CARIBBEAN CEMENT COMPANY LIMITED

CARIB CEMENT

CONDENSED CONSOLIDATED UNAUDITED INTERIM FINANCIAL REPORT

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

TCL GROUP

Building a Brighter Future

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

J$'000	UNAUDITED				AUDITED
	Three Months Jul to Sep		Nine Months Jan to Sep		Year Jan to Dec
	2018	2017	2018	2017	2017
Revenue	**4,464,724**	**4,183,173**	**13,239,257**	**12,264,770**	**16,513,084**
Earnings before interest, depreciation, amortisation, taxation and restructuring costs (Note 8)	**1,552,202**	**966,276**	**3,856,629**	**2,429,010**	**3,027,033**
Depreciation and amortisation	(341,569)	(132,450)	(808,099)	(400,231)	(531,602)
Stockholding and inventory restructuring costs (Note 5)	9,203	1,829	32,058	30,415	(457,818)
Manpower restructuring costs (Note 4)	-	-	-	-	(416,848)
Operating profit	**1,219,836**	**835,655**	**3,080,588**	**2,059,194**	**1,620,765**
Interest income	2,037	81	9,604	1,920	5,095
Net finance (cost)/income	(690,932)	10,850	(1,077,119)	4,401	(67,866)
Profit before taxation	**530,941**	**846,586**	**2,013,073**	**2,065,515**	**1,557,994**
Taxation	(225,847)	(98,706)	(700,006)	(251,474)	(410,573)
Profit for the period	**305,094**	**747,880**	**1,313,067**	**1,814,041**	**1,147,421**
Other comprehensive income:					
Other comprehensive (loss)/income to be reclassified to profit and loss in subsequent periods:					
Fuel price hedge	(50,168)	46,700	(6,051)	70,759	73,472
Other comprehensive (loss)/income to be reclassified to profit and loss in subsequent periods	**(50,168)**	**46,700**	**(6,051)**	**70,759**	**73,472**
Total comprehensive income for the period net of taxation	**254,926**	**794,580**	**1,307,016**	**1,884,800**	**1,220,893**
Earnings per share (expressed in $ per share) (Note 3)	**$0.36**	**$0.88**	**$1.54**	**$2.13**	**$1.35**

DIRECTORS' STATEMENT

The Company's main priorities as of September 2018 continue to be the focus on safety, financial and operational performance, and customer-centricity, while serving our community as part of our approach to corporate social responsibility.

Our Health and Safety programmes have allowed CCCL to keep its employees safe and we are proud to have achieved as of September 17th, one year without incident at our cement plant.

The Company's "customer-centricity" philosophy remains anchored on three pillars: placing our customers' needs at the centre of our work model; simplifying and making it easier for customers to engage and conduct business with us; and embedding customer-centricity as a discipline throughout CCCL.

The financial performance for the third quarter ending September 2018 saw growth in revenue when compared to the same period of September 2017. Revenue earned for this period was JA$4.5 billion which represents an increase of 7%, in comparison to the third quarter ending September 2017. There was also similar growth in revenue for the nine months period which was reported at JA$13.2 billion, representing an increase of 8% in comparison to the same nine-month period of 2017.

Earnings before interest, taxation, depreciation, amortisation and restructuring costs (EBITDA) for Q3 2018 was JA$1.6 billion, which was 8.6% lower than Q2 2018 and represented an increase of 61% in comparison to the JA$966 million reported for Q3 2017. Overall, EBITDA for the nine-month period of 2018 was JA$3.9 billion, a 59% increase from comparative period for 2017. The positive results for the EBITDA was due mainly to the Company being more efficient on the plant which resulted in lower costs being incurred in operation. The termination of the operating lease arrangement with TCL and the increase in revenue have also contributed positively to the EBITDA amongst other strategic decisions that compensated for the impact of the increase in the variable cost from imported clinker and cement.

