



2019 ANNUAL REPORT

CONSOLIDATED BAKERIES (JAMAICA) LIMITED

INVESTING IN **GROWTH**

Contents

2

2019
Highlights

4

About Us

6

Our Mission

7

Our Vision

8

Notice of the
Annual General
Meeting

14

Director's
Report

16

Management
Discussion
and Analysis

25

Corporate
Social
Responsibility

28

Board of
Directors

31

Top 10
Shareholders

32

Corporate Data

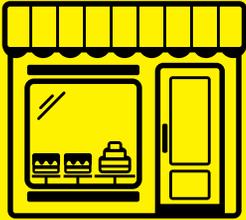
34

the Financials

77

Form of Proxy

2019 Highlights



3 Locations
Islandwide



161
Employees



5 **NEW PRODUCTS**

Launched this year

- ★ **Reduced Gluten Bread**
- ★ **N'uffins**
(Banana & Chocolate)
- ★ **Di Cheese Stic**
- ★ **Amaaazin**
(Cinnamon Raisin & Oats Bread)
- ★ **Coconut Bread**



— since 1957 —

63 years of operation

Product Categories

Bread 

Pastries 

Buns 

Crackers 

Jams 

Single Serve 



ABOUT US

Consolidated Bakeries (Jamaica) Limited emerged when three family bakeries, Valentine Bakery, Powell's Bakery and Huntington Bakery, came together in 1957 to form one entity. A family company, built on family values, the company's focus has always been on providing Jamaicans with nutritious baked goods made from only the freshest ingredients, producing foods that they would be happy feeding to their families.

For more than 60 years, Consolidated Bakeries (Jamaica) Limited has been offering their time honoured baked goods. Family recipes that have proven irreplaceable include their line of Easter Buns - Purity Boxed Bun, Miss Birdie Boxed Bun, Purity Hearty Goodness Whole Wheat Bun and Purity Hearty Goodness 'No Sugar Added' Bun. The popular Miss Birdie branded line of crackers is another family favourite along with a variety of buns and pastry offerings.

Operating under the brands of Purity and Miss Birdie, the company has been supportive of Jamaicans, not just as consumers, but also our valued employees and those within the neighbouring community. Ensuring that our staff has the opportunities to develop their abilities is a priority for the company.

With 60 years of experience, Consolidated Bakeries (Jamaica) Ltd. has continued the tradition of innovation and growth and is listed on the Jamaica Junior Stock Exchange for over six years. Innovation, improvement and expansion are among the primary areas of focus going forward. We realize the value of having the best available advice and as such regularly bring in experts to help the company achieve its optimal efficiency. This includes looking at plans for expansion, improving the local distribution network and export.

The recent introduction of the Miss Birdie Cinnamon Raisin & Oats Bread, Miss Birdie Di Cheese Stic continues to highlight the innovative path that the company continues to take.

**With 60 years
of experience,
Consolidated
Bakeries
(Jamaica) Ltd.
has continued
the tradition
of innovation
and growth**



1960



2020

In exploring ways to help the surrounding community, Consolidated Bakeries (Jamaica) Ltd. continues to be deeply involved with the local communities and also provides funding for education and children's security.

Our Mission

We aim to consistently deliver pure wholesome goodness for our family and yours, by maintaining extraordinary product quality and service standards.



Our Vision

Consolidated Bakeries (Jamaica) Ltd. is a publicly traded company, majority owned and operated by the Chang Family. It is our intention to continue the same level of product excellence and customer service that Consolidated Bakeries (Jamaica) Ltd. has so proudly built over the past sixty years.

We are dedicated to producing the best quality products, made with the finest available ingredients, at an affordable price. We want shoppers to be confident in the products they buy. To ensure this, our bakers use only the finest quality ingredients, some of which are ground fresh at our bakery. High quality control standards are a top priority at Consolidated Bakeries (Jamaica) Ltd., so that when you pull our product off the shelf, you can be satisfied in knowing that you are making a wholesome choice.

Consolidated Bakeries (Jamaica) Ltd. cares about its employees' happiness and well being. Through educational programs, we are improving the minds and abilities of our valued employees. We are involved in other programs that will assist in making their lives better and benefiting the community as a whole. Consolidated Bakeries (Jamaica) Ltd. wants to be known, not only for its great products, but also for the greatness it brings to the community.

Consolidated Bakeries (Jamaica) Ltd. aims to keep putting smiles on the faces of everyone who savors our breads and buns. Filling tummies around the world with healthy, tasty products is what we are passionate about and is the basis for our proud heritage – a heritage that provides pure wholesome goodness and love in each bite.

Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2021 Annual General Meeting of Consolidated Bakeries (Jamaica) Limited will be held at 2f Valentine Drive, Kingston 19 on April 28, 2021 at 10:00am – 1:00pm for the purpose of transacting the following business:

1. To receive the Audited Accounts for the year ended December 31, 2019 together with the reports of the Directors and Auditors thereon,

The Company is asked to consider, and if thought fit, pass the following resolution:

Resolution No. 1

“That the Audited Accounts for the year ended December 31, 2019, together with the reports of the Directors and Auditors thereon, be and are hereby adopted.”

2. To elect Directors.
 - (i) The Directors retiring by rotation in accordance with Regulation 105 of the Company’s Articles of Incorporation are Nicola Chang Murphy and Marshall Ogle, who being eligible for re-election, offer themselves for re-election.

The Company is being asked to consider, and if thought fit, pass the following resolutions:

Resolution No. 2

“THAT retiring director Nicola Chang Murphy be and is hereby re-elected a director of the Company.”

Resolution No. 3

“THAT retiring director Marshall Ogle be and is hereby re-elected a director of the Company.”

3. To approve the Remuneration of the Directors.
The Company is asked to consider, and if thought fit, to pass the following resolution:

Resolution No. 4

“That the amount shown in the Audited Accounts of the Company for the year ended December 31, 2019 as fees of the Directors for their services as Directors, be and are hereby approved.”

4. To appoint Auditors and to authorize the Directors to fix the remuneration of the Auditors.

The Company is asked to consider, and if thought fit, pass the following resolution:

Resolution No. 5

“That the remuneration of the Auditors, Bogle and Company, who have signified their willingness to continue in office, be such as may be agreed between the Directors of the Company and the Auditors.”

SPECIAL RESOLUTION

5. To amend the Articles of Incorporation

The Company is asked to consider, and if thought fit, pass the following special resolution:

Resolution No. 6

“That the Articles of Incorporation of the Company be and are hereby amended by revisions to Schedule II as shown below:

Amending Article 1 under the heading “Preliminary” definition “Electronic Means” to read

“Electronic Means - means any method of dispatch or communication of video and audio including live stream or broadcast, documents, words, writing, maps, photography, graphs, plans or other data which involves the use of equipment or technology having electrical, digital, magnetic, wireless, optical, electromagnetic, photographic, or similar capabilities including but not limited to telephonic facilities including facsimile machines, electronic mail sent via computers, mobile or scanning devices, instant messages via mobile devices, short message services or via the internet.

Where in these Articles it is provided that members may attend a meeting of the company by electronic means or by way of live stream or broadcast, the relevant computer programme or software (including webcasting, videoconferencing, teleconferencing, a combination of those and/or other electronic platforms) must allow members access to see and hear the proceedings; ask questions; vote electronically (including before and during the meeting and by proxy); and in all respects fully participate and exercise such rights, subject to the Chairman's directions for the orderly conduct of the meeting.

Insertion of new Articles numbered 55, 56 and 57 to read

55. The Company may hold its annual general meeting or any extraordinary general meeting in any of the following manners:

- a) Members present at the same physical venue; or
- b) Members present at a physical venue together with members in attendance by electronic means; or
- c) Members in attendance entirely by electronic means.

56. A member who participated in a meeting in accordance with Article 55 shall (notwithstanding being absent from the Island or otherwise remote from the venue of the meeting) be deemed to be present in person at the meeting and shall be counted in the quorum for and be entitled to vote at the meeting.

57. Any failure of technology or any failure or inability of a member to remain in any meeting convened in accordance with Article 55 shall not invalidate any resolutions passed or proceedings taken at such meeting provided that a quorum is present at all times.

Amending Article 72 under the heading "Votes Of Members" to read

On a poll votes may be given either personally, by proxy or by the established electronic means (as communicated through the relevant notices, to include e-mail instructions and any other electronic means of instructions for any such meeting) but no member shall be entitled to appoint more than one proxy to attend the same meeting.

Amending Article 150 to read

Any notice to be given or any document required to be sent by the Company to any member may be:-

1. (a) sent to him personally in writing or by electronic format;
- (b) sent by post to him or to his registered address, or (if he has no registered address within Jamaica) to the address if any, within Jamaica supplied by him to the Company for the giving of notice to him in writing or electronic format; or
- (c) sent to him by electronic means; or
- (d) sent to him by advertisement in a daily newspaper circulating in Jamaica; or
- (e) sent to him by publishing such notice on the company's website and/or such other websites available to public companies from time to time for the dissemination of information.

PROVIDED HOWEVER that where such notice or document is specifically required by law or these Articles to be sent in writing (otherwise than in electronic format, by electronic means, by advertisement or on a website) the Company shall obtain the member's written consent prior to sending same to him in electronic format, by electronic means, by advertisement or on a website.

2. Where a notice is sent by post, service of the notice shall be deemed to be effected by properly addressing, prepaying and posting a letter containing the notice, and to have been effected in the case of a notice of a meeting at the expiration of forty-eight (48) hours after the letter containing the same is posted, and in any other case at the time at which the letter would have been delivered in the ordinary course of post.
3. Where a notice or document is sent by electronic means service of the notice or document shall be deemed to be effected by properly dispatching the notice or document to the email address, any other electronic address or by facsimile, internet, or by short message service to the number provided by the member, and is deemed to be received by the intended recipient at the expiration of twenty-four (24) hours after the

notice or document is so dispatched by the Company.

