



**Consolidated Bakeries Jamaica Limited**  
Nine months ended September 30, 2013  
Report to Stockholders

# Consolidated Bakeries Jamaica Limited

Report to the Stockholders nine months ended September 30, 2013



The Board of Directors is pleased to present the results for the nine month period ended September 30 2013.

## Financial Review:

	Unaudited 9 months ended September 30, 2013	Unaudited 9 months ended September 30, 2012	% Change	Unaudited 3 months period ended September 30, 2013	Unaudited 3 months period ended September 30, 2012	% Change	Audited year ended December 31, 2012
	\$	\$		\$	\$		\$
Total Revenue	500,185,533	363,440,353	37.6	171,638,943	112,040,985	53.2	474,555,193
Gross Profit	175,559,517	124,740,393	40.7	56,983,131	38,793,570	46.9	163,738,485
Operating Expenses	149,804,621	117,755,947	27.2	52,099,207	43,307,557	20.3	152,892,431
Profit and (Loss) Before Tax	30,398,526	8,631,740	252.2	6,010,626	(2,757,387)	N/A	7,357,953

	Unaudited as at September 30, 2013	Unaudited as at September 30, 2012	% Change	Audited as at December 31, 2012
Working Capital (\$)	144,886,980	20,551,796	605	105,508,217
CA/CL	3.39	1.27	166.9	2.35

Profit before taxes for the nine months period ended September 30, 2013 showed an increase of more than three times over the corresponding period in 2012. Revenue for the nine months period increased by 37.6 % and for the quarter by 53.2 % over the same periods in 2012. These increases represent growth in both unit sales and average sales per customer.

During the quarter under review input cost increased due to exchange rate movements and other factors. The quarter showed a gross margin of 33.2 % and for the same period last year 34.6 %, whereas for the nine months period the margin was 35.1 % versus 34.3 % in 2012.

Despite the increased cost our operation ratio (operation expenses/sales expressed as a percentage) for the nine months period improved to 29.9 % from 32.4 % in 2012 and for the quarter under review, the ratio improved to 30.4 % from 38.7 % in 2012.

# Consolidated Bakeries Jamaica Limited

Report to the Stockholders nine months ended September 30, 2013



The Company's Working Capital position as of September 30, 2013 increased to \$145 million from \$21 million in 2012. We expect in future periods to utilize some of this working capital to acquire fixed assets.

## Business Review:

	2 <sup>nd</sup> Quarter			3 <sup>rd</sup> Quarter		
	Unaudited 3 months period ending June 30, 2013 (2 <sup>nd</sup> Quarter)	Unaudited 3 months period ending June 30, 2012 (2 <sup>nd</sup> Quarter)	% Change	Unaudited 3 months period ended September 30, 2013 (3 <sup>rd</sup> Quarter)	Unaudited 3 months period ended September 30, 2012 (3 <sup>rd</sup> Quarter)	% Change
	\$	\$		\$	\$	
Total Revenue	156,513,203	111,431,690	40.5	171,638,943	112,040,985	53.2
Gross Profit	55,734,506	32,680,331	70.5	56,983,131	38,793,570	46.9
Operating Expenses	47,224,256	30,837,002	53.1	52,099,207	43,307,557	20.3
Profit and (Loss) Before Tax	10,140,490	1,846,047	449.3	6,010,626	(2,757,387)	N/A

In this quarter focus was placed on distribution: appropriately branded vehicles were added to the fleet and additional communication equipment was deployed to route personnel.

The efforts of our trade, marketing and distribution teams continued to provide improved results with revenues growing by 53.2 % and 40.5 % in 2013 for quarter 3 and quarter 2 respectively over the prior year results. This quarter revenue also grew by 9.6% over the preceding quarter. There were no price increases in this quarter.

In this quarter the company continued to face increased cost which is primarily a result of the exchange rate movements. We will continue to invest in the plant and distribution to improve efficiencies.

## Outlook

We expect continued increases in input costs as well as reduced consumer spending, resulting in adjustments in consumer purchasing patterns. As a result, maintaining revenue growth will be challenging, therefore, we will place continuing emphasis on our trade and sales programmes, product

# Consolidated Bakeries Jamaica Limited

Report to the Stockholders nine months ended September 30, 2013



development and exploring new markets.