Profit before taxation for Q3 2018 was JA$531 million, which was a decrease of 45% over Q2 2018 and a decrease of 37% compared to Q3 2017 (JA$847 million). Net profit after taxes for the period amounted to JA$305 million with a $0.36 earnings per share. The reduction in profit before taxation compared to the same period in 2017 was impacted by foreign exchange losses of JA$464 million and interest payments of JA$227 million. Both are related to the loans received to finance the acquisition of Kiln 5 and Mill 5.

The acquisition of Kiln 5 and Mill 5, from our parent company Trinidad Cement Limited (TCL) and the termination of the equipment lease, concluded in April 2018. This JA$14.9 billion deal represents a significant investment in plant and equipment, and improves the Company's asset base and financial results. CCCL's asset base (property, plant and equipment) increased by 201%, from JA$7.7 billion as at September 2017 to JA$23.3 billion as at September 2018.

During this quarter, there was a negative movement in the net cash generated by operating activities of JA$1.8 billion. This was primarily due to the payment made to TCL for the balance that was owing on the acquisition of Kiln 5 and Mill 5 (JA$ 1.9 billion).

In Q3, Carib Cement contributed to projects which promote and improve the environment, education, community development and wellness. We participated in International Coastal Clean-Up Day by making a financial donation to Recycling Partners of Jamaica and by joining with that charity and other entities to help clean up the Palisadoes coastline. To develop youth through education and prepare families for the 2018/2019 academic year, we awarded scholarships valued at JA$1.9 million to 44 students of our surrounding communities, as well as children of staff members. We are pleased to support the national goal of promoting improved health through exercise by creating a concrete trail in the community park located in Mona Heights, St. Andrew. There are currently several major projects underway across Jamaica which will improve the quality of the lives of residents of the immediate communities and redound to the benefit of entire country.

Parris A. Lyew-Ayee

Parris A. Lyew-Ayee
Chairman
October 23, 2018

Peter Donkersloot Ponce
Director
October 23, 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

J$'000	UNAUDITED		AUDITED
	30.09.18	30.09.17	31.12.17
ASSETS			
Non-current assets			
Property, plant and equipment (Note 7)	23,249,160	7,734,007	8,282,950
Intangible assets	-	476	-
Due from parent and related companies	-	-	2,106
Deferred tax asset	-	131,713	-
	23,249,160	**7,866,196**	**8,285,056**
Current assets			
Inventories	1,763,204	2,053,092	1,461,695
Taxation recoverable	258,942	19,993	98,197
Due from parent and related companies	163,522	92,015	92,972
Trade and other receivables	830,517	716,600	594,976
Cash and cash equivalents	467,510	1,607,633	1,673,067
	3,483,695	**4,489,333**	**3,920,907**
Current liabilities			
Income tax payable	-	19,668	-
Due to parent and related companies	746,910	721,908	546,315
Loan obligation - short term	1,097,598	-	-
Payables and accruals	2,718,050	1,957,725	2,578,620
Provision	6,007	5,159	6,007
	4,568,565	**2,704,460**	**3,130,942**
Working capital (deficit)/surplus	**(1,084,870)**	**1,784,873**	**789,965**
Non-current liabilities			
Due to parent and related companies	-	-	1,616
Loan obligation - long term	11,091,421	-	-
Deferred tax liability	780,463	-	80,518
Provision	33,118	27,393	33,118
	11,905,002	27,393	115,252
Total net assets	**10,259,288**	**9,623,676**	**8,959,769**
Shareholders' equity			
Share capital:			
Ordinary	1,808,837	1,808,837	1,808,837
Preference	5,077,760	5,077,760	5,077,760
Capital contribution	3,839,090	3,839,090	3,839,090
Reserves:			
Realised capital gain	1,413,661	1,413,661	1,413,661
Other reserve	67,421	70,759	73,472
Accumulated losses	(1,947,481)	(2,586,431)	(3,253,051)
Group equity	**10,259,288**	**9,623,676**	**8,959,769**