4. Where a notice is published in a daily newspaper it shall be deemed to be served on the date of publication.
5. Where a notice is published on the company's website or such other websites available to public companies from time to time for dissemination of information the notice shall be deemed to be served on the date on which the notice is published on such website.

Renumbering of Existing Articles

By renumbering of existing articles [55 to 154] (inclusive) as articles [58 to 157] respectively.

Dated the 7th day of December 2020

By Order of the Board



Victor Salazar

Company Secretary
Registered Office
2F Valentine Drive
Kingston 19

NOTE:

1. A member entitled to attend and vote at the meeting may appoint a proxy, who need not also be a member, to attend and so on a poll, vote on his/her behalf. A suitable form of proxy is enclosed. Forms of proxy must be lodged with the Registrar of the Company, Jamaica Central Securities Depository, 40 Harbour Street, Kingston not less than 48 hours before the time of the meeting.
2. A Corporate shareholder may (instead of appointing a proxy) appoint a representative in accordance with Regulation 75 of the Company's Articles of Incorporation. A copy of Regulation 75 is set out on the enclosed detachable proxy form.



PURITY
BAKERS SINCE 1957

Pure Wholesome
GOODNESS

100% Whole Wheat Bread

PURITY
Bread for Life

Hearty GOODNESS

100% Whole Wheat Bread

A WHOLE GRAIN FOOD
LOOK FOR THE WHOLE GRAIN SYMBOL

HEALTHY & GOOD

- 100% WHOLE GRAIN FLOUR
- 2 grams of fiber per slice
- 1 gram of iron per slice
- 100% WHOLE GRAIN FLOUR

NO TRANS FAT
NO SATURATED FAT

HEALTHY BREAD OF HEARTY STARCHES AND SWEET CORN

PURE WHOLESOME GOODNESS

HEALTHY HEART

CERTIFIED BY
THE INTERNATIONAL GRAIN COUNCIL
MADE WITH 100% WHOLE WHEAT GRAIN

PURITY.COM.JM

PURITY BAKERY JAMAICA PURITYBAKERYJM PURITYJA

Director's Report

Our portfolio of goods under the Purity and Miss Birdie brands have put Consolidated Bakeries (JA) Ltd in a solid position for further growth. Competition kept us innovating in the year and it led to new lines of single serve baked goods, while we fortified our core products.

The Directors hereby present the annual report which contains our Statement of Financial Position and the Statement of Profit or Loss and Comprehensive Income for 2019. The company generated record sales of over \$1.0 billion in the financial year which signaled measured growth. Our revenue increased by 7.0 per cent which aided us in achieving gross profit of \$384.9 million from \$372.2 million a year earlier. The company reported earnings of negative \$0.06 per share compared to positive \$0.06 in the prior year. On the balance sheet side, we increased the value of our total assets to just under \$992 million from \$983 million. Our capital at \$706.3 million dipped slightly by 1.9 per cent, but that was due to reduced accumulated earnings rather than any structural shift. We spent \$53 million to upgrade our bakery, our computer software and increase the fleet of vehicles for distribution.

We also continued to invest in improving the quality of our ingredients. Consolidated Bakeries (Jamaica) Ltd. aims to keep putting smiles on the faces of everyone who savors our buns and loaves of bread. We play our part by using just enough salt and sugar to achieve the desired intent for our snacks without putting the customer at risk. We are one of the few bakeries in the island that uses certified true wheat in our products. The result is tasty, nutritious, affordable and family-safe products.

The 2019 financial year also brought changes to our Board. Two of our Board's directors, Thomas (Tom) Chin and Keith Collister, resigned their posts on November 14, 2019. In turn, Lamar Harris and Marshall Ogle joined the Board on November 14, 2019 and since then, have and will continue to serve as independent, non-executive directors on the Board. Further, our Chairman Vincent J. Chang, retired from his post on November 14, 2019. Vincent has worked for more than three decades in the baking industry and has led the Board of Directors since the company listed on the Jamaica Stock Exchange (JSE) in 2012. I, Anthony V. Chang will assume the Chairmanship and will continue to carry out duties of Chief Executive Officer and Managing Director.

Management and the Board would like to thank shareholders who have showed confidence in our stewardship over the years. We continue to transition the company from one that sells bread into a brand with a portfolio of goods that customers trust.

We also wish to thank our loyal customers for their continued support and partnership.



Anthony V. Chang
Chairman
On behalf of the Board

Management Discussion and Analysis

DISCUSSION & ANALYSIS.....	13
CAPITAL EXPENDITURE.....	16
VISION, MISSION & CORE BUSINESS STRATEGY ...	17
KEY PERFORMANCE DRIVERS.....	17
OUTLOOK	18

Consolidated Bakeries (Jamaica) Limited engages in the manufacture, wholesale, and retail sale of edible baked products in Jamaica and overseas. The company offers loaves of bread, buns, hot dog rolls, and bread crumbs, as well as a growing variety of single serve snack items, in addition to wheat, corn, low salt and snack crackers. Consolidated Bakeries focuses on making products that are nutritious, affordable and family-safe.

The company markets its products through its retail shops under the Purity, Miss Birdie, and Hearty Goodness brands. Consolidated Bakeries (Jamaica) Limited was founded in 1957 and is based in Kingston, Jamaica.

DISCUSSION & ANALYSIS

Consolidated Bakeries (Jamaica) Limited achieved record sales for the December 2019 financial year which allowed us to surpass the \$1 billion mark for the first time in our history. Throughout the year, we implemented a number of strategies aimed at growing our sales, focusing on our more competitive products, aimed at gaining market share and attaining higher margins. In doing so, we incurred expenses which sometimes hurt our profit and loss, but overall resulted in the increase in our sales which put us in a better position to grow in the long term. We experienced a sales growth of 7.0 per cent in the year and instituted few price increases which forced us to keep margins tight. It still

resulted in us making a higher gross profit at \$384.84 million compared to \$372.17 million or 3.4 per cent higher year on year.

Over the year, we introduced and tested new products in the market, such as Cinnamon Raisin & Oats Bread and Di Cheese Stic. We also cut back on others that did not have a strong competitive position, but overall there was an increase in total items available for sale. This is in line with our Transformation Strategy to diversify from our core bread into new bread products.

The bread business is often cited in economic texts as the closest sector to a perfect competition, in which among other things, prices are evenly matched in the marketplace.

This ultimately leaves thin margins for bakeries. Seven years ago, when we started the Transformation Strategy, we earned more than 90 per cent of our revenue from bread. Now, we are less dependent on revenues from our bread lines, with other revenues coming from single-serve, buns and new items. As a result, during the financial year, total sales of Miss Birdie crackers were up, due to brand loyalty and appeal, but margins went down due to challenges in the trade, in particular, new competition. This comes after we realised that we could compete effectively in categories other than bread. This shift required investment in equipment, marketing, and other expenses, which we have done over the last few years.

During the financial year, revenue increased by \$66 million year on year or 7.0 per cent higher and totaled \$1.03 billion. After cost of sales and other expenses, we netted a loss of \$12.5 million compared to a profit in the previous year of \$12.95 million. This translated to earnings per share of negative \$0.06 compared to positive \$0.06 in the prior year.

The stock price remained largely stable during the year at \$1.79 on the first trading day in January and closed at \$1.73 at the year ending December 2019. We continue to look towards enhancing long term shareholder value, and management recognizes that profitability remains an important condition to improve the attractiveness of the stock. However we feel that the market has suppressed the stock price below its book value per share and there is value being overlooked. Nonetheless, we believe that the strategies in the year have placed the Company on a path to improvement over the long term.

During the year, our administrative and selling costs totaled \$389 million in 2019 from \$340.2 million in 2018 or 14.3 per cent higher year on year. We incurred these higher costs in order to focus on growing sales, including additional cost needed to get our goods into the marketplace. Our increased spend was in part addressing the flat operational expenses in the 2019 financial year and the admission that for a business of our size, with \$1 billion in sales, we should really be spending about four per cent on marketing or \$40 million. We were half-way there in 2018 and are pleased to say that we are now closer to the goal, notwithstanding our need to keep expenses tight.



Great Taste!

NO
HIGH
FRUCTOSE
CORN
SYRUP

NO
ADA

NO
BLEACHED
FLOUR

NO
BROMATE
FLOUR

Vegan
Friendly

Finance costs during the year dipped to \$17 million in 2019 from \$23 million a year earlier. A breakdown shows that our interest costs remained flat at \$11 million, but our bank charges dropped in half to \$5.4 million.

CAPITAL EXPENDITURE

As part of our transitional process we continued to invest in making our factory flexible allowing us to add new lines to introduce new products at will. While this has reduced our scale for large core products such as bread, it has enabled us to become more agile to react to market shifts, particularly in the single serve market.

Management has invested more than \$53.2 million during the financial year on additions with more than half on motor vehicles, acquiring modern vehicles to improve our fleet for distribution at \$26.6 million, followed by \$18.9 million on expanding our plant, machinery & equipment, \$2.8 million on computer software, \$2.7 million on land, and \$2.1 million on furniture, fixtures & fittings. In 2018 we invested \$63.7 million in this category.

Since listing on the Jamaica Stock Exchange, we have spent roughly \$312 million of capital in modernizing

our plant and improving our logistics. In most years, we have strategically boosted our capital expenditure to increase the efficiency of our operation. We spent \$53.2 million in 2019, \$63.7 million in 2018, \$25.1 million in 2017, \$82.2 million in 2016, \$51 million in 2015, and \$31 million in 2014. Over the years it resulted in us improving efficiencies which allowed us to make products at the same unit cost as any small or large bakery. The investments we made over the period resulted in improving the competitive strength of Consolidated Bakeries.

