

**CONSOLIDATED BAKERIES**  
**(JAMAICA) LIMITED**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

DIRECTORS' REPORT

FOR DECEMBER 31, 2012

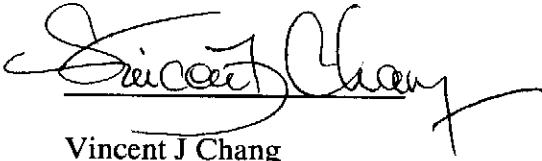
- 1) It was an important milestone in the history of Consolidated Bakeries when we became a Public Company and a member of the Junior Stock Market on December 3, 2012. The IPO was fully subscribed with request for shares exceeding the amount offered. The offer was closed on November 14, 2012. We would like to thank the investors who made our offer a success. In this our first year as a member of the Junior Stock Market we have the pleasure to submit herewith the Audited Financial Statements for the year ended December 31, 2012.
  - Sales for 2012 was \$474million an increase of \$18 million over 2011
  - Profit after tax for 2012 was \$3.68 million versus \$ 14.28 million in 2011
  - Year-end Current ratio (current assets/current liabilities ) for 2012 was 2.35 versus 1.24 for 2011
  - Year-end Total debt to asset ratio registered 3.95% for 2012 versus 2.99% for 2011
- 2) We ended the year with a stronger balance sheet which will give us a better platform to reorganize our operations and face expected economic uncertainties. In 2012 we were faced with operation challenges and increase in cost, all of this while we prepared for our Initial Public Offer. Critical equipment components were operating below capacity. The situation has since been addressed and the services of International Consultants were pursued to continue the process of improved efficiencies.
- 3) In December we started our reorganization plan to effect changes in our operations and improve performance. We started the last quarter of 2012 with initiatives to improve raw material usage and yields as we expect raw material increases to continue in the coming months.
- 4) For the period under review gross profit margins declined by 3.7 per cent. This was primarily a result of lower yields and cost push from raw materials and plant operations. To assist our reorganization efforts, we hired a team of consultants who have many years of international industry experience. Already, we have seen improvement in our performance matrix such as

plant, energy utilization and distribution. This initiative comes at an important time when the economic conditions require us to improve our efficiency at a faster pace.

5) At this time the Directors do not recommend a declaration of a dividend.

6) The Directors wish to thank our shareholders, Management and Staff of the Company and most importantly our customers and consumers for their continued support.

On behalf of the Board,

A handwritten signature in black ink, appearing to read "Vincent J Chang", written over a horizontal line.

Vincent J Chang

Chairman, Kingston, Jamaica

March 28, 2013

**CONSOLIDATED BAKERIES (JA)  
LIMITED**

CONSOLIDATED BAKERIES (JAMAICA) LIMITED  
FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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**BOGLE & COMPANY**  
CHARTERED ACCOUNTANTS

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

We have audited the financial statements for Consolidated Bakeries (Jamaica) Limited set out on the following pages 3-17 which comprise the statement of financial position as of December 31, 2012 and the statement of comprehensive income, 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 as to 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.

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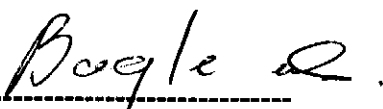
**Opinion**

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as of December 31, 2012 and 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.



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**BOGLE & COMPANY**  
**March 7. 2013**

**CONSOLIDATED BAKERIES (JAMAICA) LTD**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**YEAR ENDED DECEMBER 31, 2012**


	Notes	<u>2012</u> \$	<u>2011</u> \$
Revenue	17	474,554,193	456,559,036
Cost of Sales		<u>310,815,708</u>	<u>282,118,996</u>
Gross Profit		163,738,485	174,440,040
Other Income	18	<u>3,164,221</u>	<u>787,681</u>
		166,902,706	175,227,721
<b>Expenses</b>			
Administrative and other expenses		99,539,675	90,729,369
Selling and Distribution		<u>53,352,756</u>	<u>59,793,657</u>
		152,892,431	150,523,026
Profit from operations	22	14,010,275	24,704,695
Finance costs		<u>6,652,322</u>	<u>2,398,181</u>
Tax	19	7,357,953	22,306,514
Net Profit after Tax		<u>3,681,693</u>	<u>9,508,718</u>
		3,676,260	12,797,796
<b>Other Comprehensive Income</b>			
Gain on Disposal of Shares	20	-	1,476,750
Total Comprehensive Income		<u><u>3,676,260</u></u>	<u><u>14,274,546</u></u>
Earnings per Share	21	0.053	1.19

