CARIBBEAN CEMENT COMPANY LIMITED

CARIB CEMENT

SUMMARY CONSOLIDATED AUDITED FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2017

TCL GROUP
Building a Brighter Future

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

J$'000	AUDITED Year Jan to Dec 2017	AUDITED Year Jan to Dec 2016
Net assets		
Non-current assets		
Property, plant and equipment	8,282,950	6,571,104
Intangible assets	-	9,460
Due from parent and related companies	2,106	-
Deferred tax asset	-	131,713
	8,285,056	6,712,277
Current assets		
Inventories	1,461,695	2,095,803
Taxation recoverable	98,197	118,451
Due from parent and related companies	92,972	205,460
Receivables and prepayments	594,976	569,929
Cash and cash equivalents	1,673,067	717,568
	3,920,907	3,707,211
Current liabilities		
Income tax payable	-	-
Due to parent and related companies	546,315	104,041
Payables and accruals	2,578,620	2,544,019
Provision	6,007	5,159
	3,130,942	2,653,219
Working capital surplus	789,965	1,053,992
Non-current liabilities		
Due to parent and related companies	1,616	-
Deferred Tax liability	80,518	-
Provision	33,118	27,393
	115,252	27,393
Total net assets	8,959,769	7,738,876
Shareholders' equity		
Share capital:		
Ordinary	1,808,837	1,808,837
Preference	5,077,760	5,077,760
Capital contribution	3,839,090	3,839,090
Reserves:		
Realised capital gain	1,413,661	1,413,661
Other reserve	73,472	-
Accumulated losses	(3,253,051)	(4,400,472)
Total Equity	8,959,769	7,738,876

DIRECTORS' STATEMENT

2017 was a transition year for Carib Cement, the most significant achievement being that Health and Safety practices are now the company's top priority and an integral part of the culture of the Carib Cement family. Our workforce development programs were also a significant feature of 2017, and more than 2,000 hours of training was completed, including cross-training within business units across the CEMEX Group. On the Customer side, focus continued on three priorities: placing our customers' needs at the center of our work philosophy, making it easier to do business with us, and making customer centricity a discipline. The Net Promoted Score (NPS) indicator system was launched, which will allow us to keep track of customer feedback on our performance and therefore fuel constant improvement in the product offering as well as customer service.

In terms of financial performance for the year, there was significant improvement over 2016. Revenue was $16.5 billion, which represented an increase of 5% as compared to 2016. Earnings before interest, tax, depreciation, amortization and restructuring costs (adjusted EBITDA) of $3.0 billion was 12% higher than the $2.7 billion for 2016 and the adjusted EBITDA margin was 18% vs. 17% in 2016. This performance was driven mainly by lower operating expenses as the restructuring and efficiency improvement programs executed took full effect. Net cash generated by operating activities for the year of $3.2 billion is an improvement of 86% compared to 2016 and is due primarily to more efficient working capital management. Significant cash resources were allocated to capital expenditures, up to $2.2 billion to areas including Health and Safety, expansion works and improvement of operational efficiencies.

During Q4-2017 the Company incurred significant restructuring costs of $875 million, which will allow for the development of a more competitive and flexible cost structure and increase the profitability of the plant going forward. Despite these restructuring costs and significant increases in energy and fuel related expenses, CCCL profit before tax was $1.56 billion, 15% higher than 2016 ($1.35 billion). Net profit after taxes for the period 2017 amounted to $1.15 billion or $1.35 earnings per share.

Carib Cement continues to strive to live up to our slogan of 'Building a Greater Jamaica' and our 2017 Corporate Social Responsibility program impacted directly on 200,000 Jamaicans.

After defining 2017 as a year of transition, the Board of Directors is now focused on consolidation of ongoing initiatives in Health and Safety, and roll out of a 2-year Maintenance Plan to ensure improved production performance and cement output.