The capital expenditure over the years resulted in growing our total assets to \$991.7 million in 2019 from \$983 million a year earlier. Additionally, our capital base remains strong, dipping slightly from \$706.3 million from \$720.7 million in 2018. This was due to a reduction in our financial assets on our books and also a reduction in our profit for the 2019 financial year. During the year, we improved our working capital to \$73.5 million in 2019 up by roughly 42 per cent year on year ending the year with current assets at \$249 million to cover repayments of the current portion of our liabilities at \$175.5 million.

The Company's cash and equivalents position stood at \$44.6 million at the end of 2019 slightly less than \$46.1 million a year earlier. The reduction in cash at the end of the period, represented an issue of timing as we pulled down on bank overdrafts.

Our gross profit margin declined slightly in the year moving to 37.5 per cent in 2019 from 38.7 per cent in 2018 from 36.4 per cent in 2017. This was due to us keeping prices low and competitive, despite the cost increases to manufacturers.

Our administrative, sales and office expenses as a portion of sales, trended higher at 39 per cent in 2019 from 35.4 per cent in 2018. This is reflected in increased efforts targeting market share.

VISION, MISSION and CORE BUSINESS STRATEGY

Everyday, we bake pure wholesome goodness for our family and yours, and our investment in retooling, people, research and development seeks to maintain and grow that quality.

Our long-term vision is to use our platform to become owners of bakery and food brands that span Jamaica and beyond. Specifically, on our growth initiative we have previously expressed our desire to earn stronger export sales in the Diaspora which would surpass 10 per cent of total sales. We are on track to achieve that albeit at a measured rate. The primary product that will get us to that level continues to be our buns. As it stands, the highest demand for exports leads into the second quarter of the year with Easter bun sales, which are a traditional pastime among Jamaicans at home and abroad. We are already in the US, Canada and UK.

KEY PERFORMANCE DRIVERS

Multiple internal and external elements affect the company's performance. Internally, we track the performance of our food categories, our margins, and our market share of targeted products. We also focus on metrics that allow us to track new sales as we transition from core bread to different baked goods, enabling us to make adjustments as needed. For instance, four years ago our semi-sweet products accounted for very little of our sales. However, given data and marketing strategies, we grew sales in that product category by 400 percent.

OUTLOOK

The overall purchasing power of the population continues to be under threat, but at the same time people are putting food as a priority in these times. So even with incomes tight, food remains a priority item. We are responding by keeping prices stable and putting nutritious, affordable and family safe products in the market that people want.

For the upcoming financial year, we will continue to strengthen areas of growth. This means maintaining our brand appeal through marketing, supplying sufficient core bread and snack products through the distribution trade, while reducing grain type breads that appeal to the higher tier of the market. These items are important trailblazers in times of prosperity but they take the bulk of losses during times of austerity. We however remain committed to providing healthier ingredients at affordable prices even in our lower end tiered products.

Going forward, we expect competition in the trade to shift with large players maintaining market share and some smaller players exiting the market resulting in more

micro players with bread van distribution entering the trade. To counter such pressures, we will continue expanding our distribution network to corner-shops and vendors in rural and urban areas.

The Company also continues to search for growth opportunities which include collaborations and acquisitions. Contextually, we expect the baking industry to be more susceptible to changes during this period. A lot of smaller bakeries which hold key locations in rural and urban communities do not hold sufficient tangible assets to justify the valuations they seek. Such acquisitions would result in us overpaying for tangible assets and justifying it with large amounts of goodwill. We continue to evaluate opportunities that approach us.

TEAR HERE



Miss
Birdie

DI CHEESE
STIC

CORNBREAD
+ CHEESE

NET WT. 2.5OZ | 71 GRAMS

NO
ADA

NO
BLEACHED
FLOUR

NO
BROMATE
FLOUR

NO
TRANS
FAT

• CAN BE MICROWAVED •



INTRODUCES



REDUCED GLUTEN BREAD

- ✓ 25% REDUCED GLUTEN
- ✓ UNBLEACHED AND UNBROMATED FLOUR
- ✓ 2 GRAMS SUGAR PER SLICE



N'UFFINS

- ✓ NO GLUTEN ADDED
- ✓ MADE WITH JAMAICAN CASAVA
- ✓ NO TRANS FAT



Buy Jamaican, Build Jamaica

Corporate Social Responsibility



Purity Donates to S.O.S. Children's Charity

As part of their mission to bring cheer over the Christmas season, Consolidated Bakeries, under its Purity Brand, launched a campaign entitled “A Purity Christmas”, with 100% of proceeds donated to the S.O.S Children’s Charity. Toys, books and other supplies were donated, and quality time was spent with the children. “It’s all about making a child smile, this Christmas,” Russanette Dennis relayed, Marketing Assistant at Consolidated Bakeries; “our Purity family just wants to know that we’re able to give back, especially during the Christmas Season when these kids may be missing their own families”.

The aim of the initiative was to trigger a culture of giving and sharing and to inspire other corporate brands to do the same.



Purity Honours Oracabessa Bay Fish Sanctuary

In Easter, Purity applauded the work of the dedicated team of the Oracabessa Bay Fish Sanctuary for their contribution to the sustainability of Jamaica’s marine life. Nestled in the heart of the fishing village of Oracabessa, St. Mary, this twelve member team, led by Inilek Wilmot, is committed to solving issues that have threatened the livelihood of members of their community. In recognition of the work they have

done and the success the fish sanctuary has achieved, Purity Bakery presented the team with Easter bun gift packages to enjoy with their families over the holiday season.

On behalf of the team, Inilek Wilmot, Manager of the Oracabessa Bay Fish Sanctuary, expressed gratitude for the recognition and the gifts, saying that the donation “really lifted the spirits of all our team members going into the Easter Season... when you’re working hard and someone takes the time to stop and recognize and encourage you, it really makes us feel special.”

The Oracabessa Bay Fish Sanctuary, one of many fish sanctuaries in Jamaica, was officially established in 2010 as a joint project between the Oracabessa Foundation and the Oracabessa Fisherman’s Cooperative. The goal of the sanctuary is to protect and restore Oracabessa Bay’s natural resources while serving as a catalyst to ensure the sustainable livelihoods of the families that depend on the Bay for their income.



Miss Birdie/ Purity Sponsorship

Ms. Shanice Samuels was selected as the successful Miss Birdie/ Purity Scholarship Recipient 2019/ 2020, as once again, Consolidated Bakeries offered a scholarship to a final year Jamaican student.

This student had to be enrolled at the tertiary level pursuing an undergraduate degree (B.Sc) in the Department of Management Studies at the University of the West Indies, Mona.

The Miss Birdie/Purity Scholarship for Business & Management offers students who have a Grade Point Average of 3.0 or higher, with a verifiable financial need, the opportunity to have their tuition paid in full. The successful candidate had to have displayed leadership qualities, volunteerism and social involvement as well as active participation in co-curricular activities.

The first recipient of the scholarship, Ms. Keyondra Lambert, graduated the University of the West Indies in October 2016 with a First Class Honours Bachelors of Science degree after having done a Double Major in Management Studies and Human Resource Management.



Board of Directors



Anthony V. Chang CD.
Managing Director

Anthony V. Chang brings to the table his extensive professional experience particularly in the consumer and packaged food businesses, involving both domestic and international brands. He is a former president of the Jamaica Chamber of Commerce, has served on boards of both public and private sector firms and was recently awarded an Order of Distinction (CD) for his years of service to the business community. He holds a degree in Business Administration from the University of Western Ontario in Canada and has completed several professional courses at reputable North American universities.

Nicola Chang Murphy
Director of Sales & Marketing

Nicola Chang Murphy became a non-executive board member as of May 10, 2013. Previously, she managed supervisors, sales representatives and merchandisers, as well as brand creativity and cost efficiencies for the company. She launched the “Healthy Eating equals Healthy Living” campaign which heightened awareness of the Purity and Miss Birdie brands. Her degrees include a Masters in Business Administration from Nova South Eastern University. Her services are now contracted on a project basis.

Noel DaCosta CD.
Non-Executive Board Member

Noel daCosta is a highly respected management consultant. He is retired from Desnoes & Geddes/Diageo, where he held many positions including: Central American and Caribbean Corporate Relations Director for Diageo. He is a chartered engineer, and a past President and Fellow of the Jamaica Institute of Engineers. He has post-graduate degrees in Engineering, Business Administration and Insurance. He is a former president of the Jamaica Chamber of Commerce and has served on several boards in the public and private sectors.

Victor Salazar-Chang
Company Secretary & Business Development Manager

Victor Salazar-Chang is experienced in international business, having headed the Caribbean and Latin American Unit of Jamaica’s Investment and Trade Promotion Agency (JAMPRO) and procured the largest investment influx in the country’s history. He has also managed an industrial packaging and commodities unit, at Grace Kennedy & Co. Ltd. and led the export foray into Latin America for Grace branded products. He has a Bachelor of Science in International Relations and a Masters in Government from the University of the West Indies.

Board of Directors

Marshall Ogle **Non-Executive Board Member**

Marshall Ogle former Director, Strategy & Operations, Jamaican Management Services Practice, is a business process reengineering specialist in the financial services sector with over 25 years of experience in Jamaica, Barbados and Trinidad. He led the firm's Strategy & Operations and IT Consulting service lines. Ogle has led numerous consulting engagements in the private and public sectors in organizational audits, business process reengineering, change management, organizational structure reviews and design, Strategic Planning, IT selection and implementation, development of procedures manuals and institutional strengthening. He has assisted numerous entities to prepare business plans and financial projections and facilitated strategic planning exercises for government agencies and companies in the financial, manufacturing, health and education sectors. He has served on a number of local and Regional Boards. He holds a Bachelor of Science degree in Aeronautical Engineering, a MBA and a MSc. Information Systems.