Anthony V Chang  
Managing Director



**CONSOLIDATED BAKERIES (JAMAICA) LTD.**  
**Unaudited Financial Statements**  
**For the Nine Months Ended September 30, 2013**

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**CONSOLIDATED BAKERIES (JAMAICA) LTD.**  
**Statement of Comprehensive Income**  
**For the Nine Months ended September 30, 2013**

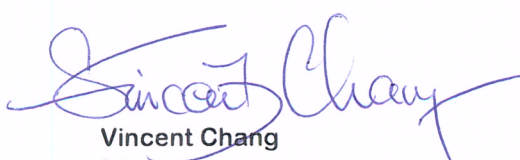
	<u>Notes</u>	Unaudited 3 months ended September 30 2013	Unaudited 3 months ended September 30 2012	Unaudited 9 months ended September 30 2013	Unaudited 9 months ended September 30 2012	Audited year ended December 31 2012
		\$	\$	\$	\$	\$
Revenue		171,638,943	112,040,985	500,185,533	363,440,353	474,554,193
Cost of Sales		<u>114,655,812</u>	<u>73,247,415</u>	<u>324,626,016</u>	<u>238,699,960</u>	<u>310,815,708</u>
Gross Profit		56,983,131	38,793,570	175,559,517	124,740,393	163,738,485
Other Income		<u>1,545,737</u>	<u>2,316,447</u>	<u>4,355,367</u>	<u>2,322,626</u>	<u>3,164,221</u>
		58,528,868	41,110,017	179,914,884	127,063,019	166,902,706
Operating Expenses		<u>52,099,207</u>	<u>43,307,557</u>	<u>149,804,621</u>	<u>117,755,947</u>	<u>152,892,431</u>
Profit from operations		6,429,661	(2,197,540)	30,110,263	9,307,072	14,010,275
Unrealized Gain/Loss on Foreign Exchange		948,671	-	4,667,055	-	
Finance Cost		<u>(1,367,706)</u>	<u>(559,847)</u>	<u>(4,378,792)</u>	<u>(675,332)</u>	<u>(6,652,322)</u>
Profit before Tax		6,010,626	(2,757,387)	30,398,526	8,631,740	7,357,953
Tax	4	<u>-</u>		<u>-</u>	<u>(2,876,959)</u>	<u>(3,681,693)</u>
Total Comprehensive Income		<u><u>6,010,626</u></u>	<u><u>(2,757,387)</u></u>	<u><u>30,398,526</u></u>	<u><u>5,754,781</u></u>	<u><u>3,676,260</u></u>
Earnings per Share	9	0.03	(0.23)	0.14	0.48	0.053

CONSOLIDATED BAKERIES (JAMAICA) LTD.  
Statement of Financial Position  
As at September 30, 2013

	Notes	Unaudited As at September 30, 2013	Unaudited As at September 30, 2012	Audited As at December 31, 2012
<b>ASSETS:</b>				
<b>NON-CURRENT ASSETS:</b>				
Property , Plant & Equipment	5	390,758,063	375,116,298	374,962,934
		<u>390,758,063</u>	<u>375,116,298</u>	<u>374,962,934</u>
<b>CURRENT ASSETS:</b>				
Inventories		27,810,960	6,674,966	16,513,962
Accounts Receivables	6c	59,439,747	39,317,316	43,018,199
Owed by Related Parties	7	19,488,198	25,160,535	25,643,141
Investments	6c	68,444,602	-	33,000,000
Cash & Cash Equivalents	6c	30,284,650	24,285,204	65,362,973
		<u>205,468,157</u>	<u>95,438,021</u>	<u>183,538,275</u>
<b>TOTAL ASSETS</b>		<u>596,226,220</u>	<u>470,554,319</u>	<u>558,501,209</u>
<b>EQUITY &amp; LIABILITIES</b>				
<b>EQUITY</b>				
Share Capital		90,726,664	120,000	90,726,664
Capital Reserve		20,825,532	20,825,532	20,825,532
Revaluation Reserves		330,854,047	330,854,047	330,854,047
Retained Earnings		58,974,577	30,654,572	28,576,051
		<u>501,380,820</u>	<u>382,454,151</u>	<u>470,982,294</u>
<b>NON-CURRENT LIABILITIES</b>				
Long Term Loan	8	34,264,223	13,213,943	9,488,857
<b>CURRENT LIABILITIES</b>				
Current Portion of long Term Debt	8	14,684,667	6,129,750	12,544,789
Payables & Accruals		44,701,537	45,738,124	35,359,735
Bank Overdraft	6c	-	12,612,374	18,049,422
Tax		1,194,973	10,405,977	12,076,112
		<u>60,581,177</u>	<u>74,886,225</u>	<u>78,030,058</u>
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<u>596,226,220</u>	<u>470,554,319</u>	<u>558,501,209</u>

Approved by the Board of Directors on October 23, 2013 and signed on its behalf by:

  
Anthony Chang  
Director

  
Vincent Chang  
Director

**CONSOLIDATED BAKERIES (JAMAICA) LTD.**  
**Unaudited Statement of Changes in Shareholder's Equity**  
**For the Nine Months ended September 30, 2013**

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	Share Capital	Capital Reserve	Revaluation Reserve	Retained Earnings	Total
	\$	\$	\$	\$	\$
Balance at January 1, 2012	120,000	20,825,532	330,854,047	24,899,792	376,699,371
Total Comprehensive Income	-	-	-	5,754,780	5,754,780
Balance at September 30, 2012	120,000	20,825,532	330,854,047	30,654,572	382,454,151
Balance at January 1, 2013	90,726,664	20,825,532	330,854,047	28,576,051	470,982,294
Total Comprehensive Income	-	-	-	30,398,526	30,398,526
Balance at September 30, 2013	90,726,664	20,825,532	330,854,047	58,974,577	501,380,820



**CONSOLIDATED BAKERIES (JAMAICA) LTD.**

Statement of Cash Flow

For the Nine Months ended September 30, 2013

	Unaudited 9 months ended September 30, 2013	Unaudited 9 months ended September 30, 2012	Audited 12 months ended December 31, 2012
	\$	\$	\$
<b><u>Cash Flows from Operating Activities</u></b>			
Net Profit	30,398,526	5,754,780	3,676,260
Items not affecting cash resources:			
Profit on disposal of fixed asset	(639,857)		
Depreciation	9,551,643	5,807,488	10,543,956
	39,310,312	11,562,268	14,220,216
<b><u>(Increase)/Decrease in Current Assets</u></b>			
Related Parties	6,154,944	(1,180,348)	(1,662,955)
Inventories	(11,296,998)	1,032,787	(8,806,209)
Receivables	(16,421,548)	(3,253,454)	(6,954,336)
<b><u>Increase/(Decrease) in Current Liabilities</u></b>			
Trade Payables	9,341,802	22,931,782	12,553,393
Tax	(10,881,139)	(1,515,712)	154,423
Net cash provided by operating activities	16,207,373	29,577,323	9,504,532
<b><u>Cash Flows from Investing Activities</u></b>			
Investments	(35,444,602)	-	-
Purchase of Fixed Assets	(24,706,916)	(9,429,036)	(14,012,139)
Net cash used in investing activities	(60,151,518)	(9,429,036)	(14,012,139)
<b><u>Cash Flows from Financing Activities</u></b>			
Share Subscription			90,606,664
Loan	26,915,245	6,138,002	8,827,952
Net cash flows from financing activities	26,915,245	6,138,002	99,434,616
Net cash generated this quarter	(17,028,901)	26,286,289	94,927,009
Cash and cash equivalents at beginning of year	47,313,551	(14,613,459)	(14,613,459)
Cash and cash equivalents at end of quarter	30,284,650	11,672,830	80,313,550
<b><u>Represented By:</u></b>			
Cash and Cash Equivalents	30,284,650	24,285,204	98,362,972
Bank Overdraft	-	(12,612,374)	(18,049,422)
	30,284,650	11,672,830	80,313,550

**CONSOLIDATED BAKERIES (JAMAICA) LTD.**

Notes to the Financial Statements

For the Nine Months ended September 30, 2013

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**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 and Stock Exchange Listing.

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.

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

Subsequent to June 30, 2013 the shareholding of Chang Brothers Ltd. was further reduced to 61.3% as a result of share transactions.

- b) Activities

The main activities of the company are the manufacture and sale at wholesale and retail of edible baked products under the following brands: Purity, Miss Birdie and Hearty Goodness.

**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 in which the Company operates.

**3 Significant Accounting Policies****Statements of Compliance**

These interim financial statements for the period ending September 30 have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS). These interim financial statements were prepared in accordance with IAS 34 'Interim financial reporting', and follow the same accounting policies and methods of computation that were used in the annual audited financial statements for the year ended December 31, 2012.

**CONSOLIDATED BAKERIES (JAMAICA) LTD.**

Notes to the Financial Statements

For the Nine Months ended September 30, 2013

**4 Tax Status**

Under the Income Tax Act (Jamaica Stock Junior Market Remission Notice 2010) 100% of the Company's income tax liability will be relieved for the years 2013 – 2018, then 50% of the income tax liability will be relieved for a further 5 years, provided the Company remains on the Stock Exchange for a total of 15 years.