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

**CONSOLIDATED BAKERIES (JAMAICA) LTD**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2012**

	<u>Notes</u>	<u>2012</u> \$	<u>2011</u> \$
<b><u>Assets</u></b>			
<b><u>Non Current Asset</u></b>			
Property , Plant & Equipment	3c & 6	<u>374,962,934</u>	<u>371,494,750</u>
		<u>374,962,934</u>	<u>371,494,750</u>
<b><u>Currents Assets</u></b>			
Inventories	3b & 7	16,513,962	7,707,753
Accounts Receivables net of allowances	8	43,018,199	36,063,863
Owed by Related Parties	9	25,643,141	23,980,187
Cash & Cash Equivalentts	10	<u>98,362,973</u>	<u>1,745,857</u>
		<u>183,538,275</u>	<u>69,497,659</u>
<b>Total Assets</b>		<u><u>558,501,209</u></u>	<u><u>440,992,409</u></u>
 <b><u>Equity &amp; Liabilities</u></b>			
<b><u>Equities</u></b>			
Share Capital	11	90,726,664	120,000
Capital Reserve	12	20,825,532	20,825,532
Revaluation Reserves	13	330,854,047	330,854,047
Retained Earnings		<u>28,576,051</u>	<u>24,899,791</u>
		<u>470,982,294</u>	<u>376,699,370</u>
<b><u>Non- Current Liabilities</u></b>			
Long Term Loan	14	<u>9,488,857</u>	<u>8,150,796</u>
		<u>480,471,151</u>	<u>384,850,166</u>
<b><u>Current Liabilities:</u></b>			
Current Portion of long Term Debt	14	12,544,789	5,054,895
Payables & Accruals	15	35,359,735	22,806,342
Bank Overdraft	16	18,049,422	16,359,317
Taxation		<u>12,076,112</u>	<u>11,921,689</u>
		<u>78,030,058</u>	<u>56,142,243</u>
<b>Total Equity &amp; Liabilities</b>		<u><u>558,501,209</u></u>	<u><u>440,992,409</u></u>

Approved by the Board of Directors on March 7, 2013 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 (JAMAICA) LTD**  
**STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED DECEMBER 31 2012**

	<u>Share Capital</u> \$	<u>Revaluation Reserve</u> \$	<u>Capital Reserve</u> \$	<u>Retained Earnings</u> \$	<u>Total</u> \$
At January 1, 2011	120,000	330,854,047	20,825,532	10,625,245	362,424,824
Total Comprehensive Income	-	-	-	14,274,546	14,274,546
At December 31, 2011	120,000	330,854,047	20,825,532	24,899,791	376,699,370
Share Subscription 2012	90,606,664	-	-	-	90,606,664
Total Comprehensive Income	-	-	-	3,676,260	3,676,260
At December 31, 2012 (note 11)	90,726,664	330,854,047	20,825,532	28,576,051	470,982,294

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

**CONSOLIDATED BAKERIES (JAMAICA) LTD**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31 2012**

	Notes	2012 \$	2011 \$
<b><u>Cash Flows from operating activities</u></b>			
Net Profit		3,676,260	14,274,547
Items not affecting cash resources:			
Depreciation	6	10,543,956	14,361,085
		<u>14,220,216</u>	<u>28,635,632</u>
<b><u>(Increase)/Decrease in current assets</u></b>			
Related Parties		(1,662,955)	(7,711,878)
Inventories		(8,806,209)	(381,675)
Receivables		(6,954,336)	(10,148,086)
<b><u>Increase/(Decrease) in current liabilities</u></b>			
Trade Payables		12,553,393	(9,733,810)
Taxation		154,423	8,002,400
		<u>12,707,816</u>	<u>(1,731,410)</u>
Net cash provided by operating activities		<u>9,504,532</u>	<u>8,662,582</u>
<b><u>Cash Flows from investing activities</u></b>			
Purchase of Fixed Assets	6	(14,012,139)	(20,809,519)
Net cash used in investing activities		<u>(14,012,139)</u>	<u>(20,809,519)</u>
<b><u>Cash Flows from financing activities</u></b>			
Financial Assets		-	698,925
Share subscription	11	90,606,664	
Loan		8,827,952	1,448,313
		<u>90,606,664</u>	<u>2,147,238</u>
Net cash flows from financing activities		<u>99,434,616</u>	<u>2,147,238</u>
Net cash generated this year		94,927,010	(9,999,698)
Cash and cash equivalents at beginning of year		(14,613,459)	(4,613,761)
		<u>80,313,551</u>	<u>(14,613,459)</u>
Cash and cash equivalents at year end		<u>80,313,551</u>	<u>(14,613,459)</u>
<b><u>Represented By:</u></b>			
Cash and Cash Equivalents	10	98,362,973	1,745,857
Bank Overdraft		(18,049,422)	(16,359,316)
		<u>80,313,551</u>	<u>(14,613,459)</u>

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

**CONSOLIDATED BAKERIES (JAMAICA) LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31 2012**

**1 Identification and Principal Activities**

**Consolidated Bakeries ( Jamaica) Ltd - "the Company"**

- a) The Company is incorporated under the Jamaica Companies Act and up to November 2012 was a wholly owned subsidiary of Chang Brothers Limited which is also a wholly owned Jamaican Company incorporated under the Jamaica Companies Act.

