley”, Diamond Road, Kingston 9, St. Andrew               |
| Keith Collister     | 4B Jacks Hill Close, Jacks Hill Manor, # 6, Kingston 6, St. Andrew |
| Philmore Ogle       | 86 Sandhurst Crescent, Kingston 6, St. Andrew.                     |
5. The minimum amount required to be raised out of the proceeds of the Invitation to provide for the matters set out in paragraph 2 of Part 1 of the Third Schedule to the Companies Act (the “minimum subscription”) is \$97 million.
6. The Invitation will open for subscription at 9:00 a.m. on November 13 2012 and will close at 4:30 pm on the Closing Date, November 27 2012 subject to the Company’s right to close the application list at any time after 9:00 a.m. on the Opening Date if Applications have been received for an amount in excess of the Shares offered under this Prospectus, or to extend the Closing Date for any reason whatsoever.
7. All Applicants including Company Applicants will be required to pay in full the applicable price per Share as specified in this Prospectus and the non-refundable processing fee of \$110 per Application. No further sum will be payable on Allotment.
8. No previous offer of shares in the Company has been made to the public.
9. Save as set out in paragraph 17 below no person has, or is entitled to be given, any option to subscribe for any shares in, or debentures of, the Company.
10. As at 30<sup>th</sup> June 2012 the Company held no investments.
11. There is no amount for goodwill, patent, or trade marks shown in the financial statements of the Company and there is no contract for sale and purchase which would involve any goodwill, patent or trade marks.
12. As at December 31, 2011 the aggregate amount of long term loans by the Company was \$8,150,796 due to National Commercial Bank Jamaica Limited.

13. No amount is currently recommended for distribution by way of dividend. The Company's dividend history, and its dividend policy following admission to the Junior Market of the Jamaica Stock Exchange, is described in Section 7.14.
14. There is no property that is currently proposed to be purchased or acquired by the Company which is to be paid for wholly or partly out of the proceeds of this Invitation for the purposes of paragraphs 6 to 9 (inclusive) of Part 1 of the Third Schedule of the Companies Act.
15. Save as set out in paragraph 17 below within the 2 preceding years, no commissions have been paid, nor will any be payable to anyone for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares or debentures of the Company.
16. The Company expects to pay the expenses of the Invitation out of the proceeds of its fundraising, and the Company estimates that such expenses will not exceed \$7 million (inclusive of brokerage and financial advisory fees, legal fees, auditors' fees, Companies Registrar's fees, initial fees and GCT). See paragraph 17 below for further details.
17. Within the last 2 years preceding the date of this Prospectus, no amount or benefit has been paid or given or is intended to be paid or given to any promoter save for 12,898,936 Shares reserved for SSL and/or SSL's Clients on terms set out in its Agreement of January 5, 2012 signed by the Company.
18. The issue is not underwritten.
19. The material contracts of the Company are set out in Section 7.11.
20. The name and address of the auditors to the Company is: Bogle & Co., Chartered Accountants, Shop #16, Hagley Park Plaza, 127 Maxfield Avenue, Kingston 10, Saint Andrew.
21. Bogle & Co. have given and have not withdrawn their consent to the issue of this Prospectus with the inclusion of the Auditors' Report and Historical Financial Information, and their name in the form and context in which it is included.
22. The Company was incorporated on November 22, 1957 and it has carried on business since that date. As at the date of this Prospectus the Company has no subsidiaries.

#### **14.2 Taxation of Junior Market Companies: Concessionary Regime**

Companies that successfully apply for admission to the Junior Market of the JSE will benefit from a concessionary tax regime, details of which are set out below.

- On 13<sup>th</sup> August 2009 the Minister of Finance issued the Income Tax Act (Jamaica Stock Exchange Junior Market) (Remission) Notice 2009 under section 86 of the Income Tax Act. The Remission Notice provides that Jamaican Junior Market companies are not liable to pay corporate income tax in the first 5 years after listing (e.g. they will benefit from a full income tax exemption). The Remission Notice also provides that in years 6 to 10 of listing, Jamaican Junior Market companies are liable to pay corporate income tax at half of the normal rate (e.g. they will benefit from a 50% income tax reduction). The tax

concessions require Jamaican Junior Market companies to maintain their listing on the JSE (on either or both of the Main or Junior Markets) for a period of 15 years. If such a Company is de-listed at any time during the 15 year period, it will become retrospectively liable to pay corporate income tax at the rate that would otherwise have been applicable to it during the concessionary period.

