CARIBBEAN CEMENT COMPANY LIMITED

CARIB CEMENT

CONDENSED CONSOLIDATED UNAUDITED INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED JUNE 30, 2018

TCL GROUP

Building a Brighter Future

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

J$'000	UNAUDITED				AUDITED
	Three Months Apr to Jun		Six Months Jan to Jun		Year Jan to Dec
	2018	2017	2018	2017	2017
Revenue	**4,431,458**	**3,993,861**	**8,774,533**	**8,081,597**	**16,513,084**
Earnings before interest, depreciation, amortisation, tax and restructuring costs (Note 8)	**1,698,466**	**778,391**	**2,304,427**	**1,462,734**	**3,027,033**
Depreciation and amortisation	(340,344)	(133,607)	(466,530)	(267,781)	(531,602)
Stockholding and inventory restructuring costs (Note 5)	22,855	28,586	22,855	28,586	(457,818)
Manpower restructuring costs (Note 4)	-	-	-	-	(416,848)
Operating profit	**1,380,977**	**673,370**	**1,860,752**	**1,223,539**	**1,620,765**
Interest income	2,689	-	7,567	1,839	5,095
Net finance (cost)/income	(411,986)	17,713	(386,187)	(6,449)	(67,866)
Profit before taxation	**971,680**	**691,083**	**1,482,132**	**1,218,929**	**1,557,994**
Taxation	(298,026)	(85,283)	(474,159)	(152,768)	(410,573)
Profit for the period	**673,654**	**605,800**	**1,007,973**	**1,066,161**	**1,147,421**
Other comprehensive income					
Other comprehensive income to be reclassified to profit and loss in subsequent periods:					
Fuel price hedge	30,627	24,059	44,117	24,059	73,472
Other comprehensive income to be reclassified to profit and loss in subsequent periods:	**30,627**	**24,059**	**44,117**	**24,059**	**73,472**
Total comprehensive income for the period net of tax	**704,281**	**629,859**	**1,052,090**	**1,090,220**	**1,220,893**
Earnings per share (expressed in $ per share) (Note 3):	**$0.79**	**$0.71**	**$1.18**	**$1.25**	**$1.35**

DIRECTORS' STATEMENT

CCCL continues to grow from strength to strength in terms of our focus on safety, financial and operational performance and customer-centricity whilst celebrating achievements via keen attention to our corporate social responsibilities.

Our Health and Safety programmes and practices remain a top priority for the company. These initiatives have allowed CCCL to keep its employees safe by achieving 999 days and counting without incident at its quarry operations and 279 days and counting without incident at its cement plant operations.

CCCL has integrated into the company's DNA a "customer-centricity" philosophy, which focuses on three priorities: place our customers' needs at the centre of our work model; simplify and make it easy to engage and conduct business with us; and ensure that customer – centricity is a discipline adopted by all representing CCCL.

In terms of the financial performance for the second quarter ending June 2018, revenue earned of JA$4.4 billion represented an increase of 11%, in comparison to second quarter ending June 2017. Revenue for the first semester of 2018 (six months) was reported at JA$8.8 billion which represented an increase of 9% in comparison to first semester of 2017.

Earnings before interest, tax, depreciation, amortisation and restructuring costs (EBITDA) for Q2 2018 was JA$1.7 billion, which was 180% higher than Q1 2018 and represented an increase of 118% in comparison to the JA$778 million reported for Q2 2017. Overall EBITDA for the first half year of 2018 was JA$2.3 billion, a 58% increase over the JA$1.5 billion reported for the comparative period in 2017.

Profit before taxation for Q2 2018 was JA$972 million, which was an increase of 90% over Q1 2018 and an increase of 41% compared to Q2 2017 (JA$691 million). Profit before taxation for the first semester of 2018 was reported at JA$1.5 billion which represented an increase of 22% in comparison to JA$1.2 billion reported for the first semester of 2017. This net profit before tax result is an achievement in comparison to previous periods. Net profit after taxes for the period amounted to JA$704 million with a $0.79 earnings per share.

This performance resulted from the positive impact gained from the termination of the lease agreement with Trinidad Cement Limited (TCL) for the Kiln 5 and Mill 5, improvements in sales and marketing efforts amongst other strategic decisions.

