



**LUMBER DEPOT LIMITED**  
**Invitation for Subscription**  
**141,247,500 Invitation Shares at J\$1.20 Each**  
**Mayberry Investments Limited**  
**Lead Broker and Sole Listing Agent**

This document is a Prospectus dated 15 November 2019 that is issued by Lumber Depot Limited. A copy of this Prospectus was delivered to the Registrar of Companies for registration pursuant to section 40(2) of the Companies Act and was so registered on 15 November 2019. The Registrar of Companies accepts no responsibility whatsoever for the contents of this Prospectus. A copy of this Prospectus was also delivered to the Financial Services Commission for the purposes of the registration of the Company pursuant to section 26 of the Securities Act as of Friday 15 November 2019. The FSC has not approved the Shares for which subscription is invited nor has the FSC passed upon the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence.



## LUMBER DEPOT LIMITED

### Invitation for Subscription

141,247,500 Invitation Shares at J\$1.20 Each

### Mayberry Investments Limited

Lead Broker and Sole Listing Agent

The Company invites Applications on behalf of itself for up to 141,247,500 Subscription Shares that are newly issued by the Company in the Invitation priced at \$1.20. Up to 70,623,750 Shares in the Invitation are initially reserved for applications by the general public, and up to 70,623,750 Shares in the Invitation are Reserved Shares that are initially reserved for applications by the Reserved Share Applicants as set out in Section 2 of this Prospectus. If any of the Reserved Shares are not subscribed by any of the reserved share applicants, they will be made available for subscription by the general public. Prospective Applicants should read section 6 of this Prospectus for Terms and Conditions of the Invitation.

An Application Form is provided for use by all Applicants at the end of this Prospectus together with notes on how to complete it. All Applications must be submitted to the Lead Broker Mayberry Investments Limited. The Invitation will open at 9:00 a.m. on the Opening Date, 22 November 2019 and will close at 4:00 pm on the Closing Date, 29 November 2019, subject to the right of the Company to: (a) close the Invitation at any time after it opens on 9:00 a.m. on the Opening Date once Applications for all of the Shares in the Invitation are received; and (b) extend the Closing Date for any reason in its sole discretion, provided that it is not later than 40 days after the date of this Prospectus for the purposes of section 48 of the Companies Act. In the case of an early closing of the Invitation, or an extension to the Closing Date, notice will be posted on the website of the Jamaica Stock Exchange at ([www.jamstockex.com](http://www.jamstockex.com)).

If the Invitation is successful in raising the Minimum Amount, the Company intends to apply to the JSE to list all of the Shares on the Junior Market. Please note that this statement of intention is not a guarantee that the Shares will be listed. If the Company does not raise the Minimum Amount and/or if the Shares are not listed on the Junior Market of the JSE, the Company will refund all payments it has received from Applicants.

### **SHARE CAPITAL**

Authorised	Unlimited
Issued Share Capital	564,990,000 Shares
<u>Maximum To Be Issued In The Invitation</u>	<u>141,247,500 Subscription Shares</u>
<b>TOTAL ISSUED SHARES AFTER SUCCESSFUL INVITATION</b>	<b>706,237,500 Shares</b>
Shares In The Invitation	
<b>TOTAL ISSUED SHARES IN THE INVITATION</b>	<b>141,247,500 Shares</b>
<b>TOTAL CONSIDERATION ASSUMING SUCCESSFUL INVITATION</b>	<b>\$ 169,497,000.00</b>

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## **SECTION 1: IMPORTANT DISCLAIMERS**

### **1.1 Responsibility For This Prospectus**

The Company is issuing this Prospectus for the purposes of the Invitation.

The Directors of the Company are the persons responsible (both individually and collectively) for the information contained in it. Their responsibilities are joint and several as contemplated by the Companies Act.

To the best of the knowledge and belief of the Directors of the Company, who have taken all reasonable care to ensure that such is the case, the information set out in this Prospectus is in accordance with the facts and no information has been omitted which is likely to have a material effect on the business of the Company.

The Directors of the Company have each signed Section 15 of this Prospectus for the purposes of their responsibilities as set out here.

### **1.2 Contents of This Prospectus**

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

This Prospectus also contains summaries of certain documents, which the Board of Directors of the Company believe to be accurate. Any summaries appearing in this Prospectus are qualified in their entirety by reference to the complete document. Prospective investors may wish to inspect the actual documents that are summarised, copies of which will be available for inspection as described in Section 14.

The publication of this Prospectus shall not imply that there has been no change in the business, results of operations, financial condition or prospects of the Company since the date of this Prospectus. The Company shall not undertake to update the contents of this Prospectus after it is dated and issued. If the Invitation is successful and the Shares in the Company are listed on the Junior Market of the JSE, it will be subject to quarterly and annual reporting and other requirements for announcements to Shareholders, as set out in the Junior Market Rules.

### **1.3 Unauthorised Representations**

No person is authorised to provide information or to make any representation whatsoever in connection with this Prospectus which is not contained in this Prospectus. Neither the FSC nor any Government agency or regulatory authority in Jamaica has made any determination as to the accuracy or adequacy of the matters contained in this Prospectus.

### **1.4 Invitation Made In Jamaica Only**

This Prospectus is intended for use in Jamaica only. The distribution or publication of this Prospectus and the making of the Invitation in certain jurisdictions outside of Jamaica is prohibited by law.

### **1.5 Seeking Professional Advice Before Making An Application**

All prospective investors must make their own assessment of the merits and risks of taking up any Invitation Shares, and must also seek advice on the implications of their proposed investment given their personal circumstances.

Each Applicant who submits an Application will be deemed to acknowledge and agree with the Terms and Conditions set out in Section 6 and that (1) they have had an opportunity to review this entire Prospectus and any additional information considered by them to be necessary to verify

its accuracy; (2) no person has made any representation concerning the Invitation and matters relating to it that is not contained in this Prospectus; and (3) the Applicant is aware of the risks of an investment in the Invitation Shares given their personal financial circumstances, risk appetite and other matters.

## **SECTION 2: SUMMARY OF THE INVITATION**

<b>Company / Subscription Shares:</b>	Lumber Depot Limited / 141,247,500
<b>General Public:</b>	70,623,750
<b>Reserved Shares:</b>	70,623,750
<b>Total Invitation Shares:</b>	141,247,500

**Form of Application:** See Appendix 1 of this Prospectus. The Application must be delivered to the Lead Broker and Sole Listing Agent, Mayberry Investments Limited. Applications received before the Opening Date will be received and checked for accuracy, but not processed. Early Applications will be treated as having been received at 9:00 a.m. on the Opening Date and processed at that time. All other Applications will be received and processed on a first come, first served basis.

**Pricing and Payment:** All Invitation Shares are priced at the Invitation Price of \$1.20 per Share. Applicants must submit payment for the number of Invitation Shares specified on their Application together with the JCSD processing fee of \$163.10.

**Terms and Conditions:** All prospective investors see Section 6 of this Prospectus. All Applicants for the Invitation Shares will be deemed to have accepted the Terms and Conditions.

### **Timetable:**

Registration and Publication of Prospectus	Friday 15 November 2019
Opening Date	9:00 a.m. Friday 22 November 2019
Closing Date	4:00 p.m. Friday 29 November 2019

The Company may close the Invitation at any time after 9:00 a.m. on the Opening Date once Applications for all of the Invitation Shares are received. It may also extend the Closing Date for any reason, in its sole discretion, provided that the Closing Date is not later than 40 days after the issue date of this Prospectus for the purposes of section 48 of the Companies Act.

In the case of an early closing of the Invitation, or an extension to the Closing Date, notice will be posted on the website of the JSE ([www.jamstockex.com](http://www.jamstockex.com)).

**Basis of Allotments:** All Applicants may refer to the notice on the JSE website of ([www.jamstockex.com](http://www.jamstockex.com)) within 3 days of the Closing Date.

**Final Allotments:** Provided that the Company raises the Minimum Amount from the Subscription Shares in the Invitation by the Closing Date, it will apply to the JSE to list the Shares on the Junior Market. If the application is successful, the final allotment of the Shares will be made within 10 working days of the Closing Date.

**Refund Cheques:** If the Company does not raise the Minimum Amount from the Subscription Shares in the Invitation by the Closing Date (or any extension thereof as indicated above), or if the Shares are not listed on the Junior Market for any reason whatsoever, the Company will refund all payments it has received from Applicants, within 10 working days of the Closing Date.

## **SECTION 3: CHAIRMAN'S LETTER**



Head Office  
4 Victoria Avenue  
Kingston CSO, Jamaica  
Phone: 876-928-1882  
Fax: 876-930-3283

Sales Office  
17C Gordon Town Road, Papine  
Kingston 6, Jamaica  
Phone: 876-977-5075  
Fax: 876-970-1302

15 November 2019

**Dear Prospective Investors,**

The Board of Directors of the Company is pleased to invite you to apply for up to 141,247,500 Invitation Shares subject to the Terms and Conditions set out in this Prospectus.

The Company invites applications for 141,247,500 Subscription Shares, which are newly issued Shares that are priced at \$1.20 each.

The Company is seeking to raise \$169,497,000.00 (the 'Minimum Amount') from the Subscription Shares in the Invitation. If all the Invitation Shares are subscribed for, the Invitation will raise \$169,497,000.00 million, which will be due to the Company.

### **The Company**

Please see section 7 of this Prospectus for more information on the Company and its operations.

### **About the Invitation**

Up to 70,623,750 Shares in the Invitation are initially reserved for applications by the general public, and up to 70,623,750 Shares in the Invitation are Reserved Shares that are initially reserved for applications from the Reserved Share Applicants as set out in Section 2 of this Prospectus.

### **Use of Proceeds**

The Board intends to use the proceeds from a successful Invitation, being the Minimum Amount received from the Subscription Shares, for the following purposes:

- Payment of the excess of assets over liabilities for the transfer of the Hardware Business (\$111,902,303.12) by a lump sum payment and the balance of (\$25,000,000.00) evidenced by a promissory note;
- Taking advantage of opportunities for improvement and expansion of the business of the Company;
- Working capital and general corporate purposes; and
- Payment of the expenses of the Invitation, which the Directors believe will not exceed \$20,000,000.00 million (inclusive of legal fees, accountant's fees, Registrar's fees, filing fees, stamp duty fees, initial listing fees, marketing expenses, and exclusive of GCT).

### **Dividend Policy**

If the Invitation is successful and the Shares are admitted to listing on the Junior Market of the JSE, the Board expects to pay annual dividends out of net profits available for distribution, subject to the need to maintain funds to re-invest earnings for growth, and for regulatory purposes.