In December 2012 the percentage shareholding of Chang Brothers Ltd was reduced to 76.3% due to the following:

**Re-registration of the Company**

On a resolution passed at an extraordinary general meeting the shareholders of the company approved the following action.

Re-registration of the company as a public company under the Companies Act 2004 and Adoption of new Articles of Incorporation.

**Stock Exchange Listing**

The company had its application to the Junior Stock Exchange approved after its successful public share offer of ordinary shares in December 2012.

b) **Activities**

The main activities of the company are the manufacture, wholesale and retail of edible baked products.

**2 Reporting Currency**

Except as otherwise indicated the amounts in these financial statements are expressed in Jamaican Dollars which is the primary currency in the country which it operates.

**3 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 Land and building.

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.

**CONSOLIDATED BAKERIES (JAMAICA) LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31 2012**

**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 or any operating segment.

**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 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 Company 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) (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.
  
- (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 management personnel of the entity (or of a parent of the entity)

**CONSOLIDATED BAKERIES (JAMAICA) LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2012**

**At the date of the Financial Statements there were standards in issue but not yet effective Those considered relevant to the company 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 results in one impairment method, replacing the two impairment methods in IAS 39 that arise from the different classification categories.

In these Financial Statements there has been no significant change in the cognition and measurement of financial liabilities carried at amortised cost.

**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 permit 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 affect the amounts reported in these Financial Statements and accompanying notes. 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.

**CONSOLIDATED BAKERIES (JAMAICA) LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2012**

**(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. 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 translated 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.

**(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. Subsequently they are stated net of repayments, while the monthly costs are expensed.

**(g) Cash & Cash Equivalents**

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

**(h) Revenue Recognition**

Revenue is recognised in the Statement of Comprehensive Income 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.

**CONSOLIDATED BAKERIES (JAMAICA) LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31 2012**

(i) **Tax Status**

The Company was listed on the Junior Market of the Jamaica Stock Exchange in December 2012 Under the Income Tax Act (Jamaica Stock Junior Market) (Remission) Notice 2010 all of the Company's income tax will be remitted by the Minister of Finance during the first 5 years and 50% will be remitted in the next 5 years, provided the Company remains on the Stock Market for at least 15 years.

**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, savings accounts and bank overdraft.

b) **Credit Risk**

Credit risk is the risk of exposure occasioned by one party to financial instruments. This occurs when one 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.

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

	<u>2012</u>	<u>2011</u>
	\$	\$
Cash Equivalents	86,560,243	1,472,127
Receivables	43,018,199	36,063,863
Owed by Related Parties	25,643,141	23,980,187
	<u>155,221,583</u>	<u>61,516,177</u>

**CONSOLIDATED BAKERIES (JAMAICA) LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31 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 December 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 held in foreign currency will fluctuate due to changes in the foreign currency exchange rates.

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

**5 Employee Benefits**

The Company participates in a defined contribution plan, the assets 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 (JAMAICA) LTD  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012

6 Property, Plant & Equipment

<u>Costs/ Valuation</u>	<u>Land &amp; Building</u>	<u>Plant, Machinery &amp; Equipment</u>	<u>Furniture &amp; Fixtures</u>	<u>Motor Vehicles</u>	<u>Computer System</u>	<u>Total</u>
	\$	\$	\$	\$	\$	\$
January 1, 2011	370,507,965	31,071,799	5,125,420	28,655,509	1,004,673	436,365,366
Additions	1,711,597	15,642,829	294,570	2,819,125	341,398	20,809,519
December 31, 2011	372,219,562	46,714,629	5,419,989	31,474,634	1,346,071	457,174,885
Additions	1,005,333	2,903,490	296,061	99,025	9,708,230	14,012,139
December 31, 2012	373,224,895	49,618,119	5,716,050	31,573,659	11,054,301	471,187,025
<u>Accumulated Depreciation</u>						
January 1, 2011	43,696,088	11,942,132	2,468,722	12,274,979	937,129	71,319,050
Charge for the year	9,305,489	2,069,909	271,231	2,497,434	217,022	14,361,085
December 31, 2011	53,001,577	14,012,040	2,739,953	14,772,414	1,154,151	85,680,135
Charge for the year 2012	5,075,207	2,204,605	271,979	2,022,490	969,674	10,543,956
December 31, 2012	58,076,784	16,216,646	3,011,933	16,794,903	2,123,826	96,224,091
<u>Net Book Value</u>						
December 31, 2012	315,148,111	33,401,473	2,704,117	14,778,757	8,930,475	374,962,934
December 31, 2011	319,217,985	32,702,589	2,680,037	16,702,220	191,919	371,494,750