<b>Tax</b>	<b>Unaudited 9 months ended September 30, 2013</b>	<b>Unaudited 9 months ended September 30, 2012</b>
	\$	\$
Profit before Tax	30,398,526	8,631,740
Tax	-	(2,876,959)
<b>Total Comprehensive Income</b>	<b>30,398,526</b>	<b>5,754,781</b>

**5 Property, Plant & Equipment**

	<b>Unaudited 9 Months ended September 30, 2013</b>	<b>Unaudited 9 Months ended September 30, 2012</b>
	\$	\$
Cost as at January 1,	471,187,024	457,174,885
Acquisitions	24,706,915	9,429,036
Disposals	(1,000,000)	
Accumulated depreciation and amortization	(104,135,876)	(91,487,623)
<b>Net book Value as at end of period,</b>	<b>390,758,063</b>	<b>375,116,298</b>

**CONSOLIDATED BAKERIES (JAMAICA) LTD.**

Notes to the Financial Statements

For the Nine Months ended September 30, 2013

**6 Financial Risk****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 its loans, savings accounts and bank overdraft.

**b) Liquidity Risk**

Liquidity risk refers to the difficulty The Company faces in raising funds to meet its commitments associated with its Financial instruments. As at September 30, 2013 The Company did not face any liquidity risks.

**c) Credit risk**

Credit risk is the risk that arises when one party fails to discharge its financial obligation, thus resulting in the other party suffering a financial loss. The Company is exposed to credit risk in respect of its receivables from both other companies and from individuals.

The maximum exposure to Interest rate and Credit risk as at September 30, 2013 is represented by the following:

	<b>Unaudited 9 Months ended September 30, 2013</b>	<b>Unaudited 9 Months ended September 30, 2012</b>	<b>Audited year ended December 31, 2012</b>
	\$	\$	\$
Cash and Cash Equivalents	30,284,650	24,285,204	65,362,973
Investments	68,444,602	-	33,000,000
Owed by related parties	19,488,198	25,160,535	25,643,141
Receivables	59,439,747	39,317,316	43,018,199
Bank Overdraft		12,612,374	18,049,422

**CONSOLIDATED BAKERIES (JAMAICA) LTD.**

Notes to the Financial Statements

For the Nine Months ended September 30, 2013

**7 Related Parties**

Related parties are those parties that possess the ability to control or exercise significant influence over The Company's Operational or Financial decisions. Amounts owed are as follows:

	<b>Unaudited 9 Months ended September 30, 2013</b>	<b>Unaudited 9 Months ended September 30, 2012</b>	<b>Audited year ended December 31, 2012</b>
	\$	\$	\$
Parent Company	-	139,382	1,989,427
Directors' Account	10,614,110	13,367,463	12,000,024
Poly Cello Packaging Ltd.	8,874,088	11,653,690	11,653,690
	<u>19,488,198</u>	<u>25,160,535</u>	<u>25,643,141</u>

**8 Loan Liability**

	<b>Unaudited 9 Months ended September 30, 2013</b>	<b>Unaudited 9 Months ended September 30, 2012</b>	<b>Audited year ended December 31, 2012</b>
	\$	\$	\$
Current Amount	14,684,667	6,129,750	12,544,789
Long Term Amount	34,264,223	13,213,943	9,488,857
Total	<u>48,948,890</u>	<u>19,343,693</u>	<u>22,033,646</u>

**CONSOLIDATED BAKERIES (JAMAICA) LTD.**

Notes to the Financial Statements

For the Nine Months ended September 30, 2013

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**9 Earnings per share**

The earnings per share have been arrived at by dividing the total Comprehensive Income by the total number of shares issued as at the end of the respective period.

	<b>9 Months ended September 30, 2013</b>	<b>9 Months ended September 30, 2012</b>
Ordinary Shares	222,709,171	12,000,000

**CONSOLIDATED BAKERIES (JAMAICA) LTD.**

Notes to the Financial Statements

For the Nine Months ended September 30, 2013

**10 Shareholders' Information****10 Largest Shareholders at September 30, 2013**

Chang Brothers Limited	136,496,956
Anthony Chang	19,120,000
General Accident Insurance Company Ja. Ltd.	12,000,000
JCSD Trustee Services Ltd – Sigma	2,650,000
David Chang	2,200,000
National Supply	2,128,000
Crissa's Group Ltd	1,648,358
Sunfisher Corp	1,183,000
Bruce Terrier	1,064,000
Prakash Vaswani	1,006,000

**Shareholding of Directors at September 30, 2013**

Vincent Chang *	Nil
Anthony Chang *	19,120,000
Nicola Chang Murphy *	89,000
Noel daCosta	800,000
Philmore Ogle	800,000
Keith Collister	800,000
Thomas Chin	200,000

\* These three directors are major shareholders in the parent company Chang Brothers Ltd.

**Shareholding of Senior Managers at September 30, 2013**

Rondene DaCosta	1,000
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