**On Behalf of The Company,**

  
\_\_\_\_\_  
**Jeffrey Hall, Chairman**  
**Lumber Depot Limited**

## **SECTION 4: DEFINITIONS USED IN THIS PROSPECTUS**

<b>TERM</b>	<b>MEANING</b>
<b>Companies Act</b>	means the Companies Act, 2004 of Jamaica as amended from time to time
<b>Accounting Date</b>	Means date at which the Company shall assume the benefit and burden of the Hardware Business as at 1 August 2019
<b>Affiliate(s)</b>	has the meaning given to such term by the Companies Act
<b>Allotment(s)</b>	means the allotment of the Subscription Shares and/or the transfer of the Transfer Shares in the Invitation, subject to the Terms and Conditions
<b>Applicant(s)</b>	means a person (being an individual or a body corporate resident in Jamaica, who submits an Application, or its attorney with proof of valid authority
<b>Application</b>	means the form of application as set out in Appendix 1
<b>Antibes Holdings Ltd.</b>	means the holding company of the Company as at the date of publication of this prospectus within the meaning of the Companies Act, being a company incorporated in Saint Lucia with its registered office at Bourbon Street, Bourbon House, Castries that is controlled by Sureshchandra Tanna.
<b>Articles of Incorporation</b>	means the Articles of Incorporation of the Company adopted by the shareholders of the Company on 15 October 2019 in a form suitable for a public company under the Companies Act
<b>Audited Financial Information</b>	means the extraction of the financial performance of the Hardware Business from the audited financial statements of Blue Power for each of the annual reporting periods ended 30 April from 2015 to 30 April 2019.
<b>Auditor</b>	means KPMG, of Kingston Jamaica
<b>Auditor's Report</b>	means the independent report of the Auditor set out in Section 10 of this Prospectus, in relation to the Unaudited Financial Information



<b>Blue Power</b>	Means the Blue Power Group Limited, a public company incorporated in Jamaica with its registered office at 4 Victoria Avenue, Kingston, CSO
<b>Board</b>	means the Board of Directors of the Company
<b>Closing Date</b>	means 29 November 2019, subject to the right of the Company to shorten or extend the Closing Date in accordance with the Terms and Conditions
<b>Company</b>	means Lumber Depot Limited, a company incorporated in Jamaica with its registered and principal office at 4 Victoria Avenue that is controlled by Antibes Holdings
<b>Directors</b>	means the directors of the Board of the Company whose names and details are set out in Section 8 of this Prospectus
<b>Exiting Shareholder</b>	means Antibes Holdings Limited
<b>Exiting Shareholder Gift Shares</b>	means a total of 4,600,000 Ordinary Shares in Lumber Depot held by the Exiting Shareholder which are not part of the existing Transfer Shares.
<b>Exiting Shareholder Gift Recipients</b>	means the directors of Blue Power Group Limited and Lumber Depot Limited and/or to certain shareholders of Blue Power Group Limited.
<b>Forward Looking Statements</b>	means the forward-looking statements in this Prospectus which are disclaimed by the Company on the terms and for the reasons set out in Section 5
<b>Financial Services Commission or FSC</b>	means the Financial Services Commission of Jamaica a statutory body corporate, of 39-43 Barbados Avenue, Kingston 5, Saint Andrew
<b>Financial Information</b>	means the Unaudited Financial Information
<b>GCT</b>	means General Consumption Tax charged in accordance with the General Consumption Tax Act of Jamaica
<b>Goodwill</b>	means the goodwill and other know-how of the Hardware Business and the exclusive right to represent itself as carrying the Hardware Business in succession to Blue Power Group Limited and to use all trade names associated with the Hardware Business;

<b>Hardware Business</b>	means the retail hardware business conducted by Blue Power Group Limited under the trade name Lumber Depot at 17c Gordon Town Road, Kingston 6 in the Parish of Saint Andrew, which has since been transferred to the Company pursuant to an Intergroup Reconstruction Agreement between the Company and Blue Power dated 1 August 2019
<b>Independent Directors</b>	means Mr Jeffrey Hall, Ms. Symone Mayhew, Mr. George Overton and Mr. Vikram Dhiman are the independent non-executive Directors of the Company
<b>Intellectual Property</b>	means all patents, copy rights, trademarks, trade names, service marks (whether registered or un-registered or capable of being registered, data base rights, software, internet domain names, business secrets, confidential information, or other similar rights or property capable of protection, enjoyed, used or licensed to Blue Power Group Limited for the benefit of, or in connection with the Hardware Business
<b>Invitation</b>	means the invitation made by the Company for subscription of the Subscription Shares, subject to the Terms and Conditions
<b>Invitation Share(s)</b>	means 141,247,500 Shares in the Invitation in the aggregate, comprising the Subscription Shares
<b>Invitation Price</b>	means \$1.20 per Invitation Share
<b>Jamaica Stock Exchange or JSE</b>	means The Jamaica Stock Exchange Limited, a company incorporated in Jamaica with its registered office at 40 Harbour Street, Kingston
<b>Junior Market</b>	means the Junior Market trading platform of the JSE established April 2009
<b>Junior Market Rules</b>	means the rule book of the JSE for the purposes of the Junior Market as amended from time to time
<b>Lead Broker and Sole Listing Agent</b>	means Mayberry Investments Limited a company incorporated in Jamaica with its registered office at 1 ½ Oxford Road, Kingston 5
<b>Mentor</b>	means Jeffrey Hall the Mentor of the Company for the purposes of the Junior Market Rules

<b>Minimum Amount</b>	means the minimum amount to be raised by the Company for the purposes of section 48 of the Companies Act from the sale of the Subscription Shares being \$169,497,000.00
<b>Opening Date</b>	means 22 November 2019 at 9:00 a.m.
<b>Prospectus</b>	means this document dated 15 November 2019 which constitutes a prospectus for the purposes of the Companies Act and the Securities Act
<b>Receivables</b>	means all amounts due to Blue Power as at 1 August 2019 (whether or not then due and payable) in connection to the retail operation of the Hardware Business
<b>Registrar</b>	means Jamaica Central Securities Depository who is appointed as the registrar and transfer agent of the Shares of Company
<b>Reserved Shares</b>	means the 70,623,750 Ordinary Shares in the Invitation that are initially reserved for priority applications from the Reserved Share Applicants
<b>Reserved Shares Applicants</b>	Means the 70,623,750 Ordinary Reserved Shares in the Invitation that are initially reserved for priority applications from Mayberry Investments Limited/nominee and Mayberry Investments Limited clients, subject to the Terms and Conditions in Section 6.
<b>Securities Act</b>	means the Securities Act of Jamaica, as amended from time to time
<b>Share(s)</b>	means the ordinary shares in the capital of the Company inclusive of the Invitation Shares, where the context so requires
<b>Shareholders</b>	means holders of the Shares from time to time
<b>Subscription Share(s)</b>	means 141,247,500 new Shares to be issued by the Company in the Invitation
<b>Terms and Conditions</b>	means the terms and conditions of the Invitation set out in Section 6 of this Prospectus
<b>Transfer Shares</b>	means 141,247,500 existing Shares to be sold by the Exiting Shareholder on the Listing Date

<b>Unaudited Financial Information</b>	means the Opening balance of the Company as at 1 August 2019, the Statement of Financial Position and the Statement of Income as at 31 August 2019 and 30 September 2019 set out in Section 10
\$	means the Jamaican dollar unless otherwise indicated

In addition to the foregoing, all references in this Prospectus to the singular shall include the plural and all references to the plural shall include the singular; and references to a gender shall include the other genders, in each case, as the context shall require, and clause headings shall be for the sake of convenience only.

## **SECTION 5: FORWARD LOOKING STATEMENTS**

This Prospectus may contain 'forward-looking statements' which include but may not be limited to statements of expectations and/or future plans or future prospects, and pro forma financial information and/or financial projections in the Company.

Forward-looking statements are statements that are not about historical facts and speak only as of the date they are made, taking into account any assumptions set out in this Prospectus for that purpose. Although the Directors believe that in making any such statements its expectations are based on reasonable assumptions, such statements may be influenced by factors that could cause actual outcomes and results to be materially different from those projected. Prospective investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the dates on which they have been made. Future events or circumstances could cause actual results to differ materially from historical or anticipated results.

When used in this Prospectus, the words "anticipates", "believes", "expects", "intends", "considers", "pro forma", "forecast", "projection" and similar expressions, as they relate to the Company, are intended to identify those forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties. There are important factors that could cause actual results to differ materially from those in forward-looking statements, certain of which are beyond the Company's (or others') control. These factors include, without limitation, the following:

- economic, social and other conditions prevailing in Jamaica and the CARICOM region, including actual rates of economic growth, instability and volatility in domestic interest rates and regional and international exchange rates that impact on the strategic business plan of the Company and/or on the Financial Information
- adverse climatic events and natural disasters
- actual or perceived deficiencies in the Company's products or services, unfavourable market receptiveness to the Company's strategic business plan or its particular line of products and services, or the availability or relative attractiveness of competitors' alternative products and services
- changes in any legislation or policy adversely affecting the regulation of the Company that have adverse effects on the business of the Company
- any other factor negatively impacting on the Company whether or not it is currently known, or identified in this prospectus
- other factors identified in this Prospectus, and factors as yet unknown to the Board of the Company

Once this Prospectus has been signed by or on behalf of the Directors of the, it will not be updated or revised taking into account any of the forward-looking statements made in it in light of new information or future events, including changes in the Company's financial or regulatory position, or the occurrence of unanticipated events (subject to any legal or regulatory requirements for such disclosure to be made).

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

## **SECTION 6: TERMS AND CONDITIONS**

### **6.1 Caution to prospective Applicants**

Investors should read this entire Prospectus carefully, and seek professional advice on any investment they propose to make in the Shares. In particular, prospective Applicants should review the Terms and Conditions of the Invitation in this Section, before completing the Application in Appendix 1. By submitting an Application, an Applicant will be deemed to have accepted all of the Terms and Conditions.

### **6.2 General Terms and Conditions**

#### **(1) Status and Minimum Age of Applicants**

- (a) All primary applicants must be at least 18 years old and provide proof of identification as is requested by the Application and/or the Lead Broker and Sole Listing Agent on behalf of the Company.
- (b) Applications may be made by not more than 2 joint holders who are individuals (with automatic rights of survivorship in the event of death of either holder) must so state clearly and include the word “and” between the names of each holder.
- (c) Applications may be made by several holders (being tenants in common) and are denoted by the words “and / or” between the names of each holder.
- (d) Applicants who are exempt from the payment of withholding tax on dividends received should so specify in their Application setting out evidence of their particular exemption. The Registrar (acting in its sole discretion) must be satisfied with any such evidence before processing any payment on a withholding tax exempt basis.

#### **(2) Application**

All Applicants must submit the Application provided at Appendix 1 to this Prospectus to Lead Broker and Sole Listing Agent Mayberry Investments Limited at any of the locations specified in Appendix 2.

#### **(3) Acceptance of Terms and Conditions by Applicants**

All Applicants will be deemed to have accepted the terms and conditions of the Invitation set out in this Section 6.

#### **(4) Further Acknowledgments by Applicants**

Each Applicant further acknowledges and agrees that:

- (a) it has been afforded a meaningful opportunity to review this Prospectus (including the terms and conditions in this Section 6), and to gather and review all additional information considered by it to be necessary to verify the accuracy of the information contained in this Prospectus;
- (b) it has not relied on any person other than the Directors of the Company, who have individual and collective responsibility for the contents of this Prospectus, in connection with their investigation of the Company and/or any decision as to whether to take up Invitation Shares;
- (c) no person has made any representation concerning the Company or this Prospectus not contained herein, on which the Applicant has relied in submitting its Application;

- (d) it has made an independent assessment of the Company, and the merits and risks of subscribing for or purchasing the Invitation Shares given its unique position and appetite for investment risk, inclusive of taking advice (or waiving the need for such advice) from qualified professionals in relation to the financial, legal and tax implications of making an Application for the Invitation Shares.
- (e) If any of the Reserved Shares are not subscribed by the persons entitled to them they will be available for subscription by other Reserved Share Applicants, and thereafter to the general public.