Approved and authorised for issue by the Board of Directors on October 23, 2018 and signed on its behalf by:

Parris A. Lyew-Ayee

Parris A. Lyew-Ayee
Chairman

Peter Donkersloot Ponce
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

J$'000	UNAUDITED				AUDITED
	Three Months Jul to Sep		Nine Months Jan to Sep		Year Jan to Dec
Cash flows from operating activities	2018	2017	2018	2017	2017
Profit for the period	**305,094**	**747,880**	**1,313,067**	**1,814,041**	**1,147,421**
Adjustments to reconcile profit after taxation to net cash generated by operating activities:					
Depreciation and amortisation	341,569	132,450	808,099	400,231	531,602
Taxation	225,847	98,706	700,006	251,474	410,573
Stockholding and inventory restructuring costs (Note 5)	(22,855)	(1,829)	-	(30,415)	457,818
Net recovery of receivables	732	437	(874)	2,197	(7,650)
Interest income	(2,037)	(81)	(9,604)	(1,920)	(5,095)
Interest expense	227,076	10,850	298,944	4,401	155
Unwinding of discount on rehabilitation provision	-	-	-	-	2,617
Loss on disposal of property, plant and equipment	-	-	-	-	50
Unrealised foreign exchange losses/(gains) - net	353,465	734	587,871	(3,429)	9,481
	1,428,891	989,147	3,697,509	2,436,580	2,546,972
(Increase)/decrease in inventories	(295,955)	(342,103)	(301,509)	73,126	176,290
(Increase)/decrease in trade and other receivables	(24,256)	228,816	(245,761)	(50,410)	(20,303)
(Increase)/decrease in due from parent and related companies	(55,831)	(20,320)	(74,495)	113,445	185,960
Increase/(decrease) in payables and accruals	7,914	(585,101)	145,138	(587,926)	37,152
Increase in provision	-	-	-	-	3,956
(Decrease)/increase in due to parent and related companies	(1,799,624)	684,675	183,496	617,867	446,699
Cash (used)/generated by operations	(738,861)	955,114	3,404,378	2,602,682	3,376,726
Interest received	2,037	81	9,604	1,920	5,095
Interest paid	(95,091)	(4,401)	(162,900)	(4,401)	(155)
Taxation paid	(53,327)	(43,883)	(160,805)	(131,527)	(178,088)
Net cash (used)/generated by operating activities	**(885,242)**	**906,911**	**3,090,277**	**2,468,674**	**3,203,578**
Investing activities					
Additions to property, plant and equipment	(244,481)	(363,675)	(15,774,309)	(1,572,295)	(2,234,050)
Proceed from disposal of asset	-	-	-	-	12
Net cash used in investing activities	**(244,481)**	**(363,675)**	**(15,774,309)**	**(1,572,295)**	**(2,234,038)**
Financing activity					
Net repayment of amounts due to related companies	1,008,577	-	11,498,994	-	(490)
Net cash generated/(used) in financing activity	**1,008,577**	**-**	**11,498,994**	**-**	**(490)**
Net (decrease)/increase in cash and cash equivalents	(121,146)	543,236	(1,185,038)	896,379	969,050
Net foreign exchange differences	(6,545)	593	(20,519)	(6,314)	(13,551)
Net cash and cash equivalents-beginning of period	595,201	1,063,804	1,673,067	717,568	717,568
Net cash and cash equivalents-end of period	**467,510**	**1,607,633**	**467,510**	**1,607,633**	**1,673,067**
Represented by:					
Cash and cash equivalents	**467,510**	**1,607,633**	**467,510**	**1,607,633**	**1,673,067**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

