CARIBBEAN CEMENT COMPANY LIMITED
CARIB CEMENT

CONDENSED CONSOLIDATED AUDITED FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2018

TCL GROUP
Building a Brighter Future

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

J$'000	AUDITED Year Jan to Dec 2018	Restated* AUDITED Year Jan to Dec 2017
Revenue	17,573,931	16,513,084
Earnings before interest, depreciation, amortisation, tax, stockholding and inventory restructuring and manpower restructuring costs (Note 10)	**5,318,949**	**2,979,450**
Depreciation, impairment and amortisation	(1,159,187)	(531,602)
Stockholding and inventory restructuring costs (Note 4)	–	(457,818)
Manpower restructuring costs	–	(416,848)
Operating profit	**4,159,762**	**1,573,182**
Interest income	12,442	5,095
Finance cost	(877,543)	(67,866)
Profit before taxation	**3,294,661**	**1,510,411**
Taxation charge	(828,568)	(398,677)
Profit for the year	**2,466,093**	**1,111,734**
Other comprehensive loss:		
Items that are or may be reclassified subsequently to profit or loss:		
(Realised)/unrealised gain on hedge of fuel price	(73,472)	73,472
Items that will not be reclassified to profit or loss:		
Remeasurement of employee benefits obligation	29,149	(110,030)
Related deferred tax charge	(7,287)	27,508
	21,862	**(82,522)**
Other comprehensive loss, net of tax	**(51,610)**	**(9,050)**
Total comprehensive income attributable to equity holders	**2,414,483**	**1,102,684**
Earnings per share (expressed in $ per share) (Note 3)	**2.90**	**1.31**

* See Note 7

DIRECTORS' STATEMENT

2018 marked the beginning of a period of stability for the company. Planned investments yielded expected outcomes in health and safety, production and operational efficiencies. With safety as our top priority, we continue to actively prevent incidents through training, upgrading of equipment, installation of safety enhancements and the promotion of a safety culture in which each person sees themselves as having an important role to play. Our initiatives have resulted in the achievement of 461 days at the Plant and 1,285 days at the Quarries without lost time incidents for employees.

Our commitment to our customers' success is anchored in a customer centric approach which places our customers' needs at the centre of our work model; makes it easy for our customers to do business with us and embeds service and customer focus into Caribbean Cement Company Limited's DNA.

Also in our DNA is building a greater Jamaica and our community outreach activities within the last quarter of 2018 have included major projects in the parishes of Portland, Manchester and St. Andrew. We were pleased to have supported the national initiative of promoting exercise and healthy lifestyles by creating a 370 metre-long concrete jogging trail in the Mona Heights community located in St Andrew. Caribbean Cement Company Limited also completed the construction of the Caenwood Multipurpose Community Centre. In Litchfield, Manchester, we completed a new 530 metre concrete road which provides better access for farmers to take their goods to market, easier commute for students to schools and shorter distances for residents to other parts of the parish. Our other contributions included participation in National Tree Planting Day activities and International Coastal Cleanup Day.

Financial Performance:

The financial performance for the year shows marked improvements when compared to 2017.

Revenue earned for the period was JA$17.6 billion, representing an increase of 6% year over year.

Earnings before interest, tax, depreciation, amortisation and restructuring costs for 2018 was JA$5.3 billion, which was 79% higher than the JA$3.0 billion reported for 2017.

Profit before taxation for 2018 was JA$3.3 billion, an increase of 118% over than the JA$1.5 billion reached in the previous year. Net profit after taxes for the period amounted to JA$2.5 billion, up from JA$1.1 billion at the end of 2017. Earnings per share was $2.90 compared to $1.31 in the corresponding year.

2018 shows positive movement in the net cash generated by operating activities of JA$1.2 billion, an increase of 36% compared to 2017. This was primarily due to the strong operating results and the strategic working capital management.

The termination of the lease with our Parent Company, Trinidad Cement Limited (TCL) was concluded in April 2018 with the acquisition of Kiln 5 and Cement Mill 5 (JA$14.9 billion). This transaction is a significant investment in plant and equipment and has increased the company's fixed asset base by 187%, from JA$8.3 billion as at December 2017 to JA$23.8 billion as at December 2018 as well as improvement in financial results.