(5) Minimum Application

Applications from the general public must request a minimum of 5,000 Invitation Shares and additional increments of 1,000 Invitation Shares above that amount. Applications in other denominations will not be accepted or processed.

(6) Invitation Price and Payment

All Invitation Shares are priced at \$1.20 per Share. A JCSD processing fee of \$163.10 (inclusive of GCT) is payable to the Registrar for each Application. All Applicants should remember to include the processing fee in their calculations of amounts payable.

(7) How to Make Payments

All Applications must be accompanied by the appropriate payment in the form of either:

- (a) a manager's cheque made payable to "Mayberry Investments Limited"; or
- (b) authorisation from the Applicant on the Application instructing Mayberry Investments Limited to make payment from cleared funds held in an Investment account in the Applicants' Name at Mayberry Investments Limited; or
- (c) authorization from the Applicant on the Application Form instructing their stockbroker to make payment from cleared funds held on their behalf in an investment account in the Applicant's name; or
- (d) transfer in the Real Time Gross Settlement ("RTGS") system to an account designated by Mayberry Investments Limited, in the case of payments of \$1 million or more.

All completed Applications must be delivered to Mayberry Investments Limited at 1½ Oxford Road Kingston 5 on or before 4:00 p.m. on the Closing Date together with evidence of payment (however made).

(8) Early Applications and order of processing of Applications

Applications submitted in advance of the Opening Date will be received and checked for completeness, but not processed. All early Applications will be treated as having been received at 9:00 a.m. on the Opening Date.

Any Applications received from 9:00 a.m. onwards on the Opening Date will be time stamped for processing in the order in which they were received and dealt with in that same order (e.g. on a first come first served basis).

(9) Company's Discretion as to Acceptance of Applications and Invitation Shares

The Company may do any one or more of the following things in its sole discretion, without giving reasons to any person:

- (a) accept or reject any Application in whole or part, and the Company will not be liable to any Applicant or any other person for doing so;

- (b) allot the Invitation Shares to Applicants on a pro rata basis (or other basis) in the event the Invitation or any category of Invitation Shares suffers from excess demand; and
- (c) treat multiple Applications by any person (whether in individual or joint names) as a single Application.

(10) When Binding Contract is Formed

The submission of an Application by an Applicant will not result in a binding contract with the Company. Only the final allotment of Invitation Shares to an Applicant, for credit in their account in the JCSD as described below, on the morning of listing of the Shares will result in a binding contract under which the Applicant will be deemed to have agreed to take up the allotted Shares, subject to the Articles of Incorporation, and these Terms and Conditions.

(11) When Invitation is Successful

The Invitation will be successful if:

- (a) the Company receives Applications for all of the Subscription Shares by the Closing Date and is able to raise the Minimum Amount, and
- (b) the Company's application to the JSE for the Shares to be admitted to trade on the Junior Market is granted.

In that case, Applicants will be allotted Invitation Shares in dematerialised form, for credit to their JCSD account specified in their Applications. New shareholders will have a JCSD account opened in their name. The Registrar will keep the register of Shareholders on behalf of the Company for the purposes of their listing trading on the Junior Market.

In the event that the Invitation is not successful, all payments received from Applicants will be returned or refunded to the persons making them within 10 days of the Closing Date. See further under Refunds at paragraph (13) below.

Applicants may refer to the notices that will be posted on the website of the JSE (**[www.jamstockex.com](http://www.jamstockex.com)**) after the Closing Date for further information.

(12) Closing Date

The Invitation will open at 9:00 a.m. on the Opening Date, 22 November 2019. The Invitation will close at 4:00 p.m. on the Closing Date, 29 November 2019.

The Company may do any one or more of the following in its sole discretion without giving reasons to any person:

- (a) close the Invitation at any time after 9:00 a.m. on the Opening Date, and prior to the Closing Date, if Applications for all of the Invitation Shares have been received, and/or
- (b) extend the Closing Date for any reason, provided that it does not extend beyond the expiration of 40 days after the publication of this prospectus for the purposes of section 48 of the Companies Act.

In either case an informational notice will be posted on the website of the JSE - [www.jamstockex.com](http://www.jamstockex.com).

13. Refunds



The Company will endeavour to return cheques or make refunds to Applicants whose Applications are not accepted, or whose Applications are only accepted in part, within 10 working days after the Closing Date or as soon as practicable thereafter.

Each Applicant's returned cheque or refund will be sent to the Lead Broker for collection by the Applicant (or in the case of multiple Applicants by the first-named joint Applicant) stated in the Application. Any other persons purporting to collect a cheque on behalf of an Applicant must be authorised in writing to do so.

Please note that the JCSD processing fee of \$163.10 will not be refunded.

## **SECTION 7: INFORMATION ABOUT THE COMPANY**

### **7.1 The Company**

The Company was incorporated under the Companies Act, 2004 (as amended) of Jamaica on 30 July 2019. On 1 August 2019 the Company entered into a Intragroup Reconstruction Agreement with Blue Power Group Limited (“Blue Power”), pursuant to which the Company assumed the benefit and burden of the Hardware Business as at the Accounting Date with the transfer of assets of the Hardware Business taking place on 1 November 2019 as a going concern with no change to the management team of the Hardware Business.

The Hardware Business, now owned and operated by the Company, has been in operation in the Jamaican building supplies sector since 1998. The Company conducts its principal trading operations for a full range of construction materials, hardware, plumbing and electrical fixtures at 17c Gordon Town Road in Papine, St. Andrew, where the Hardware Business has operated for the last 21 years. The site includes purpose-built warehousing, loading bays, retail space and office facilities. The Company also operates an off-site overflow storage facility at 4 Victoria Avenue, in Kingston.

### **7.2 Applicable Regulatory Regime**

The current business of the Company does not require it to be regulated as a bank, financial institution, insurer or otherwise. The regulatory regime applicable to the Company is set out below. If the Invitation is successful and the Company’s Shares are listed on the Junior Market, it will be subject to the Junior Market Rules and the provisions of the Securities Act that are relevant to issuers of securities. These Rules and provisions will require the Company to issue (amongst other things) quarterly and audited annual financial information as well as timely announcements, and to maintain certain standards of good corporate governance.

### **7.3 Details of The Capital Structure of The Company**

#### **(1) Incorporation**

The Company was incorporated on 30 July 2019 (no. 101357) as a private limited liability company with share capital. On 15 October 2019 it was re-registered as a public company in accordance with the Companies Act and the Company adopted new Articles of Incorporation in a form suitable for a public company.

#### **(2) Prior Capital Structure of the Company**

Prior to the Restructuring referred to in paragraph (3), the authorised and issued share capital of the Company was as follows:

Authorised	Unlimited Shares
Issued Shares	564,990,000 Shares

#### **(3) Recent Capital Restructuring**

On 10 October 2019 the shareholders of the Company approved the following actions in respect of the capital structure of the Company in preparation for the Invitation:

- The disapplication of any pre-emption rights, howsoever arising, for the purposes of the issue of new Shares for subscription in the Invitation;

- The listing of the Shares on the Junior Market of the JSE if the Invitation is successful, and the conversion of all fully paid Shares to fully fungible stock units on issue in order to facilitate trading on the JSE.

(4) Capital Structure after the Invitation

Assuming that the Invitation is successful the number of Shares in issue following the Invitation will be as follows:

Authorised	Unlimited Shares
Issued prior to the invitation	564,990,000 Shares
Add: Maximum to be issued in the Invitation	141,247,500 Subscription Shares
Total issued Shares after successful Invitation	706,237,500 Shares

(5) Shareholdings in the Company Before and After the Invitation

day

Name of Shareholder	# of Issued Shares Prior To Invitation	% of Issued Shares Prior To Invitation
Antibes Holdings Ltd. (Exiting Shareholder)	283,008,000	50.09%
Mayberry Jamaica Equities	112,481,400	19.91%
Kenneth Benjamin	31,302,000	5.54%
Mary Fray	30,954,000	5.48%
Noel Dawes	14,127,150	2.50%
Silver Investments Limited	10,778,160	1.91%
Prime Asset Management	9,214,510	1.63%
PAM- Pooled Equity Fund	8,914,510	1.58%
Peter Millingen	8,211,000	1.45%
Guardsman Group Limited	6,872,850	1.22%

All Other Existing Shareholder	49,126,420	8.70%
<b>Total</b>	<b>564,990,000</b>	<b>100%</b>

The Company has been notified that the Exiting Shareholder, Antibes Holdings Limited has entered into agreements to sell its shares in the Company on or before the Listing Date as disclosed in Section 7.10 below.

The Exiting Shareholder has also notified the Company of its intention to gift a total of up to 4,600,000 units of the Company's shares to the Exiting Shareholder Gift Recipients in varying units at the sole discretion of the Exiting Shareholder on or around the Listing Date. A total of up to 3,400,000 units of the Exiting Shareholder Gift Shares will be gifted to the directors of Blue Power and the Company respectively. A total of up to 1,200,000 units of the Exiting Shareholder Gift Shares will also be gifted to certain shareholders of Blue Power. If the remaining 1,200,000 units of the Exiting Shareholder Gift Shares are not taken up by certain shareholders of Blue Power, then the Exiting Shareholder has agreed to sell the shares not taken up by Blue Power on the Listing Date pursuant to the agreement disclosed at Section 7.10 below.

Assuming that the Invitation Shares are fully taken up by Applicants from the public the shareholdings in the Company as at the Listing Date will be as follows:

<b>Name of Shareholder</b>	<b># of Issued Shares After the Invitation</b>	<b>% of Issued Shares After the Invitation</b>
Mayberry Jamaica Equities	112,481,400	15.93%
Blue Power Group Limited	109,789,250	15.55%
JN Fund Managers Limited and/or its Nominees	80,000,000	11.33%
Mayberry Investments Limited	70,618,750	10.00%
Kenneth Benjamin	48,402,000	6.85%
Mary Fray	30,954,000	4.38%
Noel Dawes	14,227,150	2.01%

Silver Investments Limited	10,778,160	1.53%
Prime Asset Management	9,214,510	1.30%
PAM- Pooled Equity Fund	8,914,510	1.26%
Exiting Shareholder Gift Recipients	1,200,000	0.17%
All Other Existing Shareholders	68,410,270	9.69%
Reserved Shares Applicants	70,623,750	10.00%
General Public	70,623,750	10.00%
<b>Total</b>	<b>706,237,500</b>	<b>100%</b>

#### 7.4 Benefits of proposed listing on the JSE Junior Market

The summaries below are set out for the convenience of prospective Applicants. That notwithstanding, each prospective Applicant should consult with a qualified adviser as to their proposed investment, inclusive of the types and rates of taxes that are applicable.

(1) Transfers of Shares on the JSE

Transfers of any Shares on the JSE are exempt from transfer tax and stamp duty.

(2) Dividends

All Shareholders will be subject to income tax on dividends and other distributions, which will be withheld by the Registrar prior to payment. Dividends received by Jamaican resident Shareholders will usually be subject to a 15% rate of withholding. Foreign resident Shareholders may be subject to lower or higher rates of income tax on any dividends they may receive.

(3) Junior Market concessionary income tax regime

If the Shares are admitted to the Junior Market, the Company will benefit from a special 10-year concessionary regime under the Income Tax (Amendment) Act 2016. This requires the Company to remain listed on the JSE for a continuous period of not less than 15 years, and to comply with all other conditions of the said Act and applicable JSE Rules during that time.