Lamar Harris **Non-Executive Board Member**

Lamar Harris, Vice President of Wealth Management (Regional) at NCB Capital Markets in Kingston Jamaica, responsible for leading the syndication and distribution of products. She has been successfully incorporating law and finance for many years as a finance specialist. Also a lawyer by profession, Lamar worked in the financial sector for over 10 years before breaking to pursue her law degree; holding a Bachelors of Art , Masters in Business and a Juris Doctorate. She led Stocks & Securities Limited (SSL), for many years in the capacity of General Manager and later CEO where she proudly spearheaded a series of advancements and changes including cost control, compliance, policies, and procedures, all with the mandate of creating a company versed in financial technology. The company's revenue position was also strengthened under her watch. As a growth strategist, Lamar was responsible for pulling together a dynamic team passionate about their work. She oversaw development strategy, product development, business development and monitoring of budgetary expenditure. She was also the Investment Bank Manager who led the listings of Consolidated Bakeries Ltd.; the Jamaica Stock Exchange and Caribbean Cream Ltd on the Jamaica Stock Exchange (JSE).

Top 10 Shareholders

NAME	VOLUME	%
Chang Brothers Limited	136,496,956	61.2893
Anthony V. Chang CD.	19,200,468	8.6213
General Accident Insurance company Jamaica Limited	11,863,631	5.3270
Everton J. Smith	7,580,000	3.4035
David Chang	3,216,000	1.4440
Colin Steele	2,944,468	1.322
P.A.M. Ltd - Pooled Equity Pension Fund	2,481,241	1.1141
Michael J.G. Subratie	2,452,590	1.1013
National Supply Co. Limited	2,029,805	0.9114
Everton A Smith	1,616,427	0.7258

DIRECTORS SHAREHOLDINGS

NAME	VOLUME	%
Anthony V. Chang CD.*	19,200,468	8.62
Philmore Ogle	800,000	0.35
Noel Dacosta	800,000	0.35
Keith Collister	800,000	0.35
Thomas Chin	256,636	0.11
Victor Salazar-Chang	194,392	0.08
Nicola Chang Murphy*	89,000	0.03
Vincent Chang*		0

Corporate Data

BOARD OF DIRECTORS

Vincent J. Chang
 Anthony V. Chang CD
 Noel daCosta CD.
 Thomas (“Tom”) Chin
 Nicola Chang Murphy
 Marshall Ogle
 Lamar Harris

CORPORATE SECRETARY

Victor Salazar-Chang

REGISTRAR & TRANSFER AGENTS

**Jamaica Central Securities
 Depository Ltd.**

P.O Box 1084
 40 Harbour Street
 Kingston

AUDITOR

**BOGLE AND COMPANY
 Chartered Accountants**

6 South Avenue
 Unit 6, Dragon Center
 Kingston 10

BANKERS

**National Commercial
 Bank Ltd**

First Global Bank Ltd

Bank of Nova Scotia

ATTORNEYS-AT-LAW

Samuda & Johnson

15 Trinidad Terrace
 Kingston 5

Foga Daley

Patent & Trademark Agents
 7 Stanton Terrace, Kingston 6

REGISTERED OFFICES

2F Valentine Drive
 Kingston 19



the Financials



Independent Auditor's Report

To the Members of Consolidated Bakeries (Jamaica) Ltd.
Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Consolidated Bakeries (Jamaica) Ltd. ("the Company") set out on pages 6 to 40, which comprise the statements of financial position as at December 31 2019, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31 2019 and of financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), and the Jamaican Companies Act.

Basis for Opinion

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

Key Audit Matters

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

During the current year audit there were two areas which we consider to be a key audit matter.

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 Email: info@bogleandcompany.com
 www.bogleandcompany.com

Independent Auditor's Report

To the Members of Consolidated Bakeries (Jamaica) Ltd.

Impact of the Corona virus

The Company has assessed the impact of the recent Corona virus and its ability to continue as a going concern.

In this evaluation, the company assessed its industry, including its customer base in determining the potential future impacts.

Our responsibility was to assess these factors and determine if management's conclusions as to its ability to continue as a going concern is reasonable.

Management has concluded that based on the industry which it currently is, there will not be significant negative impact on its ability to continue as a going concern.

We have assessed the factors and based on the type of industry found no significant exceptions to their conclusion.

Leases

During the current year, a new IFRS 16 became effective, which had potential impact on the Company's accounting for its operating leases.

Management has determined that its leases are classified as either low cost or short-term leases and therefore, no accounting changes are deemed necessary.

We evaluated the lease contracts and had discussions with management.

Based on the evaluation of the lease contracts and the materiality of the leases as compared to its overall Property, Plant and Equipment, we found no exception to this management assertion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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

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

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

Independent Auditor's Report

To the Members of Consolidated Bakeries (Jamaica) Ltd.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

A further description of our responsibilities for the audit of the financial statements is included in the Appendix of this auditor's report. This description, which is located on page 5, forms part of our auditor's report.

Report on additional matters 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 maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act, in the manner required

The engagement partner on the audit resulting in this independent auditor's report is Worrick Bogle.

Independent Auditor's Report

To the Members of Consolidated Bakeries (Jamaica) Ltd.

Bogle

BOGLE & COMPANY
Chartered Accountants
Kingston, Jamaica
May 29, 2020

Appendix to the Independent Auditor's report

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

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

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

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

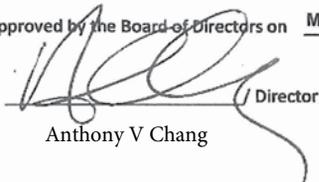
From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes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

CONSOLIDATED BAKERIES (JAMAICA) LTD.

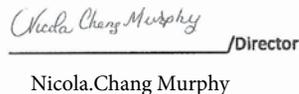
Statement of Financial Position

As at December 31, 2019

	Note	2019 \$	2018 \$
ASSETS			
NON-CURRENT ASSETS			
Property, plant & equipment	6	742,751,418	724,800,558
TOTAL NON-CURRENT ASSETS		<u>742,751,418</u>	<u>724,800,558</u>
CURRENT ASSETS			
Inventories	7	45,982,665	43,341,567
Trade and other receivables	8	102,138,120	93,930,657
Financial Investments	9	23,702,076	43,453,292
Cash & cash equivalents	10	77,101,281	77,612,690
TOTAL CURRENT ASSETS		<u>248,924,142</u>	<u>258,338,206</u>
TOTAL ASSETS		<u>991,675,560</u>	<u>983,138,764</u>
EQUITY			
Share Capital	11	90,726,664	90,726,664
Capital Reserve		20,825,532	20,825,532
Revaluation Reserve		537,342,437	537,342,437
Other Comprehensive Income		3,997,729	5,867,911
Retained Earnings		53,406,249	65,898,346
TOTAL EQUITY		<u>706,298,611</u>	<u>720,660,890</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Borrowings	12	100,106,646	95,265,270
Deferred tax liabilities	13	9,808,761	7,023,952
TOTAL NON-CURRENT LIABILITIES		<u>109,915,407</u>	<u>102,289,222</u>
CURRENT LIABILITIES			
Borrowings	12	61,526,852	53,522,551
Trade Payables		109,422,778	99,136,292
Accruals		4,511,912	7,529,809
TOTAL CURRENT LIABILITIES		<u>175,461,542</u>	<u>160,188,652</u>
TOTAL LIABILITIES		<u>285,376,949</u>	<u>262,477,874</u>
TOTAL LIABILITIES AND EQUITY		<u>991,675,560</u>	<u>983,138,764</u>

Approved by the Board of Directors on MAY 29, 2020 and signed on its behalf by:


Anthony V Chang
Director



Nicola.Chang Murphy
Director

CONSOLIDATED BAKERIES (JAMAICA) LTD.

Statement of Profit or Loss and Comprehensive Income

For year ended December 31, 2019

	Note	2019 \$	2018 \$
Revenue		1,027,265,773	960,318,626
Cost of Goods Sold	16	(642,420,856)	(588,146,967)
Gross Profit		<u>384,844,917</u>	<u>372,171,659</u>
Administration Expenses	17	(204,049,580)	(177,569,639)
Selling and distribution	18	(153,454,351)	(135,249,710)
Depreciation & Amortisation	6	(31,447,296)	(27,371,857)
		<u>(388,951,227)</u>	<u>(340,191,206)</u>
(Loss)/Profit from operations		<u>(4,106,310)</u>	<u>31,980,453</u>
Finance Cost	20	(16,970,285)	(23,070,117)
Other Revenue	21	11,369,307	9,939,613
		<u>(5,600,978)</u>	<u>(13,130,504)</u>
(Loss)/Profit before income tax		(9,707,288)	18,849,949
Income tax expense	22(a)	(2,784,809)	(5,890,933)
(Loss)/Profit after income tax		<u>(12,492,097)</u>	<u>12,959,016</u>
Other comprehensive income			
<i>Those that might be reclassified to profit or loss in subsequent periods</i>			
Unrealised Gain on Investment		376,606	268,421
Realised gain on investment reclassified to profit or loss		(2,246,788)	(8,964,363)
Total comprehensive income/(expense) for the year		<u>(14,362,279)</u>	<u>4,263,074</u>
Earnings per Share		<u>(0.06)</u>	<u>0.06</u>

Average number of shares in issue for the year is 222,709,171 (2018: 222,709,171)

CONSOLIDATED BAKERIES (JAMAICA) LTD.