- Section 17(1)(d) of the Transfer Tax Act provides that transfers of shares made in the ordinary course of business on the Jamaica Stock Exchange will not attract transfer tax.
- The Schedule to the Stamp Duty Act provides that transfers of shares made in the ordinary course of business on the Jamaica Stock Exchange will not attract Stamp Duty.
- Section 12(v) of the Income Tax Act provides that profits or gains carried out on the Jamaica Stock Exchange that accrue to an individual that does not hold himself out as a dealer are exempt from income tax, where such profits or gains do not exceed one half of that person's statutory income from all other sources for the year of assessment, or (where the person so elects) those profits or gains which, taken with profits or gains (or losses) on such transactions by him/her in the 2 immediately preceding years of assessment, do not exceed one half of that persons statutory income from all other sources for the year of assessment and those 2 preceding years
- Section 30(3)(d) of the Income Tax Act provides that as from 1 June 2012 the rate of income tax payable on dividend income derived from companies resident in Jamaica shall be 5%.

Prospective investors should seek advice on the taxation of Junior Market companies and their prospective investment in the Company from a professional adviser, and should not rely on the summary set out above.

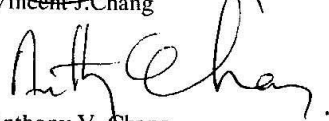
**Section 15****Documents available for Inspection**

Copies of the following documents may be inspected at the law offices of the Attorney's to the Company, Myers, Fletcher & Gordon, 21 East Street, Kingston between the hours of 9:00 a.m. to 4:00 p.m. on Mondays to Fridays, up to and including the Closing Date:

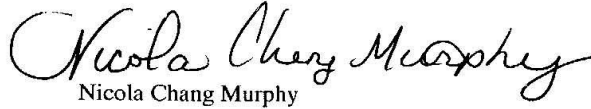
1. The Articles of Incorporation of the Company adopted as of August 23, 2012.
2. The audited financial statements of the Company for the financial years ended December 31, 2007 to December 31, 2011 inclusive and the unaudited financial information for the period ended June 30, 2012.
3. The consent of the auditors of the Company, Bogle & Co. Chartered Accountants, to the inclusion of their name in the form and context in which it appears in this Prospectus.
4. The consent of the Keith Alexander (Succ.) Limited property appraisers and auctioneers, to the inclusion of their name in the form and context in which it appears in this Prospectus.
5. Copies of the following documents:
  - The regulatory permits, certificates and licenses referred to in Section 7.9
  - The trademark registrations and the certificates of title for the owned real property referred to in Section 7.10
  - The material contract referred to in Section 7.11
  - The details of insurance arrangements referred to in Section 7.15



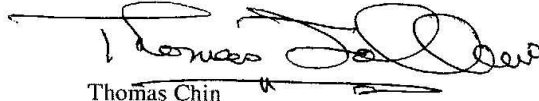
Vincent J. Chang



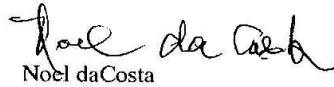
Anthony V. Chang



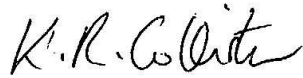
Nicola Chang Murphy



Thomas Chin



Noel da Costa



Keith Collister



Philmore Ogle



PLEASE READ CAREFULLY THE ENTIRE FORM BEFORE COMPLETING THIS FORM

To: CONSOLIDATED BAKERIES (JAMAICA) LIMITED ( the "Company")

RESERVED SHARES

Re: Invitation for Subscription in respect of up to 51,805,171 Ordinary Shares being offered pursuant to the Prospectus dated and registered the registration date **November 5, 2012** . I/We confirm that I/we have read and understood and hereby agree to be bound by the terms and conditions contained in the Prospectus, all of which are incorporated in this Application Form by reference.

I/We hereby apply for  ordinary shares in the Company on and subject to the terms and conditions of the Invitation set out in the Prospectus at the price of \$  each, and I/we attach my/our cheque for  inclusive of processing fees of J\$110.00 payable to Stocks and Securities Limited, we request Stocks and Securities Limited to make payment on my/our behalf by debiting my/our account with the sum of \$  for the purposes of my/our subscription of ordinary shares and processing fee as indicated above.