Assuming that is the case, the Company will not be liable to pay corporate income tax in its first 5 years of listing. It will be liable to pay corporate income tax at half of the usual rate in years 6 to 10 of listing. If the Company breaches the relevant provisions of the Income Tax Act and/or JSE

Rules it may be liable to repay the tax that was previously remitted. See also the Risk Factors in Section 11.

## 7.5 Intellectual and Real Property

As at the date of this Prospectus, the Company has the following interests in real and intellectual property:

Nature of Interest	Description of Property	Lessor	Details
Leasehold	ALL THAT parcel of land part of HOPE ESTATE in the Parish of SAINT ANDREW being the Lot numbered Two on the Plan 2515 with title registered at Volume 1003 and Folio 670.	Cotrade Limited <sup>1</sup>	Lease commenced on 1 August 2019. Leased for a term of five years with an option to renew for a further five years and a right of first refusal in the event of a sale of the property to a third party.
License	ALL THAT parcel of land situate in the City of KINGSTON and formerly forming two lots of the Pen called Park Lodge but now numbered FOUR VICTORIA AVENUE and known as VILLA MARIE GODELIA with title registered at Volume 1310 and Folio 829.	Cotrade Limited	License to use an off-site overflow storage facility at 4 Victoria Avenue in Kingston. License commenced on 1 August 2019 for a term of 1 year with an option to renew.

Nature of Interest	Details
Trademark- Proprietary	The Company is the owner of the “Lumber Depot” trademark and logo registered with the Intellectual Property Office (JIPO).

## 7.6 Material Contracts

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

<sup>1</sup> Cotrade Limited is a company incorporated under the laws of Jamaica with its registered office at 58 Hope Road, Kingston 6. Cotrade Limited is controlled by Blue Power Group Limited.

Date	Counterparty	Brief Details
1 August 2019	Blue Power Group Limited	Corporate Services Agreement for the provision of accounting and administrative services.
1 August 2019	Blue Power Group Limited	Intra-Group Reconstruction Agreement through which Blue Power Group Limited agreed to transfer the Hardware Business to the Company. The sole consideration for receiving the Hardware Business is the assumption by the Company of the Assumed Liabilities and the issuing of a promissory note in respect of the Loan Term Liability.
1 August 2019	Blue Power Group Limited	Assignment of Intangibles Assets & Goodwill Agreement which assigns all intellectual property, the receivables the Goodwill and other intangible assets of, or relating to, the Hardware Business.
2 April 2019	Mayberry Investments Limited	Agreement appointing Lead Broker and Sole Listing Agent to the Company in the Invitation. See Section 13 for further details.

The material contracts include the real property leases described in Section 7.5. These documents will also be available for inspection as set out in Section 14.

### 7.7 Litigation

As at the date of this Prospectus, there were no material litigation, arbitration, or similar proceedings pending or threatened against the Company as defendant, and/or the circumstances which may give rise to such proceedings.

### 7.8 Charges Registered Against The Company

As at the date of this Prospectus, no charges (within the meaning of section 93 of the Companies Act) were registered against the public file of the Company maintained by the Companies Office of Jamaica (any such charges would be related to the system of registration prior to the introduction of the Security Interests in Personal Property Act, 2013):

As at the date of this Prospectus, no security interests within the meaning of the Security Interests in Personal Property Act) were registered against the public file of the Company maintained by the National Security Interests in Personal Property Registry of Jamaica.

### 7.9 Dividend Policy

The Board expects to declare and pay an annual dividend to Shareholders out of net profits available for distribution, subject to there being profits available for that purpose and also, to the need for the Company to retain earnings for growth and reinvestment from time to time.

## 7.10 Related Party Contracts

The following related party contracts, have been entered into by the Exiting Shareholder with the following persons (“counterparties”) in the 2 years preceding the date of this Prospectus:

Related Party Contract of the Exiting Shareholder		
Date	Counterparty	Brief Details
8 November 2019	Blue Power Group Limited	<p>The Exiting Shareholder has entered into a Share Sale and Purchase Agreement with Blue Power Group Limited, where it has agreed to sell 109,789,250 units of Lumber Depot shares at a price of \$1.20. The transfer will be effected as at the Listing Date.</p> <p>The Exiting Shareholder has also agreed to sell a further 1,200,000 units of Lumber Depot shares at a price of \$1.20, if these units are not taken up by certain Blue Power Shareholders.</p>
8 November 2019	Kenneth Benjamin	<p>The Exiting Shareholder has entered into a Share Sale and Purchase Agreement with Kenneth Benjamin, whereby it has agreed to sell 17,000,000 units of Lumber Depot shares at a price of \$1.20. The transfer will be effected as at the Listing Date.</p>
8 November 2019	JN Fund Managers Limited and/or Nominees	<p>The Exiting Shareholder has entered into a Share Sale and Purchase Agreement with JN Fund Managers Limited and/or its Nominees, whereby it has agreed to sell up to 80,000,000 units of Lumber Depot shares at a price of \$1.20. The transfer will be effected as at the Listing Date.</p>
8 November 2019	Mayberry Investments Limited	<p>The Exiting Shareholder has entered into a Share Sale and Purchase Agreement with Mayberry Investments Limited, where it has agreed to sell 70,618,750 units of Lumber Depot shares at a price of \$1.20. The transfer will be effected as at the Listing Date.</p>
8 November 2019	Sheila Benjamin McNeill	<p>The Exiting Shareholder has entered into a Share Sale and Purchase Agreement with Sheila Benjamin McNeill, where it has agreed to sell 1,000,000 units of Lumber Depot shares at a price of \$1.20. The transfer will be effected as at the Listing Date.</p>

## 7.11 Insurance Arrangements

The Company has procured reasonable insurance cover for major risks facing its premises at 17c Gordon Town Road and 4 Victoria Avenue taking into account the capacity of the insurance market for certain commercial risks is limited while the price of insuring certain others may be uneconomic. Currently the



Company has coverage for Commercial All Risks including business interruption, Contractors Plant & Machinery, Electronic Equipment All Risks. Goods in Transit. Money, Fidelity Guarantee, Employers Liability, Public & Products liability, Private Motor Comprehensive, Umbrella Liability, Group Personal Accident and Marine Cargo which are valid until 1 August 2020. Confirmation of the insurance arrangements referred to in this section (together with certain other documents) will be available for inspection as described in Section 14.

## **SECTION 8: DIRECTORS AND OFFICERS**

### **8.1 Details of the Company's Directors and Officers**

Brief biographical details of the Directors and Mentor of the Company appear below. The Directors' residential addresses are set out in Section 13. All of them may be contacted for business purposes at the registered office of the Company.



#### **JEFFREY HALL, Chairman and Mentor**

Mr. Hall is the Chairman of the board of directors of the Company and the Chief Executive Officer of Jamaica Producers Group Limited and has worked with that company since 2002. He is also the Chairman of Kingston Wharves Limited, Scotia Group Jamaica Limited and a member of the Board of Directors of several companies, including Jamaica Producers Group Limited, Blue Power Group Limited and Eppley Caribbean Property Fund Limited SCC. He has practiced as an Attorney-at-Law and has served as a Director of the Jamaica Stock Exchange and the Bank of Jamaica.

Mr. Hall is a graduate of the Harvard Law School; and holds a Master of Public Policy from Harvard University, USA. He also earned a Bachelor of Arts (BA) degree in Economics from Washington University, USA.



#### **MAJOR NOEL DAWES, Managing Director**

Major Noel Dawes (retired) is the Managing Director of the Company and also serves as a Director of the Blue Power Group Limited. He has been a member of the Hardware Business' executive team since it commenced operations at the Papine location in November 1999.

Prior to joining the Hardware Business Major Dawes served as a commissioned officer in the Jamaica Defence Force for over 10 years. In that capacity he trained at various military institutions in Canada, the United States, and the United Kingdom.

Besides his military qualifications Major Dawes holds a Diploma in Management from the Jamaica Institute of Management.



**VIKRAM DHIMAN, Independent Non-Executive Director**

Vikram Dhiman is the Chief Operating Officer of ICD Group Holdings Limited, a Jamaican-based Investment Holding Company with regional and global interests in Real Estate, Construction, Property Management, General Insurance, Insurance Broking, Business Process Outsourcing And E-Commerce businesses.

Mr. Dhiman attained a First Class Bachelor's degree in Mathematics from Christ Church College (1987), Kanpur India; is a past member of the Institute of Chartered Accountants of India, Fellow Member (Not in Practice) of the Institute of Chartered Accountants of Jamaica and has passed the CPA examination of the American Institute of Certified Public Accountants; and holds an MBA from INSEAD, Fontainebleau, France (2000).



**LISA KONG, Financial Controller**

Lisa Kong is the Company Secretary of the Company and Blue Power Group Limited. She is also the Financial Controller of Blue Power Group Limited, since joining in August 2001. Ms. Kong has also been the Financial Controller at Caribbean Casting and Engineering Ltd, Delta Supply Company, Automotive Power Limited, Silver Sands Estate and held accountancy roles at Neal and Massy Jamaica Limited and KPMG.



**SYMONE MAYHEW, Independent Non-Executive Director**

Symone Mayhew is currently manages her own legal practice where she specialises in the areas of Civil and Commercial Litigation, Labour and Industrial Relations and Disputes to include Arbitration. She has appeared as counsel at all levels of the court system to include the Privy Council and the Caribbean Court of Justice.

Ms Mayhew is a member of the Jamaican Bar Association and has served on different committees of the General Legal Council. She tutors at the Norman Manley Law School and has authored several papers and presentations.

She is a graduate of the University of the West Indies and the Norman Manley Law School. She was called to the Jamaican Bar in 1997.



**LIEUTENANT COMMANDER (RET'D) GEORGE OVERTON, J.P. , Independent Non-Executive Director**

Lieutenant Commander George Overton (retired) represents the Guardsman Group at the Private Sector Organisation of Jamaica (PSOJ) where he chairs the Standing Committee on National Security and Justice. He also represents the PSOJ on the National Council of Justice.

Lt. Cdr. Overton, has for the past eight years, served as the president of the Jamaica Society for Industrial Security (JSIS), and is currently the second vice-president of the St. Andrew Justices of the Peace Association.

He served the country as a naval officer where he developed his skills a security consultant and received training at the Britannia Naval College and U.S. Naval War College.

### 8.3 Directors' Interests In Ordinary Shares

The Directors' interests in the Ordinary Shares of the Company (including legal and beneficial holdings) as at the date of this Prospectus are set out below<sup>2</sup>:

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<sup>2</sup> The Exiting Shareholder has declared that it will offer a gift of 100,000 units of the Company's shares to each Director of the Company on or around the Listing Date. See section 7.10 for further details.

Name	Number of issued Shares before Invitation	% of issued Shares before Invitation
Major Noel Dawes (Retired)	14,124,750	2.50%
Jeffery Hall	2,274,338	0.40%
Vikram Dhiman	NIL	NIL
Lisa Kong	NIL	NIL
Symone Mayhew	NIL	NIL
Lieutenant Commander George Overton (Retired)	NIL	NIL

The Independent Directors are eligible to subscribe for the Invitation Shares provided that doing so does not compromise their status in accordance with established principles of corporate governance in Jamaica as applied by the Junior Market Rules. No Director has options in respect of Shares, in consideration of the services rendered by him or her to the Company.

