CARIBBEAN CEMENT COMPANY LIMITED

CARIB CEMENT

CONSOLIDATED AUDITED FINANCIAL REPORT

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010

ONE CARIBBEAN... ONE COMPANY

A member of the TCL GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

J$'000	AUDITED Year Jan to Dec 2010	AUDITED Year Jan to Dec 2009
Sales (Cement tonnes) – Local	531,605	652,651
Sales (Cement tonnes) – Export	195,163	88,912
Sales (Clinker tonnes) – Export	69,418	88,254
Revenue	**7,929,783**	**8,869,260**
Operating (loss)/profit	**(2,010,378)**	**222,030**
Interest income	812	4,834
Interest expense	(333,452)	(173,498)
Gain/(loss) on currency exchange	100,658	(294,394)
Loss before taxation	**(2,242,360)**	**(241,028)**
Taxation credit	685,167	96,516
Net loss for the year	**(1,557,193)**	**(144,512)**
Total comprehensive loss	**(1,557,193)**	**(144,512)**
Loss per ordinary stock unit – Basic & Diluted	($1.83)	($0.17)
Operating profit/revenue ratio	(25%)	3%

DIRECTORS' STATEMENT

For the year 2010 the Group recorded a consolidated net loss after tax of $1.56b compared to a loss of $145 m for the prior year. The deterioration in the company's performance was as a result of four key issues:-

- First, while sales volumes and total cement production were only 2% below the 2009 performance, the changing market mix of local and export sales saw revenues falling by $939m. Domestic revenues actually fell by $1.1b as sales in the local market declined by a further 18.5% year over year.
- The second issue was the closure of businesses as a result of the declaration of the State of Emergency, resulting in a climate of uncertainty and decline in business and consumer confidence with further reduction in the domestic demand for cement.
- The third issue was the severe weather conditions experienced which exacerbated the soft market conditions.
- Finally, as a result of the extremely soft domestic market, especially in the 3rd quarter of the year, the company took the decision to shut down the clinker manufacturing line for 40 days to monetise clinker inventories which had risen to 161,000 tonnes, equivalent to more than 200,000 tonnes of cement. The shutdown of the kiln and the under-absorption of overheads during this period resulted in a significant adverse charge to the financial statements, however, it improved the short term working capital position of the company by over $100m.

During 2010, the Company continued to successfully seek out new export markets, resulting in export sales volumes rising by 120%. However, these revenues were not able to offset either the decline in local revenues or, more importantly, the decline in gross profit contribution from local sales.

Over the year, our input costs were negatively impacted by significant increases in energy cost, new taxes applied to imports and diesel fuel, and the implementation of the Weight Restriction Act that increased both our production and distribution costs. In the hyper competitive market place, with the continued presence of dumped cement from the Dominican Republic and the USA, we were not able to correct selling prices and had to absorb these inflated costs.

Several cost-cutting measures were put in place by Management to address both variable and fixed costs, including staff reductions of 29 employees. However, funding operations remained challenging throughout the year. The impact on the Company's balance sheet of the $1.56b loss for the year has been that the steps taken at the beginning of 2010 to strengthen the balance sheet have been lost, i.e. the conversion of US$15m of debt due to the parent company into redeemable preference shares and the rescheduling of the operating lease of Kiln 4, both in January 2010. The amount owing to our Parent Company has increased from $2.0 billion as at December 2009 to $2.5 billion at December 2010, despite the conversion of US$15m to equity in January 2010, a situation that is not sustainable.

In exploring solutions to the financial situation described above, the Company has initiated discussions for the supply of significant volumes of product to Haiti and a South American country and our parent company has initiated a debt restructuring exercise that is expected to reduce the Company's annual lease cost for the new Kiln 5 and Mill 5. In keeping with the Company's desire to provide maximum possible assurance to the External Auditors in relation to the targeted significant increase in export sales and the debt restructuring exercise your Board decided to defer the release of the 2010 results beyond the established reporting dates.

Outlook

From a local macroeconomic perspective, there are indications that the decline that has been experienced over the last fourteen quarters may have been arrested and some uptick in demand is expected in 2011. Several significant public work efforts have been initiated and there is a returning business confidence, as manifested in the announcement of several new private sector investments. While this is good news, domestic demand is unlikely to return to the levels prior to the 2008 recession in the short term, and the Company will be faced with continuing liquidity and profitability challenges in the short to medium term.

Our initiatives on the export side have resulted in the signing of an agreement with a prominent Haitian Company that we expect will result in significant increased export sales to Haiti in the medium term. Our discussions for the supply of cement to South America are continuing and we expect a successful conclusion to those discussions in the near future.

It is expected that our parent company will come to an agreement with its lending agencies as to a debt restructuring of the TCL Group in the 3rd quarter of 2011.

Brian Young
Chairman
May 17, 2011

Dr. Rollin Bertrand
Director/Group CEO
May 17, 2011

REPORT OF THE INDEPENDENT AUDITORS ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Caribbean Cement Company Limited and its Subsidiaries

The accompanying summary consolidated financial statements, which comprise the summary consolidated statement of financial position as at 31 December 2010, and the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, are derived from the audited consolidated financial statements of Caribbean Cement Company Limited and its Subsidiaries (the "Group") for the year ended 31 December 2010. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 17 May 2011.