Parris A. Lyew-Ayee

Parris A. Lyew-Ayee
Chairman
February 09, 2018

Peter Donkersloot
Director
February 09, 2018

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

J$'000	AUDITED Year Jan to Dec 2017	AUDITED Year Jan to Dec 2016
Cash flows from operating activities		
Profit for the year	1,147,421	1,301,702
Adjustments for:		
Taxation charge	410,573	49,160
Depreciation and amortisation	531,602	495,688
Stockholding and inventory restructuring costs (Note 4)	457,818	400,774
Net recovery of impaired receivables	(7,650)	(40,807)
Interest income	(5,095)	(5,201)
Loss on disposal of property, plant and equipment	50	-
Interest expense	155	9,838
Unwinding of discount on rehabilitation provision	2,617	9,636
Unrealized foreign exchange losses- net	9,481	21,140
	2,546,972	2,241,930
Decrease in inventories	176,290	284,617
(Increase)/decrease in receivables and prepayments	(20,303)	623,105
Decrease in due from parent and related companies	185,960	376,283
Increase in payables and accruals	37,152	48,094
Increase in provision	3,956	1,550
Increase/(decrease) in due to parent and related companies	446,699	(1,352,672)
Cash generated by operations	3,376,726	2,222,907
Interest received	5,095	5,201
Interest paid	(155)	(61,980)
Tax paid	(178,088)	(443,891)
Net cash provided by operating activities	3,203,578	1,722,237
Cash flows from investing activities		
Additions to property, plant and equipment	(2,234,050)	(1,699,091)
Proceed from disposal of asset	12	-
Net cash used in investing activities	(2,234,038)	(1,699,091)
Cash flows from financing activity		
Due to/from parent and related companies	(490)	(205,582)
Net cash used in financing activities	(490)	(205,582)
Increase/(decrease) in cash and cash equivalents	969,050	(182,436)
Net cash and cash equivalents - beginning of year	717,568	910,666
Effect of foreign exchange rate changes	(13,551)	(10,662)
Net cash and cash equivalents - end of year	1,673,067	717,568
Represented by:		
Cash at bank and short term deposits	1,673,067	717,568

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

J$'000	AUDITED Year Jan to Dec 2017	AUDITED Year Jan to Dec 2016
Revenue	16,513,084	15,780,756
Earnings before interest, depreciation, amortisation, tax, and restructuring costs (Note 5)	3,027,033	2,702,838
Depreciation and amortisation	(531,602)	(495,688)
Stockholding and inventory restructuring costs (Note 4)	(457,818)	(400,774)
Manpower restructuring costs	(416,848)	(406,123)
Operating profit	1,620,765	1,400,253
Interest income	5,095	5,201
Finance costs	(67,866)	(54,592)
Profit before taxation	1,557,994	1,350,862
Taxation charge	(410,573)	(49,160)
Profit for the period	1,147,421	1,301,702
Other comprehensive income		
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Gain on hedge of fuel price	73,472	-
Total comprehensive income attributable to equity holders	1,220,893	1,301,702
Earnings per share (expressed in $ per share) (Note 3):	1.35	1.53

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

J$'000	AUDITED							
					RESERVES			
	Ordinary share capital	Preference share capital	Capital contribution	Realized capital gain	Accumulated losses	Other reserves	Total reserves	Total capital & reserves
Balance as at December 31, 2015	1,808,837	5,077,760	3,839,090	1,413,661	(5,702,174)	-	(4,288,513)	6,437,174
Profit for the year being total comprehensive income for the year	-	-	-	-	1,301,702	-	1,301,702	1,301,702
Balance as at December 31, 2016	1,808,837	5,077,760	3,839,090	1,413,661	(4,400,472)	-	(2,986,811)	7,738,876
Profit for the year	-	-	-	-	1,147,421	-	1,147,421	1,147,421
Other comprehensive income								
Gain on hedge of fuel price	-	-	-	-	-	73,472	73,472	73,472
Total comprehensive income for the year	-	-	-	-	1,147,421	73,472	1,220,893	1,220,893
Balance as at December 31, 2017	1,808,837	5,077,760	3,839,090	1,413,661	(3,253,051)	73,472	(1,765,918)	8,959,769

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SUMMARY CONSOLIDATED AUDITED FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2017

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NOTES

1. **Basis of Preparation**
The summary consolidated financial statements are prepared in accordance with Practice Statement 2016-1, Summary Financial Statements, issued by the Institute of Chartered Accountants of Jamaica (ICAJ). Management discloses the consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows. These summary financial statements are derived from the audited financial statements of Caribbean Cement Company Limited and its Subsidiaries (Group) for the year ended December 31, 2017, which have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, and the requirements of the Jamaican Companies Act.