#### 8.4 Corporate Governance and Accountability

The Board has established the following committees in accordance with the Securities Act and regulations made thereunder, and Junior Market Rules of the JSE. The members of each committee of the Board and a summary of its terms of reference are as follows:

Audit and Compliance Committee	Terms of Reference
Vikram Dhiman (Independent Chairman)	Oversight of good fiscal discipline, financial reporting, timely disclosure, and general compliance with Junior Market Rules.
George Overton (Independent Member)	
Symone Mayhew (Independent Member)	

Remuneration Committee	Terms of Reference
Jeffrey Hall (Independent Chairman)	Oversight of the Company's remuneration arrangements for the executive Directors and officers.
George Overton (Independent Member)	
Vikram Dhiman (Independent Member)	
Symone Mayhew (Independent Member)	

### 8.5 Directors' Fees

The Directors each receive a stipend of \$300,000.00 per annum and reimbursement of reasonable fees and expenses for attendance at each meeting of the Board of the Company and any Committee thereof.

The executive Directors' emoluments inclusive of salaries and benefits are expected to amount to \$ 20,057,465.00 million in the aggregate. Going forward, all compensation arrangements will be subject to review and approval by the Remuneration Committee of the Board.

## **SECTION 9: MANAGEMENT DISCUSSION AND ANALYSIS**

### **9.1 History of the Company and its Operations**

#### **About the Company**

The Company was incorporated on 30 July 2019, but its Hardware Business in the Jamaican building supplies sector commenced over 20 years ago as a division of Blue Power. As a result of the transfer of the Hardware Business from Blue Power to the Company with effect from 1 November 2019, the Company now owns and controls the 21-year old Hardware Business. The Company conducts its principal trading operations for a full range of construction materials, hardware, plumbing and electrical fixtures at 17c Gordon Town Road in Papine St. Andrew. The Hardware Business has operated from this site for 21 years and the Company intends to continue to operate from this location which now includes purpose-built warehousing, loading bays, retail space and office facilities. The Company also operates an off-site overflow storage facility at 4 Victoria Avenue, in Kingston.

The day-to-day management of the Company is headed by Major Noel Dawes who is supported by a group of experienced senior managers. The Company also benefits from the strict accounting and financial reporting standards of a publicly listed company through services provided by Blue Power, under the terms of a Corporate Service Agreement that was entered into with effect from 1 August 2019.

The Company entered into an Intragroup Reconstruction Agreement with Blue Power dated 1 August 2019 pursuant to which Blue Power agreed to transfer all the assets of the Hardware Business as a going concern (including stock-in-trade, furniture, fixtures, fittings and equipment, goodwill, receivables, business records and the like) (such assets having a book value of \$269,941,501.66) to the Company and in consideration for such assets the Company agreed to (i) assume all the liabilities of the Hardware Business (amounting to \$133,039,198.54) and (ii) pay to Blue Power the excess of assets over liabilities (\$111,902,303.12) by a lump sum payment on December 31, 2020 and the balance of (\$25,000,000.00) by way of a promissory note for a term of 15 months and bearing interest at a rate of at 6.5% per annum, with no penalty for early repayment.

The Company now owns, operates and controls the Hardware Business which generated approximately \$1.2 billion in sales during the 12-month period ending 30 April 2019.

The Company has the benefit of a five-year lease of the 17c Gordon Town Road facility from Cotrade Limited<sup>3</sup>, a company controlled by Blue Power. The lease terms include an option to extend the lease for an additional five-year term giving the Company the right to occupy the facility, pursuant to a leasehold interest, until 31 July 2029 or such longer period as the parties to the lease agree. The terms of this lease were approved by the independent directors of the Company. The off-site overflow storage facility at 4 Victoria Avenue in Kingston is the subject of a 12-month license agreement with Blue Power, the owner of the property, in favour of the Company. The license commences on 1 August 2019, and includes an option to extend the license for an additional one-year period giving it the right to occupy the facility until 31 July 2021 or such longer period as the parties to the license agree. The

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<sup>3</sup> Cotrade Limited is a company incorporated under the laws of Jamaica with its registered office at 4 Victoria Avenue, Kingston CSO. Cotrade Limited is controlled by Blue Power Group Limited.

terms and conditions of the license were approved by the independent directors of the Company and Blue Power.

The Company has engaged Blue Power to provide administrative and accounting services on terms approved by independent members of both Boards of Directors and pursuant to an Corporate Services Agreement between the parties. The Corporate Services Agreement has a term of two years and commenced on 1 August 2019 and can be terminated on three months' notice by either party.

## **Revenue Analysis**

Approximately 70% of the Hardware Business sales consist of cement, steel, lumber and paints while the other 30% comprise a large number of items including plumbing and electrical supplies. The vast majority of customers are small contractors or owners of homes and commercial buildings.

Most of the supplies are obtained locally from established companies such as Caribbean Cement Co. Ltd, Tankweld Metals and Berger Paints. Ply board, treated lumber and a few basic items are imported by the Hardware Business when the competitive situation warrants. The Hardware Business has good relationships with many suppliers and brokers and is able to negotiate discounts on its imports of form ply from Brazil and dressed ply from China. This good relationship is expected to continue with the Company as the personnel managing these relationships have not changed.

The Hardware Business increased its sales by an average of just over 12% per annum during the preceding 5-year period. It also maintained its gross margin of between 17% and 17.5%. Net profits for the Hardware Business have varied between 3.4% and 6.4% depending to some extent on the allocation of expenses to the Hardware Business prior to the reconstruction.

Projections of sales and profits provided below for the next five years are based on the historical experience of the Hardware Business assuming that the trends seen will continue



**LUMBER DEPOT LIMITED**

**5 year Projected Profit and Loss Account**

**30 April 2020 – 30 April 2024**

	Actual Audited 30 April 2019	Adjusted Actual 30 April 2019	Year 1 30 April 2020	Year 2 30 April 2021	Year 3 30 April 2022	Year 4 30 April 2023	Year 5 30 April 2024
	\$	\$	\$	\$	\$	\$	\$
REVENUE	1,196,972,405	1,196,972,405	1,306,034,023	1,501,939,127	1,652,133,039	1,817,346,343	1,999,080,978
COST OF REVENUE	<u>(984,485,357)</u>	<u>(984,485,357)</u>	<u>1,062,760,234</u>	<u>(1,231,590,084)</u>	<u>(1,354,749,092)</u>	<u>(1,490,224,002)</u>	<u>(1,639,246,402)</u>
GROSS PROFIT	212,487,048	212,487,048	243,273,790	270,349,043	297,383,947	327,122,342	359,834,576
ADMINISTRATIVE AND OTHER EXPENSES	<u>(153,487,432)</u>	<u>(122,224,697)</u>	<u>(150,865,236)</u>	<u>(163,134,931)</u>	<u>(171,617,595)</u>	<u>(181,060,523)</u>	<u>(191,090,837)</u>
OTHER INCOME	<u>1,359,937</u>	<u>1,359,937</u>	<u>1,364,564</u>	<u>1,432,793</u>	<u>1,504,432</u>	<u>1,579,654</u>	<u>1,658,637</u>
PROFIT BEFORE NET FINANCE COSTS AND TAXATION	<u>60,359,553</u>	<u>91,622,288</u>	<u>93,773,118</u>	<u>108,646,904</u>	<u>127,270,784</u>	<u>147,641,473</u>	<u>170,402,376</u>
FINANCE INCOME	18,722,590	-	2,010,112	2,087,889	2,296,678	2,526,346	2,778,981
FINANCE COST	<u>(5,429,006)</u>	<u>(5,429,006)</u>	<u>(6,370,218)</u>	<u>(6,748,959)</u>	<u>(6,761,149)</u>	<u>(6,779,253)</u>	<u>(6,803,738)</u>
NET FINANCIAL INCOME/(COST)	<u>13,293,584</u>	<u>(5,429,006)</u>	<u>(4,360,107)</u>	<u>(4,661,070)</u>	<u>(4,464,471)</u>	<u>(4,252,907)</u>	<u>(4,024,757)</u>
<b>NET PROFIT before Tax</b>	73,653,137	86,193,282	89,413,011	103,985,835	122,806,314	143,388,566	166,377,619
Taxation	<u>(9,207,747)</u>	<u>(9,207,747)</u>	<u>(7,653,944)</u>	-	-	-	-
<b>NET PROFIT after Tax</b>	<b><u>64,445,390</u></b>	<b><u>76,985,535</u></b>	<b><u>81,759,068</u></b>	<b><u>103,985,835</u></b>	<b><u>122,806,314</u></b>	<b><u>143,388,566</u></b>	<b><u>166,377,619</u></b>

Office: 4 Victoria Avenue, Kingston C.S.O, Tel: 876- (876) 977-5075

**Notes:**

1. Adjusted Actual 30 April 2019 reflects adjustments to expenses for salaries, bonuses and depreciation of motor vehicle, all of which were originally expensed under the Hardware Business. The exclusion of these expense items was done to show a more accurate representation of the Company and projections moving forward as a stand-alone business. These items were previously shared under the combined management structure which existed with the Blue Power.
2. Finance income which related to Investments held under the soap division have also been adjusted accordingly and excluded from the projections of the Company.
3. Actual Audited 30 April 2019 reflects results published and presented on the JSE website and Annual Report of Blue Power.
4. The projected results for the 12 month period ending 30 April 2020 include 3 months (1 May to 31 July 2019) during which the business was owned by Blue Power. The Profit and Loss Account for the 3 month period from 1 May to 31 July 2019 is also attached at Appendix 2.

## **Assumptions**

The following assumptions were taken into account in developing the projections set out above:

1. Steady revenue growth of 15% year on year, in years 1 and 2 and then a slight reduction to a 10% growth rate in years 3, 4 and 5.
2. An 18% gross margin is maintained, this has been consistent over the last 10-15 years.
3. Management salaries and expenses for executive support previously expensed in the Hardware Business prior to the transfer of the Hardware Business were removed.
4. Periodic salary increases proportionate to the cost of living are included.
5. Periodic increases in administrative expenses proportionate to the anticipated increase in the rate of inflation are included.
6. Anticipation of 100% corporate income tax reduction as per Junior Market of the Jamaica Stock Exchange Rules for the period 2020-2025 thereafter 50% of the corporate profit for tax charged for the next 5 years.
7. Lease rental charges remain in line with the Lease Agreement
8. There will be small interest income on monies received via IPO. Minimal exchange gains factored.
10. Management services fees are included.
11. Both J\$ and US\$ investments which were originally held under the Hardware Business will not be transferred to the Company.

## **Financial Position**

For the financial year ended 30 April 2019, the Hardware Business reported revenues of \$1.197 billion and after-tax profits of \$64 million. The revenues and after-tax profits increased 12.1% and 17.9% respectively, relative to the prior year.

## **The Economic Environment**

The Jamaican economy has now entered a stage where moderate growth, low unemployment, competitive interest rates, high levels of foreign investment and low inflation are generally expected to be maintained over the medium term. The management of the Company sees the current environment as an important opportunity to aggressively expand on the platform of success that this business has built.

The Jamaican construction industry is already a beneficiary of the current economic conditions. This is evidenced by relatively strong growth in the construction sector of 3.4% in the first quarter of 2019, making it the fastest growing sector outside of mining and quarrying. The growth in construction includes both the residential and non-residential market segments as well as growth from road works arising directly in connection with the Major Infrastructure Development Programme (as reported by Statistical Institute of Jamaica, STATIN).

The increased capital being allocated to exchange listed property funds and property companies also demonstrate the current performance and general expectations for the sector.