Caribbean Cement Company Limited as part of its ongoing effort to comply with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act, has restated its 2017 financial statements to reflect the inclusion of the provision to account for employee benefits obligation in order to comply with IAS 19 – Employees Benefits. This restatement related to the medical insurance scheme, a post-employment benefit which will be reflected as a liability as at December 31, 2018. This provision is a non-cash accounting adjustment, where the payments of post-employment benefits were already included in our costs. The company's past and future cash flows will remain unchanged by this accounting treatment.

The Board of Directors and Management of Caribbean Cement Company Limited remains committed to responsible and sustainable operations, good governance and partnership with our stakeholders for a strong and durable company of which all Jamaica can continue to be proud.

Parris A. Lyew-Ayee

Parris A. Lyew-Ayee
Director
February 16, 2019

Peter Donkersloot
Director
February 16, 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

J$'000	AUDITED Dec 31, 2018	AUDITED Restated* Dec 31, 2017	AUDITED Restated* Jan 01, 2017
NET ASSETS			
Non-current assets			
Property, plant and equipment (Note 8)	23,783,937	8,282,950	6,571,104
Intangible assets	–	–	9,460
Deferred tax asset	–	126,063	298,890
Due from related companies	–	2,106	–
	23,783,937	**8,411,119**	**6,879,454**
Current assets			
Due from related companies	58,294	92,972	205,460
Inventories	1,733,265	1,461,695	2,095,803
Taxation recoverable	177,028	98,197	118,451
Receivables and prepayments	619,123	594,976	569,929
Cash and cash equivalents	420,790	1,673,067	717,568
	3,008,500	**3,920,907**	**3,707,211**
Current liabilities			
Due to parent and related companies	749,734	546,315	104,041
Current portion of loan obligation	21,110	–	–
Payables and accruals	2,875,361	2,578,620	2,544,019
Provision	6,521	6,007	5,159
Current portion of redeemable preference shares	826,647	–	–
	4,479,373	**3,130,942**	**2,653,219**
Working capital (deficit)/surplus	**(1,470,873)**	**789,965**	**1,053,992**
Non-current liabilities			
Long-term portion of redeemable preference shares	3,021,805	–	–
Employee benefit obligation	832,804	826,320	668,707
Due to parent and related companies	–	1,616	–
Long-term portion of loan obligation	11,387,028	–	–
Deferred tax liability	614,128	–	–
Provision	39,118	33,118	27,393
	15,894,883	861,054	696,100
TOTAL NET ASSETS	**6,418,181**	**8,340,030**	**7,237,346**
SHAREHOLDERS' EQUITY			
Share capital:			
Ordinary shares	1,808,837	1,808,837	1,808,837
Preference shares (Note 9)	–	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	350,864	73,472	–
Accumulated losses	(994,271)	(3,872,790)	(4,902,002)
TOTAL SHAREHOLDERS' EQUITY	**6,418,181**	**8,340,030**	**7,237,346**

* See Note 7

Approved and authorised for issue by the Board of Directors on February 16, 2019 and signed on its behalf by:

Parris A. Lyew-Ayee

Parris A. Lyew-Ayee
Director

Peter Donkersloot
Director

NOTES

1. **Basis of preparation**
   The condensed 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 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) as of and for the year ended December 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 financial statements as of and for the year ended December 31, 2018, have been prepared in accordance with the accounting policies used in the audited financial statements as of and for the year ended December 31, 2018. Any new accounting standards or interpretations which became effective in this financial year, were adjusted on the Group's financial position or results (see notes 5 and 6).

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

4. **Stockholding and inventory restructuring costs**
   Stockholding and inventory restructuring costs comprised write down of overstocked items identified in a comprehensive review of inventory quantities on hand in 2017.