**CONSOLIDATED BAKERIES (JAMAICA) LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31 2012**

<b>7 Inventories</b>	<b>2012</b>	<b>2011</b>
	\$	\$
Raw Materials	4,102,002	4,601,658
Packaging Materials & Spares	10,820,715	2,831,931
Finished Goods	1,591,245	274,164
	<u>16,513,962</u>	<u>7,707,753</u>

<b>8 Receivables</b>	<b>2012</b>	<b>2011</b>
	\$	\$
Trade Receivables	39,058,085	23,730,145
Less Provision for Bad Debt	(572,739)	(572,739)
	<u>38,485,346</u>	<u>23,157,406</u>
Other Receivables	4,532,854	12,906,456
	<u>43,018,199</u>	<u>36,063,863</u>

**Aged Trade Receivables**

	0 to 30 Days	31 to 60 Days	61-90 Days	Over 90 Days	Carrying Value
	\$	\$	\$		\$
Balance at : December 31, 2012	<u>29,492,575</u>	<u>8,461,219</u>	<u>432,757</u>	<u>671,534</u>	<u>39,058,085</u>
December 31, 2011	15,537,755	1,131,953	6,346,117	714,320	23,730,145

<b>9 Owed By Related Parties</b>	<b>2012</b>	<b>2011</b>
	\$	\$
Parent Company	1,989,427	400,387
Directors	12,000,024	14,474,456
Poly Cello Packaging Ltd	11,653,690	9,105,344
	<u>25,643,141</u>	<u>23,980,187</u>

<b>10 Cash &amp; Cash Equivalents</b>	<b>2012</b>	<b>2011</b>
	\$	\$
Cash in Hand	11,802,729	273,729
Bank accounts (Jamaican Dollards)	33,021,818	404,441
Bank Accounts (United States Dollars)	20,498,332	1,032,350
Bank Account (Canadian Dollars)	40,093	35,336
Investments - held -to-maturity		
Stocks and Securities Ltd - Deposit 4.5%	10,000,000	-
NCB Capital Markets Ltd Gov. Of Ja. Repo. 3.15%	23,000,000	-
	<u>98,362,973</u>	<u>1,745,857</u>

**CONSOLIDATED BAKERIES (JAMAICA) LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31 2012**

**11 Share Capital**

On August 17, 2012 the issued A and B shares were both converted and split in to two hundred ordinary shares. The Share Capital increased from \$120,000 to \$4,272,600 by increasing the ordinary shares by \$ 4,152,600. Total ordinary shares increased in number from 12,000,000 to 427,260,000.

**Authorised Share Capital**

427,260,000 Shares of no par value ( 2011- 60,000 A and B of \$2 each, subdivided into 12,000,000 ordinary shares in 2012)

**Issued and fully paid Share Capital**

	<u>2012</u>	<u>2011</u>
	\$	\$
222,709,171 Ordinary Shares of no par value	99,046,141	120,000
less transaction costs of share issue	8,319,477	-
	<u>90,726,664</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 valutors In October 2007.

**14 Loans**

	<u>2012</u>	<u>2011</u>
	\$	\$
National Commercial Bank Limited		
x) Business Grow loan	10,033,650	3,910,256
xx) DBJ loan	4,999,996	9,295,435
Working Capital (short term revolving loan)	7,000,000	-
	<u>22,033,646</u>	<u>13,205,691</u>
Less Current Portion	(12,544,789)	(5,054,895)
Long Term Portion	<u>9,488,857</u>	<u>8,150,796</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) Unsecured directors' guarantee stamped to cover \$28.6 million.