2. **Accounting Policies**
These summary consolidated financial statements for the year ended December 31, 2017, have been prepared in accordance with the accounting policies used in the audited consolidated financial statements for the year ended December 31, 2017. Any new accounting standards or interpretations which became effective in this financial year have had no material impact on the Group's financial position or results.

3. **Earnings per Share**
Earnings per share is calculated by dividing the net profit by the number of ordinary shares outstanding during the period.

4. **Stockholding and Inventory Restructuring Costs**
Stockholding and inventory restructuring costs comprises write down of overstocked items identified in a comprehensive review of inventory quantities on hand. In accordance with IAS 2: "Inventories," management has recorded an expense of $169 million (2016: $400.8 million) in respect of overstocked items. This expense has been accounted for as a change in an accounting estimate consistent with IAS 8: "Accounting Policies, Changes in Accounting Estimates and Errors" resulting from new developments.

During the year the company recorded an adjustment of $157.0 million representing clinker and cement which cannot be used in its current state and is therefore referred to as aged stock. An adjustment was also made for $131.8 million, representing dead stock of cement and clinker in silos. These adjustments were included in "Stockholding and inventory restructuring costs.

5. **Earnings Before Interest, Depreciation, Amortisation, Tax, and Restructuring Costs**

J$'000	AUDITED Year Jan to Dec 2017	AUDITED Year Jan to Dec 2016
Revenue	16,513,084	15,780,756
Expenses		
Raw material and consumables	1,464,326	1,400,510
Fuel and electricity	3,085,658	2,717,215
Personnel remuneration and benefits	1,943,824	2,067,036
Repairs and maintenance	833,320	989,007
Equipment hire	515,947	621,236
Cement transportation, marketing and selling expenses	758,228	622,662
Other operating expenses	4,486,328	4,474,578
Changes in inventories of finished goods and work in progress	398,420	293,058
Total expenses	13,486,051	13,185,302
Other income	-	107,384
Earnings before interest, depreciation, amortisation, tax and restructuring costs	3,027,033	2,702,838

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REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
CARIBBEAN CEMENT COMPANY LIMITED

Opinion

The summary consolidated financial statements, which comprise the consolidated statement of financial position as at December 31, 2017, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and related notes, are derived from the complete audited consolidated financial statements of Caribbean Cement Company Limited and its Subsidiaries (the "Group") for the year ended December 31, 2017.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with Practice Statement 2016-1, *Summary Financial Statements*, issued by the Institute of Chartered Accountants of Jamaica.

Summary Consolidated Financial Statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards ("IFRSs") applied in the preparation of financial statements of the Group. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon. The summary consolidated financial statements and the audited consolidated financial statements do not reflect the effects of events that occurred subsequent to that date of our report on the audited financial statements.

The Audited Consolidated Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated February 9, 2018. That report also includes the communication of Key Audit Matters. Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period.

Other Matter

The consolidated financial statements of the company as at and for the year ended December 31, 2016 were audited by another firm of chartered accountants, who expressed an unmodified opinion on these statements on February 23, 2017.

Responsibilities of Management for the Summary Consolidated Financial Statements

Management is responsible for the preparation of the summary consolidated financial statements in accordance with Practice Statement 2016-1, *Summary Financial Statements*, issued by the Institute of Chartered Accountants of Jamaica.

Auditor's Responsibilities for the Audit of the Summary Consolidated Financial Statements

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

KPMG
Chartered Accountants
Kingston, Jamaica

February 9, 2018