Statement of Changes in Equity

For the Year Ended December 31, 2019

	Share Capital	Revaluation Reserve	Capital Reserve	Other Comprehensive Income	Retained Earnings	Total
	\$	\$	\$	\$	\$	\$
Balance as at 1 January 2018	90,726,664	537,342,437	20,825,532	14,563,853	52,939,330	716,397,816
Comprehensive Income						
Profit for the year					12,959,016	12,959,016
Other comprehensive income for the year	-	-	-	-	(8,695,942)	(8,695,942)
Total comprehensive income for the year	-	-	-	-	4,263,074	4,263,074
Realised gain on investment	-	-	-	(8,964,363)	8,964,363	-
Unrealised gain on investment	-	-	-	268,421	(268,421)	-
Total other	-	-	-	(8,695,942)	8,695,942	-
Balance as at December 31 2018	<u>90,726,664</u>	<u>537,342,437</u>	<u>20,825,532</u>	<u>5,867,911</u>	<u>65,898,346</u>	<u>720,660,890</u>
Balance as at 1 January 2019	90,726,664	537,342,437	20,825,532	5,867,911	65,898,346	720,660,890
Comprehensive income						
Loss for the year					(12,492,097)	(12,492,097)
Other comprehensive income for the year	-	-	-	-	(1,870,182)	(1,870,182)
Total comprehensive income for the year	-	-	-	-	(14,362,279)	(14,362,279)
Unrealised gain on investment	-	-	-	376,606	(376,606)	-
Realised gain on investment	-	-	-	(2,246,788)	2,246,788	-
Total other	-	-	-	(1,870,182)	1,870,182	-
Balance as at December 31 2019	<u>90,726,664</u>	<u>537,342,437</u>	<u>20,825,532</u>	<u>3,997,729</u>	<u>53,406,249</u>	<u>706,298,611</u>

CONSOLIDATED BAKERIES (JAMAICA) LTD.

Statement of Cash Flows

For the Year Ended December 31, 2019

	Note	2019 \$	2018 \$
Cash flow from operating activities			
(Loss)/Profit before income tax		(9,707,288)	18,849,949
<i>Items not affecting cash resources:</i>			
Realised Gain on investment		(2,246,788)	(8,964,363)
Profit on Disposition of Assets		(764,140)	-
Depreciation		31,447,296	27,371,857
		<u>18,729,080</u>	<u>37,257,443</u>
- (increase) in inventories		(2,641,098)	(8,333,579)
- (increase) in trade and other receivables		(8,207,463)	(11,853,252)
- increase in trade payables and accruals		7,268,590	29,475,992
		<u>15,149,109</u>	<u>46,546,604</u>
Net cash inflow from operating activities			
Cash flow from investing activities			
Purchase of property, plant and equipment		(53,216,517)	(63,758,754)
Financial Investments		20,127,822	(887,539)
Proceeds from sale of fixed assets		4,582,500	-
Net cash (outflow) from investing activities		<u>(28,506,195)</u>	<u>(64,646,293)</u>
Cash flow from financing activities			
New Loan		36,000,000	65,500,000
Loan Repayment		(24,229,875)	(50,791,244)
Net cash inflow from financing activities		<u>11,770,125</u>	<u>14,708,756</u>
Net decrease in cash held		<u>(1,586,961)</u>	<u>(3,390,933)</u>
Cash and cash equivalents at beginning of financial year		46,052,287	49,443,220
Cash and cash equivalents at end of financial year	10	<u>44,465,326</u>	<u>46,052,287</u>

CONSOLIDATED BAKERIES (JAMAICA) LTD.

Notes to the Financial Statements

December 31, 2019

1 Reporting Entity

Consolidated Bakeries (Jamaica) Ltd. ("the company")

- a) The Company is incorporated under the Jamaican Companies Act and is a subsidiary of Chang Brothers Limited which is a Jamaican Company incorporated under the Jamaican Companies Act.
- b) 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.
- c) Activities
The main activities of the Company are the manufacture and wholesale and retail sale of edible baked products.

2 Basis of Preparation

These financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

In addition, for financial reporting purposes, fair value measurement are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the company can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3 Functional and presentation currency

These financial statements are presented in Jamaican dollars, which is the functional currency of the Company.

Notes to the Financial Statements

December 31, 2019

4 Summary of Significant Accounting Policies

(a) New Accounting Standards for Application in Future Periods

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective and the company has not opted for early adoption.

Amendments to IAS 1 and IAS 6	Definition of Material ¹
IFRS 17	Insurance Contracts ²

¹Effective for annual periods beginning on or after 1 January 2020

²Effective for annual periods beginning on or after 1 January 2021.

(b) New and Amended Accounting Policies Adopted

IFRS 16 Leases

The Company has not applied IFRS 16 due to the timing at which the current leases are expected to expire.

Policy applicable from 1 January 2019 if the company had applied

At inception of the contract, the Company assesses whether a contract is, or contains, a lease. A

contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of the accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

At inception of the contract, the Company assesses whether a contract is, or contains, a lease. A

contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

i. As a lessee

At commencement or on modification of a contract that contains a lease component, the Company

Notes to the Financial Statements

December 31, 2019

4 Summary of Significant Accounting Policies (cont'd)

(b) New and Amended Accounting Policies Adopted (cont'd)

IFRS 16 Leases (cont'd)

allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, included in-substance fixed payments;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate as the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option,

Notes to the Financial Statements

December 31, 2019

4 Summary of Significant Accounting Policies (cont'd)

(b) New and Amended Accounting Policies Adopted (cont'd)

IFRS 16 Leases (cont'd)

and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and lease of low-value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including its equipment and storage warehouses. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ii. As a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Company acts as lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of sub-lease with reference to the right-of-use asset arising from

the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sup-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies IFRS 15 to allocate the consideration in the contract.

CONSOLIDATED BAKERIES (JAMAICA) LTD.

Notes to the Financial Statements

December 31, 2019

4 Summary of Significant Accounting Policies (cont'd)

(b) New and Amended Accounting Policies Adopted (cont'd)

IFRS 16 Leases (cont'd)

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the Company as a lessor in the comparative period were not different from IFRS 16 except for the classification of the sub-lease entered into during current reporting period that resulted in finance lease classification.

Policy still currently applied

For contracts entered into before 1 January 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of specific asset or assets; and

- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:

- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;

- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or

- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

Notes to the Financial Statements

December 31, 2019

4 Summary of Significant Accounting Policies (cont'd)

(c) Property, Plant and Equipment

This Standard shall be applied in accounting for property, plant and equipment except when another Standard requires or permits a different accounting treatment.

The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:

(a) It is probable that future economic benefits associated with the item will flow to the entity; and

(b) The cost of the item can be measured reliably

Items of property, plant and equipment may be acquired for safety or environmental reasons. The acquisition of such property, plant and equipment, although not directly increasing the future economic benefits of any particular existing item of property, plant and equipment, may be necessary for an entity to obtain the future economic benefits from its other assets. Such items of property, plant and equipment qualify for recognition as assets because they enable an entity to derive future economic benefits from related assets in excess of what could be derived had those items not been acquired.

An item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost.

An entity shall choose either the cost model or the revaluation model as its accounting policy and shall apply that policy to an entire class of property, plant and equipment.

The company uses the cost model as its measurement of recognition for its categories apart from Land and Building, which it uses the revaluation model.

After recognition as an asset, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

The depreciation charge for each period shall be recognised in profit or loss unless it is included in the carrying amount of another asset.

This business recognises depreciation under the expense heading of "depreciation."

The depreciable amount of an asset shall be allocated on a systematic basis over its useful life.

The depreciation method used by the company is the straight-line basis and is designed to write off the assets over its useful live.

Computer Equipment	20.0%
Motor Vehicle	12.5%
Fixture & Equipment	10.0%
Plant machinery and equipment	10.0%
Building	2.5%

CONSOLIDATED BAKERIES (JAMAICA) LTD.

Notes to the Financial Statements

December 31, 2019

4 Summary of Significant Accounting Policies (cont'd)

(c) Property, Plant and Equipment (cont'd)

Land is not depreciated

Repairs and maintenance expenditures are charged to the profit or loss in the statement of comprehensive income during the financial period in which they are incurred.

(d) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a moving average basis for its motor vehicles and the weighted average basis for its parts. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(e) Trade and Other Receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost, less any appropriate provision for estimated irrecoverable amounts. A provision is established for irrecoverable amounts when there is objective evidence that amounts due under the original payment terms will not be collected.

(i) Impairment

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on financial assets has increased significantly if it is more than 90 days past due.

The Company recognize loss allowances for ECLs and considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without Recourse by the Company to action such as realizing security if any is held; or
- The financial assets are more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the the expected life of the financial instrument.

Notes to the Financial Statements

December 31, 2019

4 Summary of Significant Accounting Policies (cont'd)

(e) Trade and Other Receivables (cont'd)

(i) Impairment (cont'd)

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expect to receive).

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost is credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer.
- A breach of contract such as a default or past due event.
- It is becoming probable that the borrower will enter bankruptcy or other financial Reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

(f) Cash and Cash Equivalents

Cash and cash equivalents are held for the purposes of meeting short-term commitments rather than for investments or other purposes. For an investment to qualify it must be convertible to a known amount of cash and be subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent when it has a short maturity of 3 months or less from the date of acquisition.

a. Financial Investments

These assets are classified at fair value through profit or loss and are measured at fair value, and any changes therein, including any interest or dividend income, are recognised in profit or loss.

Notes to the Financial Statements

December 31, 2019

4 Summary of Significant Accounting Policies (cont'd)

(h) Borrowing Costs

Loans are initially recognised at the fair value of the proceeds, net of related transaction costs. These transaction costs and any discount or premium on issue are subsequently reduced by the principal payment. The company does not recognise the interest expense as the loans presented on the Statement of Financial Position is repaid to the company by the related party.