J$'000	UNAUDITED		AUDITED
	Nine Months Jan to Sep		Year Jan to Dec
	2018	2017	2017
Balance at beginning of period	8,959,769	7,738,876	7,738,876
Recognition of opening carrying amount differences upon initial application of IFRS 9 (Note 6)	(7,497)	-	-
	8,952,272	7,738,876	7,738,876
Profit for the period	1,313,067	1,814,041	1,147,421
Hedge reserve	(6,051)	70,759	73,472
Balance at end of period	10,259,288	9,623,676	8,959,769

NOTES:

1. **Basis of preparation**
The condensed consolidated interim 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 comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows. These condensed consolidated interim financial statements are derived from the unaudited consolidated interim financial statements of Caribbean Cement Company Limited and its Subsidiaries (Group) for the period ended September 30, 2018, which are 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 condensed consolidated interim financial statements for the period ended September 30, 2018, have been prepared in accordance with the accounting policies used in the audited financial statements for the year ended December 31, 2017. Any new accounting standards or interpretations which became effective in this financial year, were adjusted on the Group's financial position or results (see Note 6).

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. **Manpower restructuring costs**
Manpower restructuring costs mainly comprise severance costs incurred during implementation of restructuring programmes. The objective of the restructuring programmes are to improve cost efficiency.

5. **Stockholding and inventory restructuring costs**
Stockholding and inventory restructuring costs comprise write down of overstocked items identified in a comprehensive review of inventory quantities on hand. In 2017 and in accordance with IAS 2: "Inventories," management recorded net expense of $458 million in respect of overstocked items.

6. **Initial application of IFRS 9 Financial Instruments**
The CCCL Group has applied IFRS 9 Financial Instruments and has not restated prior periods as allowed by the standard. The carrying amounts of trade receivables at the beginning of the year were recomputed and recorded using the expected credit loss model. The differences recorded upon initial application of the expected credit loss model have been recognised in opening retained interest and non-controlling interest.

7. **Property, plant and equipment (Kiln 5 and Mill 5 Acquisition)**
In April 2018, the Company terminated the lease arrangement with TCL and completed the acquisition of the Kiln 5 and Mill 5 assets at cost of US$118 million (JA$14.9 billion). The depreciation charges recorded during this period, in respect of these assets amounted to JA$429 million and as result of this, the Company recorded a deferred tax expense for the amount of income tax payable in future periods in respect of taxable temporary differences generated by the assets purchase, differences that mainly correspond to the assets' depreciation and tax loss for the current year.
The proceeds for this acquisition came from cash on hand and two loan facilities negotiated with CEMEX España totalling US$82 million (Master Agreement for JA$6.5 billion or US$50 million and Revolving Loan Agreement for JA$4.2 billion or US$32 million).

8. **Earnings before interest, depreciation, amortisation, taxation and restructuring costs**

J$'000	UNAUDITED				AUDITED
	Three Months Jul to Sep		Nine Months Jan to Sep		Year Jan to Dec
	2018	2017	2018	2017	2017
Revenue	**4,464,724**	**4,183,173**	**13,239,257**	**12,264,770**	**16,513,084**
Expenses					
Raw material and consumables	451,778	323,410	1,226,701	944,105	1,464,326
Fuel and electricity	992,417	759,351	2,562,788	2,219,364	3,085,658
Personnel remuneration and benefits	535,734	551,072	1,563,171	1,508,253	1,943,824
Repairs and maintenance	213,629	254,285	659,328	650,068	833,320
Equipment hire	133,815	110,815	432,144	357,548	515,947
Cement transportation, marketing and selling expenses	221,498	218,812	579,739	560,199	758,228
Other operating expenses	213,982	1,106,486	1,568,875	3,296,737	4,486,328
Changes in inventories of finished goods and work in progress	177,503	(107,334)	941,909	299,486	398,420
Total expenses	**2,940,356**	**3,216,897**	**9,534,655**	**9,835,760**	**13,486,051**
Other income	27,834	-	152,027	-	-
Earnings before interest, depreciation, amortisation, tax and restructuring costs	**1,552,202**	**966,276**	**3,856,629**	**2,429,010**	**3,027,033**