Reports by industry stakeholders, such as the Realtors' Association of Jamaica and the National Housing Trust<sup>4</sup>, indicate that there is a significant demand for housing solutions and the National Housing Policy, as set out in the Vision 2030 Jamaica National Development Plan, indicates 15,000 new units are required annually to 2030 to clear the backlog of demand for housing solutions. Commercial construction will be likely to focus on growth in mining and quarrying, infrastructure, tourism, business process outsourcing, and logistics and distribution.

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<sup>4</sup> Smith, A.(30 April 2018). Jamaica Seeing Construction Boom. Jamaica Information Service. <https://jis.gov.jm/jamaica-seeing-construction-boom/>

Key factors driving the demand for housing and construction include:

1. Tax rates on property transfers have been significantly reduced;
2. An increasing urbanisation rate – the PIOJ's 2017 estimate shows that approximately 55.4% of the country's population reside in urban areas;
3. A significant amount of informal settlements – there is a current estimate of 700 informal settlements. The Government of Jamaica has signalled a commitment to address this matter by providing affordable housing solutions through the National Housing Trust working in partnership with the private sector;
4. A tightening of the rental market – According to the Realtors' Association of Jamaica, the rental market in Jamaica has been experiencing a shortfall in supply for long term rentals as landlords and homeowners have been gravitating towards the short-term rental market. Sources such as Airbnb and other players have created a shortage of residential units as homeowners are attracted by the opportunity to earn foreign currency. In 2017, it is estimated that the country earned US\$9.4 million of which US\$2.4 million was attributable to the Corporate Area alone<sup>5</sup>.

In summary, the outlook for the Jamaican economy looks positive with international organisations such as the IMF forecasting short-to-medium growth for the country. In February 2019, Fitch Ratings Agency, upgraded the Government of Jamaica's Long-Term Foreign- Currency Issuer and Local Currency Issuer Default Rating to "B+" from "B", revised the outlook to "stable" from "positive" as well as upgraded the country's credit rating to 'BB-' from 'B', the highest rating for the country in over 10 years.

Recent activities suggest that there is a surge in the construction sector driven by a number of public and non-publicly led residential and non-residential projects. These include several commercial high-rise buildings, particularly in the Corporate Area for the hospitality and business process outsourcing sectors as well as residential housing solutions being undertaken throughout the island. It is estimated that the construction sector comprises over 500 firms employing approximately 100,000 people.

Following the presentation of the 2019/20 Budget Speech, the Minister of Finance and the Public Service have implemented measures that is expected to have a positive impact on the housing sector. These include:

- i. Replacing all ad valorem stamp duty rates currently levied by the Stamp Duty Act on a variety of instruments with a fixed rate of stamp duty of \$5,000 per document with effect from 1 April 2019;
- ii. Reducing the rate of transfer tax on transactions of certain properties, including Jamaican real estate properties from 5% to 2% with effect from 1 April 2019; and
- iii. Increasing the tax-free threshold for applicable to the estate of deceased persons from \$100,000 to \$10 million with effect from 1 April 2019.'

It should also be noted that mortgage rates on residential properties have declined from over 10% in 2013 to below 8% in 2019, with financial institutions offering additional incentives for customers to borrow up to 100% of the purchase price.

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<sup>5</sup> Davis, C. (6 January 2019). Airbnb Fallout - Local Rental Market Tightens For Young Jamaicans As Landlords Target Foreigners. *The Sunday Gleaner*

## **SECTION 10 FINANCIAL INFORMATION**

Office: 4 Victoria Avenue, Kingston C.S.O, Tel: 876- (876) 977-5075



KPMG  
Chartered Accountants  
P.O. Box 76  
6 Duke Street  
Kingston  
Jamaica, W.I.  
+1 (876) 922 6640  
firmmail@kpmg.com.jm

November 15, 2019

The Board of Directors  
Lumber Depot Limited  
4 Victoria Avenue  
Kingston

Dear Sirs

**Lumber Depot Limited – Prospectus 2019**

With respect to the prospectus issued by Lumber Depot Limited (“the company”), we hereby consent to the inclusion of the following reports and to the references to our name in the form and context in which they are included in the prospectus:

- (i) Our review report, dated November 15, 2019, on the statements of financial position of the company as of August 1, 2019, August 31, 2019 and September 30, 2019 and the statements of profit or loss and other comprehensive income for the one month period ended August 31, 2019 and two month period ended September 30, 2019, which are included in Section 10 (Part 2) of the prospectus; and
- (ii) Our report on the summary financial information, as set out in Section 10 (Part 1) of the company’s prospectus, for the years ended April 30, 2015 through April 30, 2019.

We confirm that we have not withdrawn such consent before delivery of a copy of the prospectus to the Financial Services Commission for registration.

This letter should not be regarded as in any way updating the aforementioned reports or representing that we performed any procedures subsequent to the date of such reports.

Yours faithfully,

**KPMG**

RT:ST-B:LAB:tj

## Part 1: Audited Financial Information<sup>6</sup>

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<sup>6</sup> The Audited Financial Information extracts the financial performance of the Hardware Business from the audited financial statements of Blue Power for each of the annual reporting periods ended 30 April from 2014 to 2019.

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## **Report of the Independent Auditor on the Summary Financial Information**

To the Board of Directors  
LUMBER DEPOT LIMITED

The summary financial information, as set out in Section 10 (Part 1) of the prospectus, for the Hardware Business of Blue Power Group Limited ("Lumber Division") for the years ended April 30, 2015 through to April 30, 2019, are included in, and were derived from, the audited financial statements of Blue Power Group Limited as at and for the respective reporting periods, referred to above. We expressed unmodified audit opinions on those audited financial statements in our reports dated June 26, 2015, June 21, 2016, June 9, 2017, June 18, 2018 and June 20, 2019, respectively. Those financial statements, and the summary financial information, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary financial information do not contain all the disclosures required by International Financial Reporting Standards and the Jamaican Companies Act. Reading the summary financial information therefore, is not a substitute for reading the audited financial statements from which they were derived.

### **Managements' Responsibility for the Summary Financial Information**

Management is responsible for the preparation of the summary of the audited financial statements.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on the summary financial information based on our procedures, which were conducted in accordance with International Standards on Auditing 810, (Revised), Engagements to Report on Summary Financial Statements.





Page 2

**Report of the Independent Auditor on the Summary Financial Information  
(Continued)**

To the Board of Directors  
LUMBER DEPOT LIMITED

**Opinion**

In our opinion, the summary financial information are consistent, in all material respects, with the audited financial statements from which they were derived.

*KPMG*

Chartered Accountants  
Kingston, Jamaica

November 15, 2019

## Five-year Highlights of the Hardware Business ending 30 April 2019

<b>THE HARDWARE BUSINESS</b>					
<b>30 April 2015 - 30 April 2019</b>					
	30 April 2015	30 April 2016	30 April 2017	30 April 2018	30 April 2019
	\$	\$	\$	\$	\$
REVENUE	734,754,349	860,184,477	955,896,180	1,067,226,465	1,196,972,405
NET PROFIT before tax	26,092,353	33,850,765	61,512,248	62,017,572	73,653,137
TAXATION	241,892	3,753,696	7,784,583	7,390,652	9,207,747
NET PROFIT after tax	25,850,461	30,097,069	53,727,665	54,626,920	64,445,390
CURRENT ASSETS	269,903,656	339,660,606	373,007,373	442,139,868	197,300,700
NON- CURRENT ASSETS	32,349,941	28,662,925	38,450,605	83,727,461	24,677,534
CURRENT LIABILITIES	53,724,513	62,380,597	42,058,120	63,240,139	53,824,011
NON- CURRENT LIABILITIES	-	-	490,272	490,272	490,272

1. Please note the figures above are a historical representation of the performance of the Hardware Business as a division of Blue Power based on the Audited Financial Statements for the periods stated. Mutually agreed assets and liabilities of the Hardware Business were sold by Blue Power to the Company pursuant to an Intragroup Reconstruction Agreement dated 1 August 2019.
2. Investments held under the Hardware Business (at that time) forming part of current assets were not part of the sale of assets to the Company by Blue Power.
3. The property which houses the Hardware Business at premises 17c Gordon Town Road, and acquisition of properties at 4 and 6 Victoria Avenue previously carried under the non-current assets of the Hardware Business were not transferred to the Company by Blue Power.

**Part 2: Unaudited Financial Information**

Office: 4 Victoria Avenue, Kingston C.S.O, Tel: 876- (876) 977-5075



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## **Report of the Independent Auditor on the Review of Financial Information**

To the Board of Directors  
LUMBER DEPOT LIMITED

We have reviewed the accompanying statements of financial position of Lumber Depot Limited ("the company") as at August 1, 2019, August 31, 2019 and September 30, 2019 and the statements of profit or loss and other comprehensive income for the one month period ended August 31, 2019 and the two month period ended September 30, 2019 (collectively "financial information"). The financial information is the responsibility of the company's management. Our responsibility is to issue a report on the financial information based on our review.

We conducted our review in accordance with the International Standards on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial information is free of material misstatement. A review is limited to primarily inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial information do not give a true and fair view in accordance with International Financial Reporting Standards.

*KPMG*

Chartered Accountants  
Kingston, Jamaica

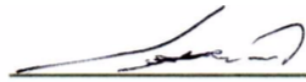
November 15, 2019

**LUMBER DEPOT LIMITED  
STATEMENT OF FINANCIAL  
POSITION**

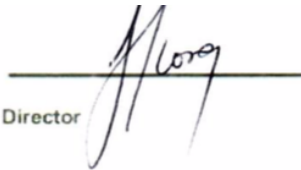
**UNAUDITED**

	As at 30 September 2019	As at 31 August 2019	As at 1 August 2019
<b>ASSETS</b>	\$	\$	\$
<b>Non-current Assets</b>			
Property, Plant and Equipment	19,436,645	19,847,151	19,124,188
Right of use asset	44,270,503	45,033,787	45,797,072
	63,707,148	64,880,938	64,921,260
<b>Current Assets</b>			
Inventories	111,542,585	122,653,649	116,536,673
Receivables and Prepayments	49,609,897	55,234,837	50,413,434
Cash and Cash Equivalents	57,455,949	21,104,929	38,635,124
	218,608,431	198,993,415	205,585,231
<b>Current Liabilities</b>			
Payables	69,135,912	68,446,318	86,751,854
Current Portion of Long Term Lease Liability	5,082,456	5,801,296	5,801,296
Inter Divisional account	123,451,521	112,752,447	111,902,303
Taxation	4,789,138	2,846,912	-
	202,459,027	189,846,973	204,455,453
Working Capital	16,149,404	9,146,442	1,129,778
<b>Non-Current Liabilities</b>			
Deferred Tax Liability	490,272	490,272	490,272
Long Term Loan	25,000,000	25,000,000	25,000,000
Long Term Lease Liability	39,995,775	39,995,775	39,995,775
	65,486,047	65,486,047	65,486,047
<b>TOTAL NET ASSETS</b>	14,370,505	8,541,333	564,991
<b>Equity</b>			
Share Capital	564,991	564,991	564,991
Profit (loss) for period	13,805,514	7,976,342	-
Total shareholders' equity	14,370,505	8,541,333	564,991