(i) Related party disclosures

The objective of this Standard is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments, with such parties.

A **related party** is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').

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

- (i) has control or joint control of the reporting entity;
- (ii) has significant influence over the reporting entity; or

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

- (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 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).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A **related party transaction** is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged

CONSOLIDATED BAKERIES (JAMAICA) LTD.

Notes to the Financial Statements

December 31, 2019

4 Summary of Significant Accounting Policies (cont'd)

(j) Trade and Other Payables

Trade payables are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

(k) Foreign Currency Transactions and Balances

The company is subject to changes in foreign currency rates as it relates to the United States dollar. It is recorded initially in the functional currency using the spot exchange rate of the Jamaican dollar to the United States dollar at the date of the transaction. At the end of the period, the foreign currency is converted to the functional currency using the closing rate for the period. Exchange differences arising from the conversion of the rates used for initial recording and at the end of the period are recognised in the profit and loss statement.

(l) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for allowances.

i. Sale of goods

The Company's main source of revenue is through the sale of new passenger and commercial motor vehicles. The company also sells parts for the motor vehicles.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

CONSOLIDATED BAKERIES (JAMAICA) LTD.

Notes to the Financial Statements

December 31, 2019

4 Summary of Significant Accounting Policies (cont'd)

(l) Revenue and Other Income (cont'd)

ii. Interest Income

The Company recognises interest earned on its cash and cash equivalents held at financial institutions in qualifying accounts.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

iii. Rental Income

The Company recognises rental income on a straight-line basis over the period covered under the lease terms. The lease is categorised as a short-term lease.

(m) Employee Benefits

i. Pension plan

The company contributes towards defined contribution retirement savings plans which were purchased from Sagicor Life Limited. Employees who opt to join the plan, contribute up to 20% of gross basic salaries to their plans and the Company contributes 5%. In 2019, a total of \$3,567,521 (2018: \$4,203,281) company contributions was recognised as expense in the statement of Profit or Loss

ii. (ii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(n) Leases

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including its equipment and storage warehouses. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes to the Financial Statements

December 31, 2019

4 Summary of Significant Accounting Policies (cont'd)

(o) Fair value measurement

Fair value is the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or most advantageous market must be accessible by the Company.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

In addition, for financial reporting purposes, fair value measurement is categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the company can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(p) Taxation

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Notes to the Financial Statements

December 31, 2019

4 Summary of Significant Accounting Policies (cont'd)

(p) Taxation (cont'd)

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans Company and the reversal of temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Company has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(q) Share Capital

Share capital consists of funds raised by issuing shares in return for cash or other considerations. The amount of share capital a company has can change over time because each time a business sells new shares to the public in exchange for cash, the amount of share capital will increase.

CONSOLIDATED BAKERIES (JAMAICA) LTD.

Notes to the Financial Statements

December 31, 2019

4 Summary of Significant Accounting Policies (cont'd)

(r) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Company retrospectively applies an accounting policy, makes a retrospective restatement of items in the financial statements or reclassifies items in its financial statements, a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

CONSOLIDATED BAKERIES (JAMAICA) LTD.

Notes to the Financial Statements

December 31, 2019

5 Financial Instruments: Disclosures

This standard requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters.

(a) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the company's investment securities, loans receivable, receivables from customers, and from resale agreements. There is also credit risk exposure in respect of instruments such as loan commitments and guarantees which may not be stated on the Statement of Financial Position. They expose the Company to similar risks as loans and are managed in a similar manner

	2019	2018
	\$	\$
Financial Assets		
Cash & cash equivalents	77,101,281	77,612,690
Trade and other receivables	102,138,120	93,930,657
Financial Liabilities		
Trade Payables	(113,934,691)	(106,666,101)
Borrowings	(61,526,852)	(53,522,551)

At the end of the reporting period, there are no concentrations of credit risk for loans and receivables designated at Fair Value Through Profit or Loss (FVTPL). The carrying amount reflected above represents the company's maximum exposure to credit risk for such loans and receivables.

Trade receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country which the customers operate.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

CONSOLIDATED BAKERIES (JAMAICA) LTD.

Notes to the Financial Statements

December 31, 2019

5 Financial Instruments: Disclosures (cont'd)

(a) Credit risk (cont'd)

At 31 December 2019, the maximum exposure to credit risk for trade receivables by geographic region was as follows

	2019	2018
	\$	\$
Jamaica	39,084,087	44,409,394
United States of America	-	105,801
United Kingdom	91,969	-
Note 8	<u>39,176,056</u>	<u>44,515,195</u>

At 31 December 2019, the exposure to credit risk for trade receivables and contract assets by type of counterparty was as follows.

	2019	2018
	\$	\$
Wholesale customers	39,099,700	44,480,680
End-user customers	76,356	34,515
Note 8	<u>39,176,056</u>	<u>44,515,195</u>

The ageing of trade receivables that were past due but not impaired as at 31 December 2019 is as follows

	2019	2018
	\$	\$
Past due 1- 30 days	29,685,583	26,031,050
Past due 31- 90 days	6,278,081	9,277,355
Over 90 days	3,212,392	9,206,790
Note 8	<u>39,176,056</u>	<u>44,515,195</u>

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2019.

	Gross carrying amount	Weighted-average loss rate	Impairment loss allowance
Low Risk	29,451,337	4%	1,178,053
Medium Risk	4,382,477	10%	438,248
High Risk	5,342,350	20%	1,068,470
	<u>39,176,164</u>		<u>2,684,771</u>

CONSOLIDATED BAKERIES (JAMAICA) LTD.

Notes to the Financial Statements

December 31, 2019

5 Financial Instruments: Disclosures (cont'd)

(a) Credit risk (cont'd)

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2018.

	Gross carrying amount	Weighted-average loss rate	Impairment loss allowance
Low Risk	29,353,703	0.04	1,207,508
Medium Risk	4,835,694	0.10	483,569
High Risk	10,325,798	0.20	2,065,160
	<u>44,515,195</u>		<u>3,756,237</u>

(b) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations for its financial liabilities. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under both normal or stressed conditions. Prudent liquidity risk management which the company uses includes maintaining sufficient cash and marketable securities.

For this purpose, liquid assets include cash and bank balances, which are readily converted into cash within three months.

	2019	2018
	\$	\$
Current Assets	248,924,142	258,338,206
Current Liabilities	175,461,543	160,188,652
	1.42%	1.61%

The liquid asset ratio at the end of the year was 1.42:1 (2018: 1.61:1). There has been no change to the company's exposure to liquidity risk or the manner in which it manages and measures the risk.

CONSOLIDATED BAKERIES (JAMAICA) LTD.

Notes to the Financial Statements

December 31, 2019

5 Financial Instruments: Disclosures (cont'd)**(b) Liquidity risk (cont'd)**

The following table presents the undiscounted contractual maturities of financial liabilities, including interest, on the basis of their earliest possible contractual maturity.

Balance as at December 31 2019

	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 years	Over 5 years	Total
	\$	\$	\$	\$	\$	\$
Borrowings	32,121,938	10,664,529	29,079,361	116,756,414	5,567,966	194,190,208
Trade and other payables	109,422,778	-	-	-	-	109,422,778
	<u>141,544,716</u>	<u>10,664,529</u>	<u>29,079,361</u>	<u>116,756,414</u>	<u>5,567,966</u>	<u>303,612,986</u>

(c) Currency risk

Currency risk is the risk that the market value of, or the cash flows from, financial instruments will vary because of exchange rate fluctuations.

The company incurs risk in a currency other than the Jamaican dollar. The currency giving rise to this risk is the United States dollar.

This risk arises from future commercial transactions and recognised assets and liabilities.

Currency exposure arising from the Company's financial assets and liabilities denominated in the relevant foreign currencies.

CONSOLIDATED BAKERIES (JAMAICA) LTD.

Notes to the Financial Statements

December 31, 2019

5 Financial Instruments: Disclosures (cont'd)

(c) Currency risk (cont'd)

Balance as at December 31 2019

	JMD \$	US \$	CAN \$	GBP \$	Total \$
Financial Assets					
Trade and other receivables	102,046,151	-	-	91,969	102,138,120
Financial Investments	-	23,702,076			23,702,076
Cash	39,080,235	37,983,356	37,690	-	77,101,281
Total financial assets	<u>141,126,386</u>	<u>61,685,432</u>	<u>37,690</u>	<u>91,969</u>	<u>202,941,477</u>
Financial Liabilities					
Borrowings	161,633,498	-	-	-	161,633,498
Trade and other payables	113,934,691	-	-	-	113,934,691
Total financial liabilities	<u>275,568,189</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>275,568,189</u>
Net financial position	<u>(134,441,803)</u>	<u>61,685,432</u>	<u>37,690</u>	<u>91,969</u>	<u>(72,626,712)</u>

The following table indicates the currencies to which the company had significant exposure on its monetary assets and liabilities and its forecast cash flows. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for the 5% devaluation and 3% appreciation of the Jamaican dollar. The percentage change in the currency rate will impact each financial asset/liability included in the sensitivity analysis differently. Consequently, individual sensitivity analyses were performed. The effect on net profit shown below is the total of the individual sensitivities done for each of the assets/liabilities.

	% Change in Currency rate 2019	Effect on Equity 2019 \$	Effect on Net Profit 2019 \$
Currency:			
USD – Positive	3	(616,854)	(1,869,069)
USD – Negative	(5)	3,084,272	2,930,058

CONSOLIDATED BAKERIES (JAMAICA) LTD.