The termination of the lease with our Parent Company, Trinidad Cement Limited (TCL) was concluded in April 2018. The acquisition of Kiln 5 and Mill 5, is a JA$14.9 billion deal, which is a significant investment in plant and equipment and has improved the company's asset base and financial result. CCCL's asset base (property, plant and equipment) increased by 211%, from JA$7.5 billion as at June 2017 to JA$23.3 billion as at June 2018.

The cash-generating performance of CCCL was also favourable. Net cash generated by operating activities for Q2 2018 was JA$3.12 billion, which was an improvement of 122% compared to Q2 2017. This is primarily due to efficient cash management and strategic allocation of cash resources to areas that will develop the asset base and profitability of the company. These areas include health and safety, expansion works and improvements such as the installation of a new coal mill. The coal mill project is currently in the final stages and expected to commence production by the end of the third quarter of 2018. This will certainly enhance the plant's operational capacity and efficiency and reduce operating costs.

We remain committed to our corporate social responsibilities and continue to proactively promote infrastructural development that utilises concrete solutions. We are pleased and proud to advise that 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. Community development remains critical to our efforts to contribute to nation building. We will continue in earnest to redouble our efforts to renovate and establish community centres, as we consider these centres to be a vital resource for building a greater Jamaica. Carib Cement truly values the notion of "community" as a contributor to our success.

Carib Cement Company Limited continues to pave a successful way forward, by laying pillars of achievement via its revitalized strategic measures, mutual benefits from a group network, financial and customer focused direction and by embracing our corporate and social responsibilities. Indeed, our unequivocal vote of confidence in our employees was made even more evident when on July 16, 2018 CCCL broke ground for a new administration building at Rockfort, an investment of JA$260 million. It is with pride when we say that Carib Cement remains committed to all stakeholders and to Jamaica. We will continue to be a contributor of positive developments and sustainability for the near and long terms.

Parris A. Lyew-Ayee

Parris A. Lyew-Ayee
Chairman
July 23, 2018

Peter Donkersloot Ponce
Director
July 23, 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

J$'000	UNAUDITED		AUDITED
	30.06.18	30.06.17	31.12.17
ASSETS			
Non-current assets			
Property, plant and equipment (Note 7)	23,346,248	7,518,829	8,282,950
Intangible assets	-	2,574	-
Due from parent and related companies	-	-	2,106
Deferred tax asset	-	131,714	-
	23,346,248	**7,653,117**	**8,285,056**
Current assets			
Inventories	1,444,394	1,709,160	1,461,695
Taxation recoverable	205,645	118,451	98,197
Due from parent and related companies	157,859	71,695	92,972
Trade and other receivables	810,568	847,396	594,976
Cash and cash equivalents	595,201	1,063,804	1,673,067
	3,213,667	**3,810,506**	**3,920,907**
Current liabilities			
Income tax payable	-	70,006	-
Due to parent and related companies	740,416	37,233	546,315
Loan obligation - short term	935,429	-	-
Payables and accruals	2,732,084	2,494,736	2,578,620
Provision	6,007	5,159	6,007
	4,413,936	**2,607,134**	**3,130,942**
Working capital (deficit)/surplus	**(1,200,269)**	**1,203,372**	**789,965**
Non-current liabilities			
Due to parent and related companies	1,790,635	-	1,616
Loan obligation - long term	9,763,217	-	-
Deferred tax liability	554,647	-	80,518
Provision	33,118	27,393	33,118
	12,141,617	27,393	115,252
Total net assets	**10,004,362**	**8,829,096**	**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	117,589	24,059	73,472
Accumulated losses	(2,252,575)	(3,334,311)	(3,253,051)
Group Equity	**10,004,362**	**8,829,096**	**8,959,769**

