CARIBBEAN CEMENT COMPANY LIMITED

CARIB CEMENT

CONSOLIDATED AUDITED FINANCIAL REPORT

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2011

ONE CARIBBEAN... ONE COMPANY

A member of the TCL GROUP

CONSOLIDATED STATEMENT OF COMPREHESIVE INCOME

J$'000	AUDITED Year Jan to Dec 2011	AUDITED Year Jan to Dec 2010
Sales (Cement Tonnes)-Local	553,157	531,605
Sales (Cement Tonnes)-Export	216,757	195,163
Sales (Clinker Tonnes)-Export	31,228	69,418
Revenue	**8,033,786**	**7,929,783**
Loss before interest, tax and depreciation	**(1,760,893)**	**(1,623,526)**
Depreciation	(518,402)	(386,852)
Impairment losses	(210,781)	—
Operating loss	**(2,490,076)**	**(2,010,378)**
Interest income	928	812
Debt restructuring costs	(28,487)	—
Interest expense	(431,875)	(333,452)
(Loss)/gain on currency exchange	(34,485)	100,658
Loss before taxation	**(2,983,995)**	**(2,242,360)**
Taxation credit	370,635	685,167
Net loss for the year/total comprehensive loss	**(2,613,360)**	**(1,557,193)**
Loss per ordinary stock unit		
Cents - Basic & Diluted	($3.07)	($1.83)
	-28%	-25%

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

J$'000	AUDITED Year Jan to Dec 2011	AUDITED Year Jan to Dec 2010
Balance at beginning of year	**3,022,553**	**3,240,096**
Issue of preference shares	—	1,339,650
Total comprehensive loss	(2,613,360)	(1,557,193)
Balance at end of year	**409,193**	**3,022,553**

CONSOLIDATED STATEMENT OF CASH FLOWS

J$'000	AUDITED Year Jan to Dec 2011	AUDITED Year Jan to Dec 2010
Group Net Loss before Taxation	**(2,983,995)**	**(2,242,360)**
Adjustment for non-cash items	1,199,561	623,207
	(1,784,434)	(1,619,153)
Change in working capital	(122,393)	625,931
Taxation paid	(24,770)	(17,835)
Net cash used in operating activities	(1,931,597)	(1,011,057)
Net cash used in investing activities	(96,359)	(362,038)
Net cash provided by financing activities	2,161,284	1,277,122
Increase/(decrease) in cash and short term funds	133,328	(95,973)
Cash and short term funds - beginning of period	(14,097)	81,876
Cash and short term funds - end of period	**119,231**	**(14,097)**
Represented by:		
Cash and short-term deposits	153,584	154,056
Bank overdraft	(34,353)	(168,153)
	119,231	**(14,097)**

DIRECTORS' STATEMENT

The Group has recorded a consolidated loss of $2.61 billion for the past year, compared to a loss of $1.56 billion in 2010. The substantial increase in the consolidated loss over both the previous year and what had been previously reported for the first 9 months of 2011, ie $1.4 billion, is largely due to the recording of impairment losses in the last quarter of 2011. The impairment losses pertain to certain plant and machinery and deferred tax assets amounting to $193 million and $618 million respectively, a total of $811 million. It should be noted that impairment losses are not cash losses and the plant and machinery are expected to be utilized when market conditions improve, at which time the then fair value of those assets will be recorded in the balance sheet.

You will observe from the Independent Auditors report that they have issued a qualified opinion, on the basis that they have not obtained sufficient appropriate audit evidence to support some of the assumptions used by management in determining the impairment losses. The Board of Directors consider that there is a reasonable expectation that management's assumptions will be realised and therefore approved management's calculation of impairment losses.

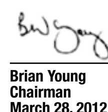
In 2011, total cement sales volumes grew by 6%, with export sales rising by 11% and the local market showing a 4% gain. While the domestic growth was rather modest, it represents a landmark and a reversal of the continuous decline in our domestic sales over the past five years. The improved local sales volumes were driven by a 45% increase in bulk cement sales as the Government's infrastructural development program got going. However, revenue only grew by 1% year over year, mainly due to the unfavourable bag/bulk selling mix and a decline in export clinker sales.