Notes to the Financial Statements

December 31, 2019

5 Financial Instruments: Disclosures (cont'd)

(d) Capital Management

The Company manages its capital to ensure that it will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Company makes use of its working capital facilities, this has remained unchanged from 2018.

The capital structure of the Company consists of net debt (borrowings as detailed in note 12 offset by cash and bank balances) and equity of the Company (comprising issued capital, reserves, retained earnings as detailed in the Statement of Changes in Equity). Total capital is calculated as 'equity' plus net debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity and debt.

	2019	2018
	\$	\$
Interest-bearing borrowings	161,633,498	148,787,821
Less: cash and bank	<u>(77,101,281)</u>	<u>(77,612,690)</u>
Net Debt	<u>84,532,217</u>	<u>71,175,131</u>
Total Equity	<u>706,298,611</u>	<u>720,660,890</u>
Capital and net debt	<u>790,830,828</u>	<u>791,836,021</u>
Gearing ratio	10.69%	8.99%

(e) Fair value measurements

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed upon between knowledgeable and willing parties who are under no compulsion to act. This is best evidenced by a quoted market price. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis or other valuation models.

The carrying values of short-term financial asset and liabilities are reasonable estimates of their fair values because of the short-term maturity of these instruments. Short-term financial assets comprise cash and cash equivalents, trade and other receivables and amounts due from related companies. Short-term financial liabilities comprise trade, due to related parties, payables and long-term financial liabilities comprise of loan.

The carrying value of loans with variable interest rates approximates fair value as interest rates approximate market rates. The fair value of loans with fixed rates is estimated to approximate its carrying value. Additionally, the cost of all monetary assets and liabilities has been appropriately adjusted to reflect estimated losses on realisation or discounts on settlement. The fair value for the amount due to the parent company approximates its carrying value.

CONSOLIDATED BAKERIES (JAMAICA) LTD.

Notes to the Financial Statements

December 31, 2019

5 Financial Instruments: Disclosures (cont'd)**(e) Fair value measurements (cont'd)**

	2019 Fair Value	2019 Carrying Value	2018 Fair Value	2018 Carrying Value
	\$	\$	\$	\$
Financial assets				
Cash & cash equivalents	77,101,281	77,101,281	77,612,690	77,612,690
Trade receivables	36,491,285	36,491,285	40,758,958	40,758,958
Owed by Related Parties	<u>25,117,513</u>	<u>25,117,513</u>	<u>18,231,222</u>	<u>18,231,222</u>
Financial liabilities				
Borrowings excluding bank overdraft	128,997,543	128,997,543	117,227,418	117,227,418
Bank overdraft	32,635,955	32,635,955	31,560,403	31,560,403
Trade payables	<u>109,422,778</u>	<u>109,422,778</u>	<u>99,136,292</u>	<u>99,136,292</u>

CONSOLIDATED BAKERIES (JAMAICA) LTD.

Notes to the Financial Statements

December 31, 2019

6 Property, plant & equipment

	Land and Buildings	Plant, machinery & equipment	Furniture, Fixtures & Fittings	Motor Vehicles	Computer equipment	Total
	\$	\$	\$	\$	\$	\$
Cost/Valuation						
Balance as at 1 January 2018	497,960,000	159,378,929	11,358,307	104,219,531	28,711,434	801,628,201
Additions	2,207,605	37,095,509	4,015,820	20,270,098	169,723	63,758,755
Balance as at December 31 2018	500,167,605	196,474,438	15,374,127	124,489,629	28,881,157	865,386,956
Additions	2,703,355	18,953,914	2,082,980	26,584,634	2,891,634	53,216,517
Disposals	-	-	-	(3,818,361)	-	(3,818,361)
Balance as at December 31 2019	502,870,960	215,428,352	17,457,107	147,255,902	31,772,791	914,785,112
Accumulated Depreciation						
Balance as at 1 January 2018	-	46,298,913	5,379,972	38,004,583	23,531,073	113,214,541
Depreciation expense	3,357,614	12,815,415	741,695	7,744,538	2,712,595	27,371,857
Balance as at December 31 2018	3,357,614	59,114,328	6,121,667	45,749,121	26,243,668	140,586,398
Depreciation expense	3,352,035	14,339,759	1,034,863	10,277,314	2,443,325	31,447,296
Disposals	-	-	-	-	-	-
Balance as at December 31 2019	6,709,649	73,454,087	7,156,530	56,026,435	28,686,993	172,033,694
December 31 2019	496,161,311	141,974,265	10,300,577	91,229,467	3,085,798	742,751,418
December 31 2018	496,809,991	137,360,110	9,252,460	78,740,508	2,637,489	724,800,558

Land

The total value of land as at December 31 2019 is \$361,021,000 (2018 : \$361,021,000). Land is not depreciated.

7 Inventory

	2019	2018
	\$	\$
Current		
At net realisable value:		
Raw materials	11,784,829	11,022,086
Packaging materials & spares	18,142,258	18,629,918
Finished goods	5,505,830	6,481,015
Other inventory	10,549,748	7,208,548
Total Inventories at net realisable value	45,982,665	43,341,567
Total current inventories	45,982,665	43,341,567
Total Inventories	45,982,665	43,341,567

CONSOLIDATED BAKERIES (JAMAICA) LTD.

Notes to the Financial Statements

December 31, 2019

8 Trade and other receivables

	2019	2018
	\$	\$
Current		
Trade receivables	39,176,056	44,515,195
Less: Provision for Doubtful Accounts	<u>(2,684,771)</u>	<u>(3,756,237)</u>
	<u>36,491,285</u>	<u>40,758,958</u>
Owed by Related Parties (Note 14)	25,117,513	18,231,222
Prepayments	15,104,303	16,794,134
Deposit on equipment	10,616,722	4,659,833
Staff Loans and Advances	7,194,191	7,677,808
Other receivables	<u>7,614,106</u>	<u>5,808,702</u>
Total current trade and other receivables	<u>102,138,120</u>	<u>93,930,657</u>
Total trade and other receivables	<u>102,138,120</u>	<u>93,930,657</u>

a. Credit Risk and market risk, and impairment losses

Information about the company's exposure to credit and market risks and impairment losses for trade and other receivables is included in note 5(a)

9 Other Financial Assets

	2019	2018
	\$	\$
Current		
Financial assets at fair value through Other Comprehensive Income	9(a) 23,702,076	43,453,292
Total current assets	<u>23,702,076</u>	<u>43,453,292</u>

At January 1, 2018, the company designated the investment above as Fair Value Through Other Comprehensive Income (FVOCI) because these are investments which the Company intends to hold. In 2017, these investments were classified as available-for-sale.

(a) Financial assets at fair value through other comprehensive income

	2019	2018
	\$	\$
NCB Capital Markets Cash Value	887,011	-
NCB Cap xB Fund	20,473,667	34,434,559
NCB Cap xM Fund	<u>2,341,398</u>	<u>9,018,733</u>
Financial assets at FVOCI	<u>23,702,076</u>	<u>43,453,292</u>

CONSOLIDATED BAKERIES (JAMAICA) LTD.

Notes to the Financial Statements

December 31, 2019

10 Cash & cash equivalents

	2019	2018
	\$	\$
Cash and cash equivalents		
Cash on hand	8,621,293	8,615,741
Bank accounts (Jamaican Dollars)	30,458,942	17,357,272
Bank accounts (United States Dollars)	3,746,227	11,433,174
Bank accounts (Canadian Dollars)	37,690	37,884
	<u>42,864,152</u>	<u>37,444,071</u>
Short Term Investments	34,237,129	40,168,619
Total cash and cash equivalents	<u>77,101,281</u>	<u>77,612,690</u>

Reconciliation of cash

Cash and cash equivalents reported in the statement of cash flows is reconciled to items in the statement of financial position as follows:

	2019	2018
	\$	\$
Cash and cash equivalents	77,101,281	77,612,690
Secured - Bank overdrafts	<u>(32,635,955)</u>	<u>(31,560,403)</u>
Balance as per statement of cash flows	<u>44,465,326</u>	<u>46,052,287</u>

11 Share capital

	2019	2018
	\$	\$
Authorised	<u>427,260,000</u>	<u>427,260,000</u>
Issued and fully paid		
This consist of 222,709,171 (2018: 222,709,171) ordinary shares valued at no par value	<u>90,726,664</u>	<u>90,726,664</u>

CONSOLIDATED BAKERIES (JAMAICA) LTD.

Notes to the Financial Statements

December 31, 2019

12 Borrowings

	2019	2018
	\$	\$
Current		
Secured liabilities:		
Bank overdrafts	32,635,955	31,560,403
National Commercial Bank Jamaica Limited	28,890,897	21,962,148
	<u>61,526,852</u>	<u>53,522,551</u>
Total current borrowings	<u>61,526,852</u>	<u>53,522,551</u>
Non-current		
Secured liabilities:		
National Commercial Bank Jamaica Limited	100,106,646	95,265,270
	<u>100,106,646</u>	<u>95,265,270</u>
Total non-current borrowings	<u>100,106,646</u>	<u>95,265,270</u>
Total Borrowings	<u>161,633,498</u>	<u>148,787,821</u>

a) Terms and repayment schedule

	Interest rate	Year of Maturity	Carrying Value 2019	Carrying Value 2018
	%		\$	\$
Secured - Bank overdrafts	23.75	2020	32,635,955	31,560,403
National Commercial Bank Jamaica Limited				
-Secured Loan	7.95	2022	29,154,371	-
-Secured Loan	7.95	2023	41,100,148	50,000,000
-Secured Loan	8.25	2026	53,590,409	60,593,556
-Secured Loan	8.25	2026	5,152,615	6,633,862
			<u>161,633,498</u>	<u>148,787,821</u>

Notes to the Financial Statements

December 31, 2019

12 Borrowings (cont'd)

Security

- a) National Commercial Bank
- First mortgage over commercial property at 2F Valentine Drive/ 111 Red Hills Road, Kingston 19. Valued on September 24, 2012,. Current market value US\$3.6Million, forced sale value US\$2.88 Million registered and stamped to cover J\$174.1 Million

Assignment of adequate FEH Insurance.
 - Legal Mortgage over commercial property at 2F Valentine Drive/111 Red Hills Road, Kingston 19. Valued on September 24, 2012,. Current market value US\$3.6 Million, forced sale value US\$2.88 Million registered and stamped to cover J\$40 Million.