CARIBBEAN CEMENT COMPANY LIMITED

CARIB CEMENT

CONDENSED CONSOLIDATED AUDITED FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2018

TCL GROUP
Building a Brighter Future

CONSOLIDATED STATEMENT OF CASH FLOWS

J$'000	AUDITED Year Jan to Dec 2018	Restated* AUDITED Year Jan to Dec 2017
Cash flows from operating activities		
Profit for the year	**2,466,093**	**1,111,734**
Adjustments for:		
Taxation charge	828,568	398,677
Depreciation and amortisation	1,153,830	531,602
Impairment on property, plant and equipment	5,357	–
Stockholding and inventory restructuring costs (Note 4)	–	457,818
Net recovery of impaired receivables	(1,568)	(7,650)
Interest income	(12,442)	(5,095)
Loss on disposal of property, plant and equipment	2,832	50
Interest expense	665,438	155
Employee benefit obligation	72,742	70,364
Unwinding of discount on rehabilitation provision	(661)	2,617
Unrealised foreign exchange (gains)/losses, net	(164,709)	9,481
	5,015,480	2,569,753
(Increase)/decrease in inventories	(271,570)	176,290
Increase in receivables and prepayments	(32,940)	(20,303)
(Increase)/decrease in due from related companies	(36,687)	185,960
Increase in payables and accruals	308,305	37,152
Increase in provision	7,175	3,956
Increase in due to parent and related companies	220,208	446,699
Cash provided by operations	5,209,971	3,399,507
Employee benefits paid	(37,109)	(22,781)
Interest received	12,442	5,095
Interest paid	(644,328)	(155)
Taxation paid	(174,496)	(178,088)
Net cash provided by operating activities	**4,366,480**	**3,203,578**
Cash flows from investing activities		
Additions to property, plant and equipment	(16,663,006)	(2,234,050)
Proceeds from disposal of property, plant and equipment	–	12
Net cash used in investing activities	**(16,663,006)**	**(2,234,038)**
Cash flows from financing activities		
Loan obligation, net	11,446,224	–
Redeemable preference shares	(399,760)	–
Due to/from related companies	–	(490)
Net cash provided by/(used in) financing activities	**11,046,464**	**(490)**
(Decrease)/increase in cash and cash equivalents	(1,250,062)	969,050
Cash and cash equivalents at beginning of year	1,673,067	717,568
Effect of foreign exchange rate changes	(2,215)	(13,551)
Cash and cash equivalents at end of year	**420,790**	**1,673,067**
Represented by:		
Cash and cash equivalents	**420,790**	**1,673,067**

* See Note 7

NOTES (continued)

5. Initial application of IFRS 9 Financial Instruments
The 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 IFRS 9 have been recognised in opening retained earnings.

6. Initial application of IFRS 15 Revenue Recognition
The Group has applied IFRS 15 and the initial application did not impact the timing or amount of sales from contracts with customers and the related assets and liabilities recognised by the Group. Accordingly, the impact on the comparative information is limited to new disclosure requirements.

7. Correction of errors
During 2018, the Group restated its 2017 financial statements to reflect the impact of the post-retirement medical benefit obligation which was not recorded in it the financial statements since inception. In accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors the financial statements have been restated to account for the Employee benefits liability and expenses arising from commitments to provide this post-retirement medical obligation consistently with IAS 19 Employee Benefits.

8. Property, plant and equipment (Kiln 5 and Mill 5 Acquisition)
In April 2018, the company terminated the lease arrangement with Trinidad Cement Limited and completed the acquisition of the Kiln 5 and Mill 5 assets at a cost of JA$14.9 billion (US$118 million).

9. Preference Shares
In 2018, Caribbean Cement Company Limited (CCCL) signed a preference share redemption agreement with Trinidad Cement Limited (TCL). TCL is the legal holder of 52 million redeemable preference shares issued in 2010 (15M shares) and 2013 (37M shares). Each one of the preference shares were issued in the currency of the United States of America with a par value of US$1 per share, which represent a total value of US$ 52,000,000. It was agreed between the parties that the amount will be redeemed below par value. The agreed amount was US$ 40,500,000 which represent a discounted amount.