Approved by the Board on 15 November 2019



Director



Director

Office: 4 Victoria Avenue, Kingston C.S.O, Tel: 876- (876) 977-5075

**LUMBER DEPOT LIMITED**  
**INCOME STATEMENT**  
**PERIODS ENDED 31 AUGUST 2019 AND 30 SEPTEMBER 2019**

**UNAUDITED**

	30 September 2019	30 September 2019	31 August 2019	31 August 2019
		Two Month		One Month
	Month	Period to Date	Month	Period to Date
	\$	\$	\$	\$
REVENUE	103,061,089	212,738,187	109,677,099	109,677,099
COST OF GOODS SOLD	<u>82,843,051</u>	<u>168,175,303</u>	<u>85,332,253</u>	<u>85,332,253</u>
GROSS PROFIT	20,218,038	44,562,884	24,344,846	24,344,846
ADMINISTRATIVE AND MARKETING EXPENSES	<u>11,822,964</u>	<u>25,029,510</u>	<u>13,206,546</u>	<u>13,206,546</u>
PROFIT FROM OPERATIONS	<u><b>8,395,074</b></u>	<u><b>19,533,374</b></u>	<u><b>11,138,300</b></u>	<u><b>11,138,300</b></u>
OTHER INCOME				
Interest Income	3,325	4,572	1,247	1,247
Realised Exchange Gains/(Loss)	<u>(1,605)</u>	<u>(1,810)</u>	<u>(205)</u>	<u>(205)</u>
	<u>1,720</u>	<u>2,762</u>	<u>1,042</u>	<u>1,042</u>
	<u><b>8,396,794</b></u>	<u><b>19,536,136</b></u>	<u><b>11,139,342</b></u>	<u><b>11,139,342</b></u>
FINANCIAL EXPENSES	624,565	940,237	315,672	315,672
NET PROFIT - before taxation	<u>7,772,229</u>	<u>18,595,899</u>	<u>10,823,670</u>	<u>10,823,670</u>
TAXATION	<u>1,943,057</u>	<u>4,790,385</u>	<u>2,847,328</u>	<u>2,847,328</u>
NET PROFIT - After taxation	<u><b>5,829,172</b></u>	<u><b>13,805,514</b></u>	<u><b>7,976,342</b></u>	<u><b>7,976,342</b></u>

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## **SECTION 11: RISK FACTORS**

### Key Personnel

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

### Macro Economic Policies

Changes in fiscal and monetary policies introduced by the Government of Jamaica may affect the behaviour of capital markets including the JSE and the market for securities the Company holds in its investment portfolio. If such policies become onerous from the point of view of the Company or its clients this could require the Company to change the types of products it offers, or the terms on which it offers them, or the overall nature of its business operations.

### New Accounting Rules or Standards

The Company may become subject to new accounting rules or standards that differ from those that are presently applicable. Such new accounting rules or standards could require significant changes in the way the Company currently reports its financial position, operating results or cash flows. Such changes could be applied retrospectively. This is a risk that is common to companies that apply International Financial Reporting Standards (IFRS), as required under the Jamaican Companies Act.

### Operational Risk

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

### Admission of the shares to the Junior Market of the JSE

After the Closing Date, and assuming that the Company is able to raise the Minimum Amount as a result of the Invitation the Company will make application to the JSE to admit the Shares to the Junior Market. The application for listing is dependent on the success of the Invitation in raising the stated funds in the stated time and other criteria set out in the Junior Market Rules. However, the Company is not able to guarantee the success of the Invitation or the admission of the Shares to the Junior Market. If the listing is not achieved, the Company will not be eligible for the remission of income tax described in the paragraph below.

### Junior Market Taxation

The Directors anticipate that the Company will benefit from a 10-year concessionary tax regime that starts from the date of listing. The remission of tax requires the Company to meet the ongoing Junior Market requirements for at least 15 years from the date of listing. Assuming that those conditions are met, in the Company's first 5 years on the Junior Market, the Company will not be liable to pay any

corporate income tax. In years 6 to 10 on the Junior Market, the Company will be liable to pay corporate income tax at half of the usual rate. If the Company breaches the requirements it may be liable to repay the tax that was remitted. The Company does not guarantee that the Shares will be listed.

#### Volatility in Price of Ordinary Shares / Flat Trading

Following their proposed admission to trading on the JSE the Ordinary Shares may experience volatility in their market price, or flat trading, being very infrequent or insignificant volumes of trading, either or which may extend beyond the short term and which may be dependent on the Company's financial performance, as well as on investors' confidence and other factors over which the Company has no control. In either case the market price of the Shares may be negatively affected or constrained from growing.

#### Concentration Risk - Key Partners/ Suppliers

The Company relies on its business relationships with its customers and also, its key partners which includes the Blue Power Group Limited, Cotrade Limited, and foreign manufacturers/suppliers of hardware products. If the Blue Power Group Limited or Cotrade Limited were to terminate its contractual agreements with the Company or a supplier were to delay or fail to continue to supply goods to the Company for any reason whatsoever, the revenues, profits and market share of the Company could be adversely affected in the interim, and it would be required to identify new partners and implement alternative business strategies that may or may not be successful.

#### Political Risk

The Company's supply chain is subject to changes to economic, political or other conditions in the countries of our suppliers that may result in government intervention or restrictions on the ability of our suppliers to export products such as lumber to the Company.

#### Customer Default or Winding-Up

The successful operations of the Company also depend on its credit customers' ability to repay the credit facilities that are extended to them by the Company in their entirety, in a timely manner. Whole or partial defaults on such facilities by customers affects the profitability of the Company.



## **SECTION 12: PROFESSIONAL ADVISERS TO THE COMPANY**

### Lead Broker and Sole Listing Agent

#### **Mayberry Investments Limited**

1 ½ Oxford Road  
Saint Andrew, Kingston 5

#### **Key Contact Person**

Cedric Stewart  
Sales Manager  
Cedric.stewart@mayberryinv.com

### Auditors

#### **KPMG**

Duke Street  
Kingston, Jamaica

### Attorneys to the Company in the Invitation

#### **Patterson Mair Hamilton**

Attorneys-at-Law  
Temple Court  
85 Hope Road Kingston 6,  
Saint Andrew

### Registrars and Transfer Agents for the Shares

#### **Jamaica Central Securities Depository**

40 Harbour Street  
Kingston

## **SECTION 13: STATUTORY AND GENERAL INFORMATION**

### **13.1 Statutory information required to be set out in this Prospectus by section 42 and the Third Schedule to the Companies Act.**

- (1) The Company has no founders or management or deferred shares.
- (2) The Articles of Incorporation fix no shareholding qualification for directors and none has been otherwise fixed by the Company in general meeting.
- (3) The Articles of Incorporation contain the following provisions with respect to the remuneration of Directors:
  - (a) The remuneration of the directors shall from time to time be determined by the Company in general meeting. Such remuneration shall be deemed to accrue from day to day. The directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings or any committee of the Directors or general meetings of the Company in connection with the business of the Company. The Directors may award special remuneration out of the funds of the Company to any Director going or residing abroad in the interest of the Company, or undertaking any work additional to that usually required of Directors of a company similar to the Company. (Article 77)
  - (b) A director of the Company may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or in which the Company may be interested as shareholder or otherwise, and no such director shall be accountable to the Company for any remuneration or other benefits received by him as a director or officer of, or from his interest in, such other company unless the Company otherwise directs. (Article 79)
  - (c) A director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of director for such period and on such terms (as to remuneration and otherwise) as the directors may determine and no director or intending director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise, nor shall any such contract, or any contract or management entered into by or on behalf of the Company in which any director is in any way interested, be liable to be avoided, nor shall any director so contracting or being so interested be liable to account to the Company for any profit realized by any such contract or arrangement by reason of such director holding that office or of the fiduciary relation thereby established. (Article 89(3))
  - (d) Any director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a director; provided that nothing herein contained shall authorize a director or his firm to act as auditor to the company. (Article 89 (5) )
  - (e) The Directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any Director who has held any other salaried office or place of profit with the Company or to his widow or dependents and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance. (Article 94)
  - (c) A Chief Executive Officer shall receive such remuneration (whether by way of salary, commission or participation in profits, or partly in one way and partly in another) as the Directors may determine. (Article 118)

- (4) The names and addresses of the Directors are as follows:  
 Mr. Jeffrey Hall – Jonkers, Hermitage Dam Road, Kingston 8  
 Maj. Noel Dawes – 62 Shenstone Drive, Kingston 6  
 Ms. Lisa Kong – 43 East Mountain Pride Avenue, Kingston 6  
 Ms. Symone Mayhew – 2A Montclair Terrace, Kingston 6 , Saint Andrew  
 Lt. Cmdr. George Overton – 2 Ravina Mews Kingston 6  
 Mr. Vikram Dhiman – 1A Upper Melwood Avenue Kingston 8
- (5) The minimum amount required to be raised out of the proceeds of the Invitation to provide for the matters set out in paragraph 2 of Part 1 of the Third Schedule to the Companies Act (the “minimum subscription”) is the Minimum Amount.
- (6) The Invitation will open for subscription at 9:00 a.m. on Friday 22 November 2019 and will close on an expedited basis at 4:00 p.m. on the Closing Date (or earlier), Friday 29 November 2019 if the Company has received applications for Shares valued at more than \$169,497,000.00 million which will be allotted as a priority to the shares for sale. The Company may close the Invitation at any time after 9:00 a.m. on the Opening Date if Applications have been received for an amount in excess of the Shares offered under this Prospectus, or to extend the Closing Date in the sole discretion of the Company, for any reason whatsoever, provided that it is not later than 40 days following the issue of this Prospectus for the purposes of section 48 of the Companies Act. See the terms and conditions in 6.4 for information on the Closing Date in particular.
- (7) All Applicants will be required to pay the Invitation Price of \$1.20 per Share in full on Application. No further sum will be payable on allotment.
- (8) Save as set out in paragraphs 16 below no person has, or is entitled to be given, any option to subscribe for any shares in, or debentures of, the Company.
- (9) As at 30 September 2019, being the date to which the Unaudited Financial Information of the Company is made up to, the Company held the following investments:

	As at 30 September 2019	As at 31 August 2019	As at 1 August 2019
<b>Current Assets</b>			
Inventories	\$ 111,542,585	\$ 122,653,649	\$ 116,536,673
Receivables and Prepayments	49,609,897	55,234,837	50,413,434
Cash and Cash Equivalents	57,455,949	21,104,929	38,635,124
	218,608,431	198,993,415	205,585,231

- (10) There is no amount for goodwill, patent, or trademarks shown in the Financial Information of the Company, and there is no contract for sale and purchase, which would involve any goodwill, patent or trademarks.
- (11) As at 30 September 2019, being the date to which the Unaudited Financial Information of the Company is made up to, the indebtedness of the Company was as follows:

	As at 30 September 2019	As at 31 August 2019	As at 1 August 2019
<b>Current Liabilities</b>	\$	\$	\$
Payables	69,135,912	68,446,318	86,751,854
Current Portion of Long Term Lease Liability	5,082,456	5,801,296	5,801,296
Inter Divisional account	123,451,521	112,752,447	111,902,303
Taxation	4,789,138	2,846,912	-
	<u>202,459,027</u>	<u>189,846,973</u>	<u>204,455,453</u>
Working Capital	<u>16,149,404</u>	<u>9,146,442</u>	<u>1,129,778</u>
<b>Non-Current Liabilities</b>			
Deferred Tax Liability	490,272	490,272	490,272
Long Term Loan	25,000,000	25,000,000	25,000,000
Long Term Lease Liability	39,995,775	39,995,775	39,995,775
	<u>65,486,047</u>	<u>65,486,047</u>	<u>65,486,047</u>
<b>TOTAL NET ASSETS</b>	<u>14,370,505</u>	<u>8,541,333</u>	<u>564,991</u>