**CONSOLIDATED BAKERIES (JAMAICA) LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31 2012**

**15 Payables & Accruals**

	<u>2012</u>	<u>2011</u>
	\$	\$
Accounts Payable- Trade	33,721,233	20,984,541
Other Payables & Accruals	1,638,502	1,821,801
	35,359,735	22,806,342

	Aged Trade Payables				Amount Due
	0 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	
<b>Balance at</b>	\$	\$	\$		\$
December 31, 2012	2,133,507	11,387,581	15,712,798	4,487,347	33,721,233
December 31, 2011	13,248,051	5,433,094	1,281,812	1,021,584	20,984,541

**16 Bank Overdraft**

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

**17 Revenue**

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

**18 Other Income**

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

**19 Tax**

Tax is charged in the Statement of Comprehensive Income at the rate of 33 1/3% of profit after adjustment for tax purposes:

	<u>2012</u>	<u>2011</u>
	\$	\$
Profit from Comprehensive Income	7,357,953	22,306,514
Add net adjustments necessary for tax purposes	3,688,229	6,222,492
Profit for Tax purposes	11,046,182	28,529,006
Tax at 33 1/3%	3,681,692	9,508,718

**20 Disposal of shares**

This represents gain on disposal of shares in Related Company.

**CONSOLIDATED BAKERIES (JAMAICA) LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2012**

**21 Earnings per share**

The earnings per share have been arrived at by dividing the total Comprehensive Income by the weighted average of the number of shares in issue during the year.

2012- 69,285,097 shares as follows:

1/12 of 222,709,171	18,559,097
3/12 of 170,904,000	42,726,000
8/12 of 12,000,000	8,000,000
	<u>69,285,097</u>

2011- 12,000,000

**22 Profit From Operations**

Stated after charging the following

	2012	2011
	\$	\$
Directors Emoluments		
Fees	240,000	-
Remuneration	15,405,717	13,021,809
Auditors Remuneration	850,000	850,000
Depreciation	10,543,956	14,361,081

**23 Contingent Liability**

- i) 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 Financial Statements.
- ii) A former employee now a subcontractor of the Company has filed a suit against the company for unpaid vacation leave over a 25 year period  
Legal opinion is that the case is defensible and that any award will not be material, thus no provision has been made in these Financial Statements.

**CONSOLIDATED BAKERIES (JAMAICA) LTD**  
**SCHEDULE OF ADMINISTRATIVE AND GENERAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2012**

	<u>2012</u>	<u>2011</u>
	\$	\$
<b><u>Administration:</u></b>		
Asset Tax & Annual Returns	105,000	35,000
Audit & accounting Fees	850,000	1,027,125
Audit fees - under provision previous year	-	191,458
Bank Charges	1,800,344	1,499,407
Cash Shortage	-	36,964
Depreciation	1,241,654	3,579,504
Directors Emoluments	15,645,717	13,021,809
Donations & Subscriptions	32,625	384,773
Electricity	10,445,911	11,161,729
Foreign Travel	1,701,052	2,920,302
General Expenses	-	766,453
Insurance	2,056,820	1,242,768
Legal & Professional Fees	6,547,879	5,125,772
Loss on Foreign Exchange	(6,811)	59,769
Medical & Health Insurance	675,958	903,126
Motor Vehicle Expenses	7,996,484	5,363,094
Pension contribution	640,936	261,179
Postage and Courier	1,397,422	1,137,148
Printing & Stationery	1,368,943	1,899,123
Rates & Taxes	1,112,869	935,640
Rental	33,460	32,000
Repairs & Maintenance	2,619,716	1,401,735
Salaries, Wages & Statutory Contributions	37,198,587	28,732,221
Security	4,465,910	6,249,785
Staff Welfare & Benefits	693,475	1,905,056
Website & Telecommunication	915,725	856,430
	<u>99,539,675</u>	<u>90,729,369</u>

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

**CONSOLIDATED BAKERIES (JAMAICA) LTD**  
**SCHEDULE OF EXPENSES**  
**YEAR ENDED DECEMBER 31, 2012**

	<u>2012</u>	<u>2011</u>
	\$	\$
<b><u>Selling &amp; Distribution</u></b>		
Advertising & Promotion	8,437,573	6,799,144
Depreciation	2,022,490	2,497,434
Distribution Wages	14,414,736	14,174,638
Motor Vehicle Expenses & Repairs	8,266,989	11,700,789
Pension contribution	373,507	106,982
Printing & Stationery	68,737	253,174
Rental of Sales office	1,155,161	875,000
Staff Welfare	-	420,652
Sub- Contractors	16,824,121	20,700,080
Telephone	1,438,335	816,225
Training	-	6,255
Travelling	351,107	1,443,284
	<u>53,352,756</u>	<u>59,793,657</u>
 <b><u>Finance Costs</u></b>		
Overdraft Interest	4,974,776	1,573,418
Loan Interest	1,677,546	824,763
	<u>6,652,322</u>	<u>2,398,181</u>