I/We agree to accept the same or any smaller number of shares in respect of which this application may be made, subject to the terms and conditions in the Prospectus and the Articles of Incorporation of the Company, by which I/We agree to be bound. I/We request you to sell to me/us the number of shares which may be allocated to me/us on the terms and conditions governing applications, as set forth in the Prospectus. I/We hereby agree to accept the shares that may be allocated to me/us and are to be credited to an account in my/our name(s) in the Jamaica Central Securities Depository ("JCSD").

INSTRUCTIONS FOR COMPLETING APPLICATION FORM: All fields are relevant and must be completed. If you already have an account with the JCSD, please ensure that you indicate here  otherwise a new account will automatically be created.

JCSD ACCOUNT NUMBER

BROKER CODE

PRIMARY HOLDER DETAILS

PRIMARY HOLDER (EITHER COMPANY OR INDIVIDUAL)

TITLE TAXPAYER REGISTRATION NUMBER CITIZENSHIP NATIONALITY CLIENT TYPE ACCOUNT TYPE

OCCUPATION OR, IF EMPLOYED BY THE COMPANY PLEASE STATE YOUR POSITION, OR STATUS IF YOU ARE A RESERVED SHARE APPLICANT

MAILING ADDRESS LINE 1

MAILING ADDRESS LINE 2

MAILING ADDRESS LINE 3

CITY (E.G. KINGSTON) POSTAL CODE (E.G. 6) COUNTRY CODE

TELEPHONE NUMBER (HOME) TELEPHONE NUMBER (WORK) TELEPHONE NUMBER (CELL)

SIGNATURES:

INDIVIDUAL: \_\_\_\_\_

DATE SIGNATURE AFFIXED: \_\_\_\_\_

COMPANIES (COMPANY SEAL REQUIRED):

DIRECTOR: \_\_\_\_\_

DIRECTOR/SECRETARY: \_\_\_\_\_

DATE SIGNATURES AFFIXED: \_\_\_\_\_



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FIRST NAMED JOINT HOLDER

--	--	--

OCCUPATION TAXPAYER REGISTRATION NUMBER SIGNATURE

--

SECOND NAMED JOINT HOLDER

--	--	--

OCCUPATION TAXPAYER REGISTRATION NUMBER SIGNATURE

--

THIRD NAMED JOINT HOLDER

--	--	--

OCCUPATION TAXPAYER REGISTRATION NUMBER SIGNATURE

**NOTES ON HOW TO COMPLETE THE APPLICATION FORM**

1. Applications must be for a minimum of 1000 shares with increments in multiples of **1000**. Applications in other denominations will **not** be processed or accepted.
2. All applicants must attach their payment for the specified number of Shares they have applied for, in the form of either:
  - A. A Manager's cheque made payable to Stocks and Securities Limited
  - B. Authorization on the Application Form from the Applicant instructing Stocks and Securities Limited to make payment from cleared funds held in an investment account in the Applicant's name.

Each Share that is not an Employee Reserved Share is priced at the Invitation Price of \$1.88. Employee Reserved Shares are priced at the discounted price of \$1.69 per share.

If you are an applicant for the Reserved Shares please clearly specify where indicated in the Application Form.

3. If you are applying jointly with any other person, you must complete the Joint Holder Information and each joint holder **must** sign the Application Form at the place indicated.
4. All Individual Applicants must be at least 18 years old and must attach a certified copy (by an Attorney or Justice of the Peace) of their T.R.N. card or Jamaican Driver's Licence displaying the T.R.N.
5. Share Certificates will not be issued unless specifically requested through your broker. Instead, the shares allotted to a successful applicant will be credited to their account at the JCSD. If the applicant does not have a JCSD account, one will be created and the allotted shares deposited to that account. Applicants may refer to the notice posted on the JSE website ([www.jamstockex.com](http://www.jamstockex.com)) for instructions on confirming share allotments
6. All Applicants are deemed to have accepted the terms and conditions set out in the Prospectus and the Articles of Incorporation of the Company generally.

**THIS SECTION FOR USE BY BROKER ONLY**

DATE APPLICATION RECEIVED: _____	TIME RECEIVED: _____
PAYMENT METHOD: CHEQUE / AUTHORISATION LETTER	CHEQUE NUMBER OR LETTER DATE: _____
PAYMENT VALUE: _____	POOL: _____
BROKER STAMP AND SIGNATURE: _____	