CONSOLIDATED STATEMENT OF CASH FLOWS

J$'000	UNAUDITED				AUDITED
	Three Months Apr to Jun		Six Months Jan to Jun		Year Jan to Dec
Cash flows from operating activities	2018	2017	2018	2017	2017
Profit after taxation	**673,654**	**691,083**	**1,007,973**	**1,218,929**	**1,147,421**
Adjustments to reconcile profit after taxation to net cash generated by operating activities:					
Depreciation	340,344	133,607	466,530	267,781	531,602
Taxation	298,026	-	474,159	-	410,573
Stockholding and inventory restructuring costs (Note 5)	22,855	2,245	22,855	1,760	457,818
Net recovery of receivables	(7,334)	(28,586)	(1,606)	(28,586)	(7,650)
Interest income	(2,689)	-	(7,567)	(1,839)	(5,095)
Interest expense	71,868	-	71,868	63	155
Unwinding of discount on rehabilitation provision	-	-	-	-	2,617
Loss on disposal of property, plant and equipment	-	-	-	-	50
Unrealised foreign exchange losses - net	222,771	(4,953)	234,406	(4,163)	9,481
	1,619,495	793,396	2,268,618	1,453,945	2,546,972
(Increase)/decrease in inventories	(206,350)	174,440	(5,554)	415,229	176,290
Increase in receivables and prepayments	(15,441)	(14,206)	(221,505)	(279,226)	(20,303)
(Increase)/decrease in due from parent and related companies	(29,856)	742,749	(18,664)	133,765	185,960
(Decrease)/increase in payables and accruals	(308,191)	(221,980)	137,224	(9,338)	37,152
Increase in provision	-	-	-	-	3,956
Increase/(decrease) in due to parent and related companies	2,178,901	(23,457)	1,983,120	(66,808)	446,699
Cash generated by operations	3,238,558	1,450,942	4,143,239	1,647,567	3,376,726
Interest received	2,689	-	7,567	1,839	5,095
Interest paid	(67,809)	-	(67,809)	-	(155)
Taxation paid	(53,491)	(43,882)	(107,478)	(87,644)	(178,088)
Net cash generated by operating activities	**3,119,947**	**1,407,060**	**3,975,519**	**1,561,762**	**3,203,578**
Investing activities					
Additions to property, plant and equipment	(14,060,432)	(883,314)	(15,529,828)	(1,208,620)	(2,234,050)
Proceed from disposal of asset	-	-	-	-	12
Net cash used in investing activities	**(14,060,432)**	**(883,314)**	**(15,529,828)**	**(1,208,620)**	**(2,234,038)**
Financing activity					
Net proceed from/(repayment of) amounts due to related companies	10,489,927	-	10,490,417	-	(490)
Net cash generated/(used) in financing activity	**10,489,927**	**-**	**10,490,417**	**-**	**(490)**
Net (decrease)/increase in cash and cash equivalents	(450,558)	523,746	(1,063,892)	353,142	969,050
Net foreign exchange differences	(2,339)	(4,376)	(13,974)	(6,906)	(13,551)
Net cash-beginning of period	1,048,098	544,434	1,673,067	717,568	717,568
Net cash-end of period	**595,201**	**1,063,804**	**595,201**	**1,063,804**	**1,673,067**
Represented by:					
Cash at Bank and short-term deposits	**595,201**	**1,063,804**	**595,201**	**1,063,804**	**1,673,067**

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CONDENSED CONSOLIDATED UNAUDITED INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED JUNE 30, 2018

TCL GROUP
Building a Brighter Future

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

J$'000	UNAUDITED		AUDITED
	Six Months Jan to Jun		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	1,007,973	1,066,161	1,147,421
Hedge reserve	44,117	24,059	73,472
Balance at end of period	10,004,362	8,829,096	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 June 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 June 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 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 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) of which US$10 million was advanced in the first quarter. The depreciation charges recorded during this quarter, in respect of these assets, amounted to JA$213 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 facilitates 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, tax and restructuring costs**

J$'000	UNAUDITED				AUDITED
	Three Months Apr to Jun		Six Months Jan to Jun		Year Jan to Dec
	2018	2017	2018	2017	2017
Revenue	**4,431,458**	**3,993,861**	**8,774,533**	**8,081,597**	**16,513,084**
Expenses					
Raw material and consumables	136,099	353,324	774,923	620,695	1,464,326
Fuel and electricity	784,186	714,591	1,570,371	1,460,013	3,085,658
Personnel remuneration and benefits	485,074	497,700	1,027,437	957,181	1,943,824
Repairs and maintenance	100,513	198,533	445,699	395,783	833,320
Equipment hire	114,293	128,015	298,329	246,733	515,947
Cement transportation, marketing and selling expenses	176,135	184,624	358,241	341,387	758,228
Other operating expenses	258,155	1,088,996	1,354,893	2,190,251	4,486,328
Changes in inventories of finished goods and work in progress	802,730	49,687	764,406	406,820	398,420
Total expenses	**2,857,185**	**3,215,470**	**6,594,299**	**6,618,863**	**13,486,051**
Other income	124,193	-	124,193	-	-
Earnings before interest, depreciation, amortisation, tax and restructuring costs	**1,698,466**	**778,391**	**2,304,427**	**1,462,734**	**3,027,033**