CARIBBEAN CEMENT COMPANY LIMITED

CARIB CEMENT

CONDENSED CONSOLIDATED UNAUDITED INTERIM FINANCIAL REPORT

FOR THE THREE MONTHS ENDED MARCH 31, 2018

TCL GROUP
Building a Brighter Future

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

J $'000	UNAUDITED		AUDITED
	Three Months Jan to Mar		Year Jan to Dec
	2018	2017	2017
Revenue	**4,343,075**	**4,087,736**	**16,513,084**
Earnings before interest, depreciation, amortisation, tax and restructuring costs (Note 7)	**605,961**	**684,343**	**3,027,033**
Depreciation and amortisation	(126,186)	(134,174)	(531,602)
Stockholding and inventory restructuring costs (Note 5)	-	-	(457,818)
Manpower restructuring costs (Note 4)	-	-	(416,848)
Operating profit	**479,775**	**550,169**	**1,620,765**
Interest income	4,878	1,839	5,095
Net finance income/(cost)	25,799	(24,162)	(67,866)
Profit before taxation	**510,452**	**527,846**	**1,557,994**
Taxation	(176,133)	(67,485)	(410,573)
Profit for the period	**334,319**	**460,361**	**1,147,421**
Other comprehensive income			
Other comprehensive income to be reclassified to profit and loss in subsequent periods:			
Fuel price hedge	13,490	-	73,472
Other comprehensive income to be reclassified to profit and loss in subsequent periods:	***13,490***	**-**	***73,472***
Total comprehensive income for the period net of tax	**347,809**	**460,361**	**1,220,893**
Earnings per share (expressed in $ per share) (Note 3):	**$0.39**	**$0.54**	**$1.35**

DIRECTORS' STATEMENT

After a year of transition in 2017, the first quarter of 2018 marked the beginning of a stabilization period for Carib Cement in which important actions were achieved. Our Health and Safety programs and practices remain a top priority for the company and these initiatives have allowed us to achieve 185 and 908 days without accidents at the cement plant and quarries respectively. In furtherance of our mandate of 'customer-centricity', our focus continued on three priorities: placing our customers' needs at the centre of our work philosophy, making it easier to do business with us, and making 'customer centricity' a discipline.

We are acutely aware of our corporate social responsibilities and continue to proactively promote infrastructural development that could be achieved from using concrete solutions. Over the period, we established a concrete road in our immediate community of Eleven Miles, St. Andrew and continued to support initiatives such as water harvesting through the repair of water catchment facilities at the Percy Junior Hospital in Manchester. We supported community development and will continue our efforts to renovate and establish community centres, as we consider this to be a vital resource for building a greater Jamaica. Carib Cement truly values the notion of "community" as a contributor to our success.

In terms of financial performance for the quarter, revenue was $4.3 billion, which represented an increase of 6% as compared to the first quarter of 2017. Earnings before interest, tax, depreciation, amortization and restructuring costs (adjusted EBITDA) of $606 million was 11% lower than the $684 million for Q1 2017, and the adjusted EBITDA margin was 14% vs. 17% in Q1 2017. This performance was mainly driven as a result of the scheduled annual maintenance of Kiln 5 and Mill 5, performed during February and March of 2018. Our investment in maintenance efforts will no doubt increase our operational efficiencies with the goal of driving exports, in due course.

CCCL's profit before tax was $510 million, 3% lower than Q1 2017 ($528 million). Net profit after taxes for the period amounted to $334 million or $0.39 earnings per share.

Net cash generated by operating activities for the period of $856 million, was an improvement of 453% compared to Q1 2017 and is primarily due to more efficient working capital management. Significant cash resources were allocated to capital expenditures, up to $1.5 billion in areas such as Health and Safety and expansion works and improvement, including the installation of a new coal mill. The coal mill project is currently in the final stages and production is expected by the end of the third quarter of this year. This will continue to contribute to the plant's operational efficiency and also to a reduction in operating costs.

The Board of Directors and Management of Carib Cement are pleased to report that the agreement with our parent company Trinidad Cement Limited (TCL), for the acquisition of Kiln 5 and Mill 5 has been signed, thereby terminating the lease agreement. The initial payment of $1.3 billion towards the acquisition represents a significant investment in plant and equipment, improving the company's asset base. This is proof that Carib Cement remains committed to achieving success and continues to strive to live up to its slogan of 'Building a Greater Jamaica'.