Assignment of adequate FEH Insurance.
 - Directors' Guarantee Stamped for J\$75.5 Million and US\$30,000
- b) Bank overdraft

Bank overdraft is at an interest rate of 23.75% and is secured by first legal mortgage over commercial property located at 111 Red Hills Road and by guarantee of Directors Anthony and Vincent Chang.

Bank overdraft consists primarily of transactions processed at the end of the fiscal year, thereby, causing a timing variance (outstanding cheques)

13 Deferred tax

	2019	2018
	\$	\$
Non-current		
Deferred tax liability		
Property, plant and equipment - tax allowance	17,154,730	12,569,761
Future income tax benefits attributable to tax losses	(7,345,969)	(5,545,809)
	<u>9,808,761</u>	<u>7,023,952</u>

Notes to the Financial Statements

December 31, 2019

14 Related Party Transactions

	2019	2018
	\$	\$
Poly Cello Packaging	17,081,113	18,231,222
Other Related Parties	8,036,400	-
	<u>25,117,513</u>	<u>18,231,222</u>

All transactions between Consolidated Bakeries (Jamaica) Ltd. And the related companies have been transacted at arm's length.

Related Party Net movement

	2019	2018
	\$	\$
Loans repaid by Directors	-	(1,160,865)
Advances made to Poly Cello	949,891	399,489
Loan to other related Parties	8,036,400	-
Repayment from Poly Cello	(2,100,000)	-
	<u>6,886,291</u>	<u>(761,376)</u>

Nominee Holding

The company has been the registered proprietor of land situated in Stony Hill, which is beneficially owned and held to the order of Vincent Chang, the company's Chairman. The Company will transfer the property to him, at no cost to the Company, and the Company has incurred no cost in respect of the land. As at June 17, 2019, the transfer has been made.

15 Key Management Personnel Compensation

	2019	2018
	\$	\$
Director's fees	1,147,000	1,971,626
Director management remuneration	23,271,560	23,046,845
	<u>24,418,560</u>	<u>25,018,471</u>

CONSOLIDATED BAKERIES (JAMAICA) LTD.

Notes to the Financial Statements

December 31, 2019

16 Cost of Goods Sold

	2019	2018
	\$	\$
Salaries and related expenses	87,739,305	82,448,651
Purchases	516,918,149	475,555,572
Repairs and maintenance	9,122,104	7,974,928
Equipment rental	4,746,801	3,697,084
Transportation	12,646,039	3,327,667
Fuel	10,917,100	11,978,060
Other	331,358	3,165,005
	<u>642,420,856</u>	<u>588,146,967</u>

17 Administrative Expense

	2019	2018
	\$	\$
Salaries and related expenses	82,699,841	64,717,409
Security	9,354,616	8,046,519
Insurance	8,162,245	5,538,266
Utilities	26,159,935	24,067,521
Advertising and Promotion	1,396,340	2,436,752
Traveling and motor vehicle expenses	9,561,214	16,829,117
Director's fees	1,147,000	1,971,626
Director management remuneration	23,271,560	23,046,845
Repairs and Maintenance	3,219,981	2,727,268
Office supplies	4,041,292	3,527,144
Office and Space Rental	3,797,758	3,178,301
Auditor's Remuneration	1,545,000	1,430,200
Professional Fees	16,984,097	9,922,528
Other Expenses	12,708,701	10,130,143
	<u>204,049,580</u>	<u>177,569,639</u>

CONSOLIDATED BAKERIES (JAMAICA) LTD.

Notes to the Financial Statements

December 31, 2019

18 Selling and distribution

	2019	2018
	\$	\$
Salaries and related expense	75,121,905	67,510,938
Sales Contractors	23,209,205	20,081,314
Travelling and motor vehicle expenses	37,769,394	31,706,970
Repairs and Maintenance expense	1,811,913	2,250,952
Office and Space rental	165,000	26,000
Advertising and Promotion	15,206,076	13,603,958
Other expenses	170,858	69,578
	<u>153,454,351</u>	<u>135,249,710</u>

19 Staff Costs

	2019	2018
	\$	\$
Staff Salaries	210,649,770	181,882,993
Statutory Expense	21,466,840	18,539,563
Staff Welfare	9,876,920	10,051,161
Pension	3,567,521	4,203,281
Total Staff Related Costs	<u>245,561,051</u>	<u>214,676,998</u>

Staff costs have been allocated between Cost of Goods Sold (COGS), Selling and Distribution expense and Administrative expenses.

20 Finance Cost

	2019	2018
	\$	\$
Loan Interest	11,079,058	11,106,447
Bank Charges	5,429,642	11,734,600
Other Finance Cost	461,585	229,070
	<u>16,970,285</u>	<u>23,070,117</u>

21 Other Revenue

	2019	2018
	\$	\$
Other Revenue		
Interest	1,897,390	1,651,556
Rental	1,159,963	1,602,149
Realised gain/(loss) on foreign	7,547,814	6,685,908
Gain/loss on Disposal of Assets	764,140	-
	<u>11,369,307</u>	<u>9,939,613</u>

CONSOLIDATED BAKERIES (JAMAICA) LTD.

Notes to the Financial Statements

December 31, 2019

22 Tax Expense

(a) The components of tax (expense)/income comprises:

	Note	2019 \$	2018 \$
Deferred tax	13	(2,784,809)	(5,890,933)
Income tax expense for the year		<u>(2,784,809)</u>	<u>(5,890,933)</u>

(b) Tax reconciliation

	2019 \$	2018 \$
Tax on (loss)/profit at 12.5% (2018: 12.5%)	(1,213,411)	2,356,244
Add tax effect of:		
non-allowable items	117,218	34,810
	<u>117,218</u>	<u>34,810</u>
Less tax effect of:		
Deferred tax adjustment	(3,881,002)	(3,499,879)
	<u>(3,881,002)</u>	<u>(3,499,879)</u>
Income tax attributable to the entity	<u>2,784,809</u>	<u>5,890,933</u>
The applicable weighted average effective tax rates are as follows:	-24.05%	58.02%

Tax remission

The Company having been listed on the Junior Stock Exchange in 2012 became eligible for remission of income-tax for 10 years, as below, provided the shares remain listed for at least 15 years. The total loss for the current period is (\$22,929,649), which represents 50% of the current year losses and a total loss carried forward of (\$58,767,753).

Years 1 to 5	100%
years 6 to 10	50%

Transfer pricing

Transactions between Consolidated bakeries and related parties have been valued at the regular market rate.

CONSOLIDATED BAKERIES (JAMAICA) LTD.

Notes to the Financial Statements

December 31, 2019

23 Auditor's Remuneration

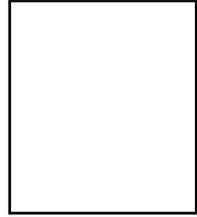
	2019	2018
	\$	\$
Remuneration of the auditor of the entity for: auditing or reviewing the financial statements	1,545,000	1,430,200
	<u>1,545,000</u>	<u>1,430,200</u>

24 Short-term and Low cost leases

Has rental agreements for properties in Mandeville and Montego Bay for 12-month period. These are deemed short term rental agreements. The Company also leases equipment as needed on a short-term basis.

Form of Proxy

**CONSOLIDATED BAKERIES
(JAMAICA) LIMITED**
2F Valentine Drive
Kingston 19, Jamaica (West Indies)



I/We _____ of _____ in the Parish of _____ being Member/members of the above named company hereby appoint _____ of _____ or failing him/her _____ of _____ as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at 2f Valentine Drive, Kingston 19 on April 28, 2021 at 10:00am - 1:00pm and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
Resolution No. 1 Adoption of Directors and Auditors Report, Financial Statement for year ended December 31, 2019		
Resolution No. 2 THAT retiring director Nicola Chang Murphy be and is hereby re-elected a director of the Company		
Resolution No. 3 THAT retiring director Marshall Ogle be and is hereby re-elected a director of the Company		
Resolution No. 4 Remuneration of Directors		
Resolution No. 5 To appoint Auditors and to authorize the Directors to fix the remuneration of the Auditors		
Special Resolution No. 6 To amend Articles of Incorporation		

Signed this ___ day of _____ 2021

Signature

Notes:

1. An instrument appointing a proxy, shall, unless the contrary is stated thereon be valid as well for any adjournment of the meeting as for the meeting to which it relates and need not be witnessed.
2. If the appointer is a corporation, this form must be under its common seal or under the hand of an officer or attorney duly authorized in writing.
3. In the case of joint holders, the vote of the senior will be accepted to the exclusion of the votes of others, seniority being determined by the order in which the names appear on the register.
4. To be valid, this form must be received by the Registrar of the Company at the address given below not less than 48 hours before the time fixed for holding the meeting or adjourned meeting.
5. The proxy form should bear stamp duty of One Hundred dollars (\$100.00) which may be in the form of adhesive stamp duly cancelled by the person signing the proxy form.

REGISTRAR AND TRANSFER AGENTS
Jamaica Central Securities Depository Limited
40 Harbour Street, Kingston



 **Consolidated Bakeries (Jamaica) Limited**
2F Valentine Drive
Kingston 19

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