The decline in operating performance was in spite of reductions in fixed costs expenditure of $460 million, where operating lease charges, personnel costs and professional service fees especially all showed significant savings. However, these gains were eroded by rising energy costs, which increased by $684 million [31%] over the prior year.

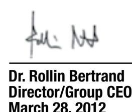
The debt restructuring exercise being undertaken by the parent company has now been substantially negotiated and a formal agreement with the lenders is expected to be concluded in April 2012.

Outlook

At the time of writing, volumes in the domestic market are on par with the prior year period, which is disappointing based on the rebound that was seen in the latter part of last year. It is to be noted in January a new government entered office and has placed moving the economy forward and job creation high on their agenda. Provided that real economic growth is realized, cement demand and therefore the fortunes of the company will improve. However, it is also to be noted that significant threats remain and the future remains uncertain, as such we will continue to remain focused on effective cost management and gaining entry to new markets.



Brian Young
Chairman
March 28, 2012



Dr. Rollin Bertrand
Director/Group CEO
March 28, 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

J$'000	AUDITED 31.12.2011	AUDITED 31.12.2010
Non-current assets	5,771,250	6,040,760
Current assets	3,179,133	3,158,828
Current liabilities	(3,767,676)	(3,998,079)
Non-current liabilities	(4,773,514)	(2,178,956)
Total Net Assets	**409,193**	**3,022,553**
Ordinary share capital	1,808,837	1,808,837
Preference share capital	1,339,650	1,339,650
Realised capital gain	1,413,661	1,413,661
Accumulated losses	(4,152,955)	(1,539,595)
Group Equity	**409,193**	**3,022,553**

SEGMENT INFORMATION

J$'000	Cement	Gypsum and Pozzolan	Adjustments and Eliminations	Consolidated
2011				
Revenue				
External Customers	7,933,992	99,794	–	8,033,786
Inter-segment	9,729	206,305	(216,034)	–
Total Revenue	**7,943,721**	**306,099**	**(216,034)**	**8,033,786**
Depreciation and amortisation	501,368	17,034	–	518,402
Impairment losses	210,781	–	–	210,781
Segment loss	(2,902,058)	(108,867)	26,930	(2,983,995)
Operating assets	8,780,573	279,416	(109,606)	8,950,383
Operating liabilities	8,493,392	80,050	(32,252)	8,541,190
Capital expenditure	97,767	326	–	98,093
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	(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

Notes:

1. Basis of Preparation

These summary consolidated financial statements are prepared in accordance with criteria developed by management. Under management's established criteria, management discloses the summary consolidated statement of financial position, summary consolidated statement of comprehensive income, summary consolidated statement of changes in equity and summary consolidated statement of cash flows. These summary financial statements are derived from the audited consolidated financial statements of Caribbean Cement Company Limited and its Subsidiaries (the "Group") for the year ended 31 December 2011 which are prepared in accordance with International Financial Reporting Standards and the requirements of the Jamaican Company's Act.

2. 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, 2011. 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, 2011 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.

3. Segment Reporting

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

4. Impairment Losses

The Group has reviewed the recoverable amount of Kiln 4 assets based on discounted cash flows from the expected future earnings and has concluded that the carrying amount of the asset is impaired. A rate of 18.8% was used to discount the future cash flows. The impairment losses of $193,292,000 representing a partial write-down of these assets have been recognized in the statement of comprehensive income.

Goodwill arises on consolidation and relates to the acquisition of Jamaica Gypsum and Quarries Limited. The Group performed its annual impairment test as at 31 December 2011. The future cash flows from Jamaica Gypsum and Quarries Limited were considered and a rate of 17.5% was used to discount the future cash flows. As a result of this analysis, management has recognised an impairment charge of $17,489,000 which is recorded in the consolidated statement of comprehensive income. This represents the full impairment of the goodwill previously carried.