As a result of the agreement and in compliance with the IAS 32, the company reclassified the preference shares from equity to liability, which resulted in a reduction of the share capital of the company.

The first partial redemption was done in December 2018 for a total of 3,928,604 shares, with a value of JA$350,863,618 and a capital redemption reserve was created in accordance with the Jamaican Companies Act.

10. Earnings before interest, depreciation, amortisation, tax, stockholding and inventory restructuring and manpower restructuring costs

J$'000	AUDITED Year Jan to Dec 2018	Restated* AUDITED Year Jan to Dec 2017
Revenue	**17,573,931**	**16,513,084**
Expenses:		
Raw material and consumables	1,460,709	1,464,326
Fuels and electricity	3,480,111	3,085,658
Personnel remuneration and benefits	1,967,124	1,991,407
Repairs and maintenance	799,346	833,320
Equipment hire	586,908	515,947
Cement transportation, marketing and selling expenses	779,135	758,228
Other operating expenses	2,100,304	4,486,328
Changes in inventories of finished goods and work in progress	1,364,452	398,420
Total expenses	**12,538,089**	**13,533,634**
Other income	283,107	–
Earnings before interest, depreciation, amortisation, tax and restructuring costs	**5,318,949**	**2,979,450**

* See Note 7

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

J$'000	Ordinary share capital	Preference share capital (Note 9)	Capital contribution	Realised capital gain	Accumulated losses	Other reserves	Total reserves	Total capital & reserves
Balance as at January 1, 2017								
As previously reported	1,808,837	5,077,760	3,839,090	1,413,661	(4,400,472)	–	(2,986,811)	7,738,876
Correction of prior period errors (Note 7)	–	–	–	–	(501,530)	–	(501,530)	(501,530)
Balance as at December 31, 2017 as restated	1,808,837	5,077,760	3,839,090	1,413,661	(4,902,002)	–	(3,488,341)	7,237,346
Profit for the year restated as restated	–	–	–	–	1,111,734	–	1,111,734	1,111,734
Other comprehensive income:								
Unrealised gain on hedge of fuel price	–	–	–	–	–	73,472	73,472	73,472
Remeasurement of employee benefits obligation, net of tax (Note 7)	–	–	–	–	(82,522)	–	(82,522)	(82,522)
Total comprehensive income for the year	–	–	–	–	1,029,212	73,472	1,102,684	1,102,684
Balance as at December 31, 2017 as restated	1,808,837	5,077,760	3,839,090	1,413,661	(3,872,790)	73,472	(2,385,657)	8,340,030
Adjustment on initial application of IFRS 9	–	–	–	–	(7,497)	–	(7,497)	(7,497)
Restated balance as at January 1, 2018	1,808,837	5,077,760	3,839,090	1,413,661	(3,880,287)	73,472	(2,393,154)	8,332,533
Profit for the year	–	–	–	–	2,466,093	–	2,466,093	2,466,093
Other comprehensive loss:								
Remeasurement of employee benefits obligation, net of tax (Note 7)	–	–	–	–	21,862	–	21,862	21,862
Realised gain on hedge of fuel price	–	–	–	–	–	(73,472)	(73,472)	(73,472)
Total comprehensive income for the year	–	–	–	–	2,487,955	(73,472)	2,414,483	2,414,483
Transaction with owners of the company:								
Transfer to capital redemption fund reserve	–	–	–	–	(350,864)	350,864	–	–
Fair value adjustment associated with redemption of preference shares	–	–	–	–	748,925	–	748,925	748,925
Reclassification of preference shares	–	(5,077,760)	–	–	–	–	–	(5,077,760)
	–	(5,077,760)	–	–	398,061	350,864	748,925	(4,328,835)
Balance as at December 31, 2018	1,808,837	–	3,839,090	1,413,661	(994,271)	350,864	770,254	6,418,181

CONDENSED CONSOLIDATED AUDITED FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2018

KPMG

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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, 2018, 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, 2018.

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 16, 2019. 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 year.

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 16, 2019

KPMG, a Jamaican partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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