- (12) The Company has paid no dividends in the period represented by the Financial Information. The dividend policy of the Company is described in Section 7.13.
- (13) There is no property that is currently proposed to be purchased or acquired by the Company, which is to be paid for wholly or partly out of the proceeds of this Invitation for the purposes of paragraphs 6 to 9 (inclusive) of Part 1 of the Third Schedule of the Companies Act.
- (14) Save as set out in paragraph 16 below within the 2 preceding years, no commissions have been paid, nor will any be payable to anyone for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares or debentures of the Company.
- (15) The Company expects to pay the expenses of the Invitation out of the proceeds of its fundraising, and the Company estimates that such expenses will not exceed \$ 20,000,000.00 million (inclusive of brokerage fees, legal fees, auditors' fees, the Registrar's fees, stamp duties and other document filing fees, initial listing and other JSE and JCSD fees and exclusive of GCT). Of those expenses the most material are the lead brokerage fees set out in paragraph 16.
- (16) Within the last 2 years preceding the date of this Prospectus, no amount or benefit has been paid or given or is intended to be paid or given to any promoter or person in connection with the sale of Shares in the Company save for the Lead Broker and Sole Listing Agent, Mayberry Investments Limited pursuant to an Agreement dated 2 April 2019 in the amount of 5% of funds raised in the Invitation. All fees referred to are payable in cash unless otherwise stated and exclusive of GCT, and disbursements.
- (17) The material contracts of the Company are set out in Section 7.6.
- (18) The external auditors of the Company are KPMG.
- (19) KPMG has given and has not withdrawn their consent to the issue of this Prospectus with the inclusion of their name in the context in which it is included.
- (20) The Company was incorporated on 30 July 2019.
- (21) Taxation of Listed Shares: Section 17(1)(d) of the Transfer Tax Act provides that transfers of shares made in the ordinary course of business on the Jamaica Stock Exchange will not attract transfer tax.

The Schedule to the Stamp Duty Act provides that transfer documents in respect of share transfers made in the ordinary course of business on the Jamaica Stock Exchange will not attract Stamp Duty. The Income Tax Act provides that dividends paid to residents of Jamaica are subject to withholding tax at the rate of 15%. Such tax is to be withheld at source by the Registrar on behalf of the Company and paid over to the tax authorities. Shareholders who are exempt from the payment of tax should so specify in their Application setting out evidence of the exemption.

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

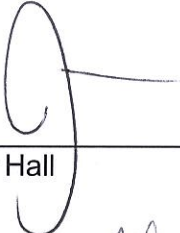
## **SECTION 14: DOCUMENTS AVAILABLE FOR INSPECTION**

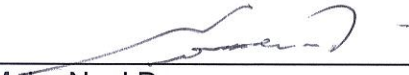
Copies of the following documents may be inspected by appointment only, at the law offices of Patterson Mair Hamilton, Temple Court, 85 Hope Road, Kingston 6 between the hours of 9:00 a.m. to 4:00 p.m. on Mondays to Fridays, up to and including the Closing Date:

1. The Articles of Incorporation.
2. The Material Contracts described in section 7.6.
3. The insurance policies described in section 7.11.
4. The Auditor's Report and the Financial Information.
5. The consent of the Auditors to the inclusion of each of their names and references thereto in the form and context in which they appear in this Prospectus.

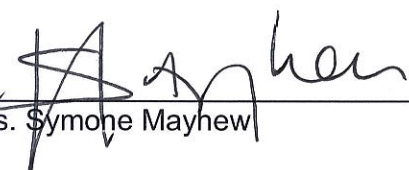
**SECTION 15: SIGNATURES**

15.1 The Directors of the Company whose signatures appear below are individually and collectively responsible for the contents of this Prospectus, which was approved on behalf of the Company by the Independent Directors:


  
\_\_\_\_\_  
Mr. Jeffrey Hall

  
\_\_\_\_\_  
Major Noel Dawes,

  
\_\_\_\_\_  
Ms. Lisa Kong

  
\_\_\_\_\_  
Ms. Symone Mayhew

  
\_\_\_\_\_  
Lt. Cmdr. George Overton (Retd.)

  
\_\_\_\_\_  
Mr. Vikram Dhiman

## **APPENDIX 1: APPLICATION FORM**

Office: 4 Victoria Avenue, Kingston C.S.O, Tel: 876- (876) 977-5075



# Appendix 1 - Application Form



PLEASE READ CAREFULLY BEFORE COMPLETING THIS FORM

To: ("LUMBER DEPOT LIMITED" or the "the Company")

Re: Invitation for Subscription in respect of up to 141,247,500 Ordinary Shares at J\$1.20 each being offered made pursuant to the Prospectus dated and registered on or around 15th November, 2019. I/We confirm that I/we have read and understood and hereby agree to be bound by the terms and conditions contained in the Prospectus, all of which are incorporated in this Application Form by reference.

I/We hereby apply for [ ] ordinary shares in Lumber Depot Limited on and subject to the terms and conditions of the Invitation set out in the Prospectus at the price of J\$1.20 each, and I/we attach my/our payment (*inclusive* of processing fees of J\$163.10) for [ ] or I/we request my broker to make payment on my/our behalf from cleared funds held by them in my /our names in account with them, numbered \_\_\_\_\_. I/We hereby instruct my/our broker to debit my/our account with the sum of J\$ [ ] for the purposes of my/our subscription of ordinary shares and processing fee as indicated above.

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

**INSTRUCTIONS TO COMPLETING APPLICATION FORM:** All fields are relevant and must be completed.

Please indicate your JCSD account number here

[ ] JCSD ACCOUNT NUMBER

[ ] BROKER CODE

**PRIMARY HOLDER DETAILS**

[ ]

**PRIMARY HOLDER (EITHER COMPANY OR INDIVIDUAL)**

[ ] TITLE

[ ] TAXPAYER REGISTRATION NUMBER

[ ] CITIZENSHIP

[ ] NATIONALITY

[ ] MALE/FEMALE

[ ]

**EMAIL ADDRESS—(PLEASE PRINT)**

[ ]

**OCCUPATION**

[ ]

[ ]

[ ]

**TELEPHONE NUMBER (HOME)**

**TELEPHONE NUMBER (WORK)**

**TELEPHONE NUMBER (CELL)**

**PRIMARY HOLDER SIGNATURE:**

**DATE SIGNATURE AFFIXED:**

**COMPANIES** (COMPANY SEAL OR STAMP REQUIRED):

**DIRECTOR:**

**DIRECTOR/SECRETARY:**

**DATE SIGNATURES AFFIXED:**

**JOINT HOLDER INFORMATION**

[ ]

**FIRST NAMED JOINT HOLDER**

[ ]

[ ] TAXPAYER REGISTRATION NUMBER

**SIGNATURE**

[ ]

**SECOND NAMED JOINT HOLDER**

[ ]

[ ] TAXPAYER REGISTRATION NUMBER

**SIGNATURE**

[ ]

**THIRD NAMED JOINT HOLDER**

[ ]

[ ] TAXPAYER REGISTRATION NUMBER

**SIGNATURE**

ALL APPLICANTS MUST INDICATE THEIR TAXPAYER REGISTRATION NUMBER (TRN) OR OTHER EQUAL IDENTIFIER ON THE APPLICATION

ALL APPLICANTS ARE REQUIRED TO PAY J\$163.10 PROCESSING FEE PER APPLICATION SUBMITTED

THIS OFFER IS NOT MADE TO PERSONS RESIDENT OUTSIDE JAMAICA

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

1. All completed applications must be delivered to Lead Broker and Sole Listing Agent Mayberry Investments Limited ("Mayberry"), 1 1/2 Oxford Road, Kingston 5
2. Applications that are not from the Reserved Share pool must be for a minimum of 5,000 shares with additional increments of 1,000 shares. Applications in other denominations will **not** be processed or accepted.
3. All applicants must attach their payment for the specified number of Shares they have applied for, in the form of either:
  - a. a manager's cheque made payable to "Mayberry Investments Limited"; or
  - b. authorisation from the Applicant on the Application instructing Mayberry Investments Limited to make payment from cleared funds held in an Investment account in the Applicants' Name at Mayberry Investments Limited; or
  - c. authorization from the Applicant on the Application Form instructing their stockbroker to make payment from cleared funds held on their behalf in an investment account in the Applicant's name; or
  - d. transfer in the Real Time Gross Settlement ("RTGS") system to an account designated by Mayberry Investments Limited, in the case of payments of \$1 million or more.
4. If you are applying jointly with any other person, you must complete the Joint Holder Information and each joint holder **must** sign the Application Form at the place indicated.
5. All Applicants must be at least 18 years old and must attach a certified copy of their T.R.N. card or Jamaican Driver's Licence displaying the T.R.N.
6. Share Certificates will not be issued unless specifically requested through your broker. Instead, the shares allotted to a successful applicant will be credited to his account at the Jamaica Central Securities Depository ("JCSD"). If the applicant does not have a JCSD account, one will be created by your broker and the allotted shares deposited to that account. Applicants may refer to the notice posted on the JSE website ([www.jamstockex.com](http://www.jamstockex.com)) for instructions on confirming Share Allotments
7. All Applicants are deemed to have accepted the terms and conditions set out in the Prospectus and the Articles of Incorporation of the Company generally.

**THIS SECTION FOR USE BY BROKER ONLY**

DATE APPLICATION RECEIVED: \_\_\_\_\_

TIME RECEIVED: \_\_\_\_\_

PAYMENT METHOD: CHEQUE / AUTHORISATION LETTER

CHEQUE NUMBER OR LETTER DATE: \_\_\_\_\_

PAYMENT VALUE: \_\_\_\_\_

POOL: \_\_\_\_\_

BROKER STAMP AND SIGNATURE:

## **APPENDIX 2: HARDWARE BUSINESS INCOME STATEMENT<sup>7</sup>**

### **HARDWARE BUSINESS INCOME STATEMENT THREE MONTHS ENDED 31 JULY 2019**

**UNAUDITED**

	Year to Date
	\$
REVENUE	325,238,543
COST OF GOODS SOLD	264,777,950
GROSS PROFIT	60,460,593
ADMINISTRATIVE AND MARKETING EXPENSES	35,942,928
PROFIT FROM OPERATIONS	24,517,665
OTHER INCOME	
Interest Income	448,921
Rental Income	547,898
Other Income	-
Realised Exchange Gains	2,874
	999,694
	25,517,358
FINANCIAL EXPENSES	1,353,837
NET PROFIT - before taxation	24,163,521
TAXATION	2,863,558
NET PROFIT - After taxation	21,299,962

<sup>7</sup> The Company has included the Income Statement for the Hardware Business for the 3 months (1 May to 31 July 2019) during which the Hardware Business was still owned and operated by Blue Power. The Company has not included the Statement of Financial Position for this same period because Blue Power's Statement of Financial Position as at 31 July 2019 consolidates the financials of both its Hardware Business and the Soap Business. The Company has not included the Statement of Financial Position while the Hardware Business was owned and operated by Blue Power, to avoid the potential for confusion to prospective investors. The Statement of Financial Position as at 31 July 2019 can be viewed on the website of the Jamaica Stock Exchange at the web address provided below:  
<https://www.jamstockex.com/blue-power-group-limited-bpow-consolidated-financial-report-for-the-quarter-ended-july-31-2019/>