5. Going Concern

The Group's current economic environment is challenging and as a result, the Group has reported accumulated losses of $4,152,955,000 as at 31 December 2011 and operating losses of $2,490,076,000 for the year then ended. In addition, the Group's current liabilities have exceeded its current assets by $588,543,000 as at 31 December 2011. The directors consider that the outlook will remain challenging despite some recent positive indicators of growth in the domestic market for cement and plans for expansion into more lucrative export markets. The Group is currently negotiating the supply of a relatively large amount of cement to a new customer under a three year contract. That contract would make a significant contribution to the Group's forecast turnover and net cash flow over the contract period. Management has pursued a number of new markets and increased market share in existing ones with some level of success.

TCL Group commenced negotiations with its lenders for a restructuring of its debt portfolio. On 14 January 2011 a moratorium on debt service was declared and thereafter payments were not made as a consequence of which the Group went into default of several loan agreements which continued to year end. However, lenders have not sought to enforce their security and other rights which remain unchanged whilst negotiations are taking place with the Group. By 31 December 2011, the TCL Group and its lenders had reached agreement in principle on the features of the restructuring and its key terms. The many agreements to give effect to the debt restructuring are being drafted and signing of these agreements is expected in April 2012. The directors have concluded that the combination of the above circumstances could represent a material uncertainty casting doubt about the Group's ability to continue as a going concern. Nevertheless, after making enquiries and considering the uncertainties, the directors have a reasonable expectation that the Group will have adequate resources, based on the plans and strategies as outlined in the preceding paragraphs, to secure adequate cash flows and profitability that will allow the 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.

CONSOLIDATED AUDITED FINANCIAL REPORT

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2011

CARIBBEAN CEMENT COMPANY LIMITED

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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 2011, 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 2011. We expressed a qualified audit opinion on those consolidated financial statements in our report dated 12 April 2012.

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary consolidated financial statements, therefore is not a substitute for reading the audited consolidated financial statements of the Group.

Managements' Responsibility for the Summary Financial Statements
Management is responsible for the preparation of a summary of the audited consolidated financial statements, on the basis of their established criteria as described in Note 1 (see below).

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 2011 are consistent, in all material respects, with those consolidated financial statements. However, in our audit report dated 12 April 2012 in respect of the audited consolidated financial statements of the Group for the year ended 31 December 2011, our audit opinion was qualified for the matter described below.

In 2011 management recorded impairment losses pertaining to certain plant and machinery and deferred tax assets amounting to $193,292,000 and $618,391,000 respectively. These impairment losses were determined based on management's projections which assumed that the Group will generate significant revenue from exports to a certain market under a proposed agreement currently under active negotiation for which the terms and conditions have not been agreed as at the date of this audit report. We have not obtained sufficient appropriate audit evidence to support the inclusion of the cashflows from these exports. Had management excluded these cashflows from its projections, the Group would have recognized an additional impairment loss of $764,886,000 in the statement of comprehensive income for the year then ended. The impact of this adjustment would reduce the carrying amount of plant and machinery, inventories (spares), deferred tax assets and shareholders' equity by $220,376,000, $87,674,000, $456,836,000 and $764,886,000, respectively. Additionally, the Group would have recorded a shareholders' deficiency amounting to $355,693,000 and net loss after tax of $3,378,246,000 as at 31 December 2011 and for the year then ended. Accordingly, the basic loss per ordinary stock unit would have been reported as ($3.97) for 2011. Our qualified audit opinion states that, except for the effects of the matter described, those financial statements give a true and fair view of the financial positions of the Group as at 31 December 2011, and of the Group's financial performance, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Emphasis of Matter
We draw attention to Note 5 in the summarised consolidated financial statements which indicates that the Group has reported accumulated losses of $4,152,955,000 as at 31 December 2011 and operating losses of $2,490,076,000 for the year then ended. In addition, the Group's net current liabilities amounted to $588,543,000 as at 31 December 2011. The accumulated losses, operating losses and net current liabilities have not been adjusted for the impact of the matters described in the Opinion paragraph above. These conditions, along with other matters as set forth in Note 5, 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 5, 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, and hence improvement in the financial performance and position of the Group, for the year ending 31 December 2012 and beyond. In addition, Trinidad Cement Limited (the ultimate 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. Our opinion is not qualified in respect of this matter.

Chartered Accountants
Kingston, Jamaica
April 12, 2012