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. For a better understanding of the Group's financial position and the results of its operations, the summary consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Group.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of a summary of the audited consolidated financial statements, and the audited consolidated financial statements which have been prepared in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Auditors' Responsibility

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

Opinion

In our opinion, the summary consolidated financial statements derived from the audited consolidated financial statements of the Group for the year ended 31 December 2010 are consistent, in all material respects, with those consolidated financial statements.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 3 in the summarised consolidated financial statements which indicates that the Group has incurred accumulated losses of $1,539,595,000 as at 31 December 2010 and operating losses of $2,010,378,000 for the year then ended. In addition, the Group's current liabilities have exceeded its current assets by $839,251,000 as at 31 December 2010. These conditions, along with other matters as set forth in Note 3, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements have been prepared on the going concern basis because, as described in Note 3, the Group's management has embarked on a number of initiatives that, based on projections, demonstrate increases in revenue, cashflows and profitability of the Group for the year ending 31 December 2011 and beyond. In addition, Trinidad Cement Limited (the parent company), has also embarked on a debt restructuring exercise with the intention to provide the financing necessary to enable the Group to continue in business.

Ernst & Young

Chartered Accountants
Kingston, Jamaica
17 May 2011

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

J$'000	AUDITED Year Jan to Dec 2010	AUDITED Year Jan to Dec 2009
Balance at beginning of year	**3,240,096**	**3,384,608**
Issue of preference shares	1,339,650	–
Total comprehensive loss	(1,557,193)	(144,512)
Balance at end of year	**3,022,553**	**3,240,096**

CONSOLIDATED STATEMENT OF CASH FLOWS

J$'000	AUDITED Year Jan to Dec 2010	AUDITED Year Jan to Dec 2009
Group net loss before taxation	**(2,242,360)**	**(241,028)**
Adjustment for non-cash items	623,207	619,185
	(1,619,153)	378,157
Change in working capital	625,931	(279,193)
Taxation paid	(17,835)	(42,846)
Net cash (used in)/generated by operating activities	(1,011,057)	56,118
Net cash used in investing activities	(362,038)	(979,850)
Net cash provided by financing activities	1,277,122	1,015,891
(Decrease)/increase in cash and cash equivalents	(95,973)	92,159
Cash and cash equivalents – beginning of year	81,876	(10,283)
Cash and cash equivalents – end of year	**(14,097)**	**81,876**
Represented by:		
Cash and short-term deposits	154,056	81,876
Bank overdraft	(168,153)	–
	(14,097)	**81,876**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

J$'000	AUDITED 31.12.2010	AUDITED 31.12.2009
Non-current assets	6,040,760	5,752,184
Current assets	3,158,828	3,425,499
Current liabilities	(3,998,079)	(3,473,008)
Non-current liabilities	(2,178,956)	(2,464,579)
Total Net Assets	**3,022,553**	**3,240,096**
Ordinary share capital	1,808,837	1,808,837
Preference share capital	1,339,650	–
(Deficit)/reserves	(125,934)	1,431,259
Group Equity	**3,022,553**	**3,240,096**

SEGMENT INFORMATION

J$'000	Cement	Gypsum and Pozzolan	Adjustments and Eliminations	Consolidated
2010				
Revenue				
External customers	7,747,425	182,358	–	7,929,783
Inter-segment	9,620	281,096	(290,716)	–
Total revenue	**7,757,045**	**463,454**	**(290,716)**	**7,929,783**
Depreciation and amortisation	368,710	18,142	–	386,852
Segment (loss) before tax	(2,243,892)	(14,703)	16,235	(2,242,360)
Operating assets	9,030,950	371,070	(202,432)	9,199,588
Operating liabilities	6,203,292	71,892	(98,149)	6,177,035
Capital expenditure	356,429	5,731	–	362,160
2009				
Revenue				
External customers	8,698,109	171,151	–	8,869,260
Inter-segment	11,562	322,639	(334,201)	–
Total revenue	**8,709,671**	**493,790**	**(334,201)**	**8,869,260**
Depreciation and amortisation	295,832	22,003	–	317,835
Segment profit/(loss) before tax	26,410	194,591	(462,029)	(241,028)
Operating assets	8,815,203	335,527	26,953	9,177,683
Operating liabilities	5,467,439	33,776	436,372	5,937,587
Capital expenditure	969,155	11,357	–	980,512

NOTES

1. Accounting Policies

Accounting policies used in the preparation of these financial statements are consistent with those used in the audited financial statements for the year ended December 31, 2010. The Group has adopted all new and revised accounting standards and interpretations that are mandatory for annual accounting periods beginning on or after January 1, 2010 and which are relevant to the Group's operations. The adoption of these standards and interpretations did not have any material effect on the Group's financial position or results.

2. Segment Reporting

Management's principal reporting and decision-making are by product and accordingly the segment information is so presented.

3. Going Concern

Caribbean Cement Company Limited and its subsidiaries (CCCL Group) reported significant losses for the year 2010 and a working capital deficit at December 31, 2010. In addition, the ultimate parent, Trinidad Cement Limited was in default of its obligations under several loan agreements and as such the lenders could demand immediate repayment which TCL is not in a position to meet. CCCL's major productive assets which are leased from TCL and its own fixed and floating assets are included in the security for these loans and should lenders enforce their security, there is a material risk that CCCL may not be able to continue as a going concern.

TCL has commenced negotiations with its lenders for a re-profiling of its debts and the lenders are participating in the process without prejudice to their existing legal rights. Upon the successful re-profiling of TCL's debt, directors propose to negotiate with TCL a reduction in the lease charges to the CCCL Group. Additionally, a number of significant new sales contracts are being pursued which have the potential to return CCCL to profitability.

The directors have a reasonable expectation that the CCCL Group will have, based on the plans and strategies as outlined in the preceding paragraph, adequate cash flows and profitability that will allow the CCCL Group to continue in operational existence in the foreseeable future. For these reasons, the directors continue to adopt the going concern basis in preparing these financial statements.