Parris A. Lyew-Ayee

Parris A. Lyew-Ayee
Chairman
April 24, 2018

Peter Donkersloot Ponce
Director
April 24, 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

J $'000	UNAUDITED		AUDITED
	31.03.2018	31.03.2017	31.12.2017
ASSETS			
Non-current assets			
Property, plant and equipment	9,626,160	6,765,679	8,282,950
Intangible assets	-	6,017	-
Due from parent and related companies	-	-	2,106
Deferred tax asset	-	131,713	-
	9,626,160	**6,903,409**	**8,285,056**
Current assets			
Inventories	1,260,899	1,855,013	1,461,695
Taxation recoverable	97,190	118,451	98,197
Due from parent and related companies	94,717	814,443	92,972
Trade and other receivables	788,368	835,434	594,976
Cash and cash equivalents	1,048,098	544,434	1,673,067
	3,289,272	**4,167,775**	**3,920,907**
Current liabilities			
Due to parent and related companies	350,534	60,690	546,315
Payables and accruals	3,024,035	2,778,705	2,578,620
Provision	6,007	5,159	6,007
	3,380,576	**2,844,554**	**3,130,942**
Working capital surplus	**(91,304)**	**1,323,221**	**789,965**
Non-current liabilities			
Due to parent and related companies	-	-	1,616
Deferred tax liability	201,657	-	80,518
Provision	33,118	27,393	33,118
	234,775	27,393	115,252
Total net assets	**9,300,081**	**8,199,237**	**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	86,962	-	73,472
Accumulated losses	(2,926,229)	(3,940,111)	(3,253,051)
Group Equity	**9,300,081**	**8,199,237**	**8,959,769**

CONSOLIDATED STATEMENT OF CASH FLOWS

J $'000	UNAUDITED		AUDITED
	Three Months Jan to Mar		Year Jan to Dec
	2018	2017	2017
Cash flows from operating activities			
Profit after taxation	**334,319**	**460,361**	**1,147,421**
Adjustments to reconcile profit after taxation to net cash generated by operating activities:			
Depreciation	126,186	134,174	531,602
Taxation	176,133	67,485	410,573
Stockholding and inventory restructuring costs (Note 5)	-	-	457,818
Net recovery of receivables	5,728	(485)	(7,650)
Interest income	(4,878)	(1,839)	(5,095)
Interest expense	-	63	155
Unwinding of discount on rehabilitation provision	-	-	2,617
Loss on disposal of property, plant and equipment	-	-	50
Unrealized foreign exchange losses - net	11,635	790	9,481
	649,123	660,549	2,546,972
Decrease in inventories	200,796	240,790	176,290
Increase in receivables and prepayments	(206,064)	(265,020)	(20,303)
Decrease/(increase) in due from parent and related companies	11,192	(608,982)	185,960
Increase in payables and accruals	445,415	212,639	37,152
Increase in provision	-	-	3,956
(Decrease)/increase in due to parent and related companies	(195,781)	(43,351)	446,699
Cash generated by operations	904,681	196,625	3,376,726
Interest received	4,878	1,839	5,095
Interest paid	-	-	(155)
Taxation paid	(53,987)	(43,762)	(178,088)
Net cash generated by operating activities	**855,572**	**154,702**	**3,203,578**
Investing activities			
Additions to property, plant and equipment	(1,469,396)	(325,306)	(2,234,050)
Proceed from disposal of asset	-	-	12
Net cash used in investing activities	**(1,469,396)**	**(325,306)**	**(2,234,038)**
Financing activities			
Net repayment of amounts due to related companies	490	-	(490)
Net cash generated/(used) in financing activities	**490**	**-**	**(490)**
Net (decrease)/increase in cash and cash equivalents	(613,334)	(170,604)	969,050
Net foreign exchange differences	(11,635)	(2,530)	(13,551)
Net cash - beginning of period	1,673,067	717,568	717,568
Net cash - end of period	**1,048,098**	**544,434**	**1,673,067**
Represented by:			
Cash at Bank and short-term deposits	**1,048,098**	**544,434**	**1,673,067**

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CONDENSED CONSOLIDATED UNAUDITED INTERIM FINANCIAL REPORT

FOR THE THREE MONTHS ENDED MARCH 31, 2018

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SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

J $'000	UNAUDITED		AUDITED
	Three Months Jan to Mar		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
Total comprehensive income for the year	334,319	460,361	1,147,421
Hedge reserve	13,490	-	73,472
Balance at end of period	9,300,081	8,199,237	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, summary 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 March 31, 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 March 31, 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 have been 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 comprises severance costs incurred during implementation of restructuring programs. The objective of the restructuring programs are to improve cost efficiency.

5. **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 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 recognized in opening retained earnings.

7. **Earnings before interest, depreciation, amortisation, tax and restructuring costs**

J $'000	UNAUDITED		AUDITED
	Three Months Jan to Mar		Year Jan to Dec
	2018	2017	2017
Revenue	**4,343,075**	**4,087,736**	**16,513,084**
Expenses			
Raw material and consumables	638,824	267,371	1,464,326
Fuel and electricity	786,185	745,422	3,085,658
Personnel remuneration and benefits	542,363	459,481	1,943,824
Repairs and maintenance	345,186	197,250	833,320
Equipment hire	184,036	118,719	515,947
Cement transportation, marketing and selling expenses	182,106	156,763	758,228
Other operating expenses	1,096,738	1,101,254	4,486,328
Changes in inventories of finished goods and work in progress	(38,324)	357,133	398,420
Total expenses	**3,737,114**	**3,403,393**	**13,486,051**
Earnings before interest, depreciation, amortisation, tax and restructuring costs	605,961	684,343	3,027,033