CARIBBEAN CEMENT COMPANY LIMITED

CARIB CEMENT

CONDENSED CONSOLIDATED UNAUDITED INTERIM FINANCIAL REPORT

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

TCL GROUP

Building a Brighter Future

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

J$'000	UNAUDITED				AUDITED
	Three Months Jul to Sep		Nine Months Jan to Sep		Year Jan to Dec
	2019	2018	2019	2018	2018
Revenue	4,384,081	4,464,724	13,513,352	13,239,257	17,573,931
Earnings before interest, depreciation, impairment, amortisation, stockholding and inventory and manpower restructuring costs and taxation (Note 6)	**1,271,262**	**1,552,202**	**4,965,124**	**3,856,629**	**5,318,949**
Depreciation, impairment and amortisation	(400,550)	(341,569)	(1,196,556)	(808,099)	(1,159,187)
Stockholding and inventory restructuring costs	-	9,203	-	32,058	-
Manpower restructuring costs	(43,741)	-	(43,741)	-	-
Operating profit	**826,971**	**1,219,836**	**3,724,827**	**3,080,588**	**4,159,762**
Interest income	991	2,037	6,129	9,604	12,442
Finance cost	(589,534)	(690,932)	(1,446,376)	(1,077,119)	(877,543)
Profit before taxation	**238,428**	**530,941**	**2,284,580**	**2,013,073**	**3,294,661**
Taxation charge	(161,580)	(225,847)	(711,513)	(700,006)	(828,568)
Profit for the period	**76,848**	**305,094**	**1,573,067**	**1,313,067**	**2,466,093**
Other comprehensive loss					
Items that are or may be reclassified subsequently to profit or loss:					
Loss on hedge of fuel price	-	(50,168)	-	(6,051)	(73,472)
Items that will not be reclassified to profit or loss:					
Remeasurement of employee benefits obligation	-	-	-	-	29,149
Related deferred tax charge	-	-	-	-	(7,287)
	-	**-**	**-**	**-**	**21,862**
Other comprehensive loss, net of taxation	**-**	**(50,168)**	**-**	**(6,051)**	**(51,610)**
Total comprehensive income attributable to equity holders	**76,848**	**254,926**	**1,573,067**	**1,307,016**	**2,414,483**
Earnings per share (expressed in $ per share) (Note 3)	**0.09**	**0.36**	**1.85**	**1.54**	**2.90**

DIRECTORS' STATEMENT

Caribbean Cement Company Limited continues its robust growth by focusing on safety under the "ZERO4Life" programme, talent development, customer centricity, community partnership and strong operational and financial performance. Our Health and Safety programmes and practices have resulted in us achieving 1,558 days without incident at the quarry operations and 734 days without incident for direct employees at the Rockfort cement plant operation.

Financial Performance

The results for the third quarter (Q3) of the financial year were mainly affected by the unusual heavy rainfall negatively impacting the sales volumes and higher operational expenses resulting from the timing of major maintenance performed on our main equipment. Also included in the operational expenses was the cost to demolish a large area of old and obsolete structures and equipment which has resulted in safety and aesthetic improvements.

For Q3 the Group generated $4.4 billion in revenue, this is a decrease of 2% when compared with the same period in 2018. However, revenue for the nine months grew by 2% to $13.5 billion compared to the $13.2 billion earned in the same period in 2018.

Earnings before interest, depreciation, impairment, amortisation, stockholding and inventory and manpower restructuring costs and taxation were $1.3 billion, or 18% lower than the $1.6 billion reported for Q3 2018. Total earnings before interest, depreciation, impairment, amortisation, stockholding and inventory and manpower restructuring costs and taxation achieved for the nine months was $5.0 billion representing a 29% increase over the nine months in 2018.

Profit before tax for Q3 was $0.2 billion, a decrease of 55% from the $0.5 billion achieved in Q3 2018. Of note, is that the profit before tax for the first nine months of the year was $2.3 billion, an increase of 13% compared with the $2.0 billion achieved during the same period last year.

The overall net profit achieved for the first nine months of $1.6 billion, is an increase of 20% over 2018 and has resulted in earnings per share of $1.85. The net profit for the quarter decreased to $77 million which is 70% lower than the corresponding period 2018.

Corporate Social Responsibility

In July 2019, Caribbean Cement Company Limited signed a Memorandum of Understanding with the Ministry of Local Government and Community Development; the Ministry of Economic Growth and Job Creation and the National Solid Waste Management Authority to conduct a pilot project to utilise scrap tyres in its kiln. The purpose of the pilot is to increase the capacity for environmentally friendly and sustainable waste management and to increase private sector participation in this regard. During the pilot phase approximately two hundred (200) truckloads of tyres will be transported from the Riverton Disposal Site to the Rockfort Plant. The trials are about to finish and the results will be made public. We are aiming to ensure that the project will result in a safe and sustainable removal of tyres that are in the Riverton Disposal Site.

The Board of Directors and Management of Caribbean Cement Company Limited remain committed to building a greater Jamaica through responsible and sustainable operations, good governance and partnerships with our stakeholders.

Parris A. Lyew-Ayee
Chairman
October 24, 2019

Jose Luis Seijo Gonzalez
Director
October 24, 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

J$'000	UNAUDITED		AUDITED
	Sep 30, 2019	Sep 30, 2018	Dec 31, 2018
NET ASSETS			
Non-current assets			
Property, plant and equipment	23,492,380	23,249,160	23,783,937
Current assets			
Inventories	2,409,088	1,763,204	1,733,265
Taxation recoverable	3,140	258,942	177,028
Due from parent and related companies	83,072	163,522	58,294
Receivables and prepayments	1,021,010	830,517	619,123
Cash and cash equivalents	366,590	467,510	420,790
	3,882,900	**3,483,695**	**3,008,500**
Current liabilities			
Due to parent and related companies	773,583	746,910	749,734
Current portion of loan obligations	48,759	1,097,598	21,110
Payables and accruals	3,631,818	2,718,050	2,875,361
Current portion of finance lease obligations	32,481	-	-
Current portion of redeemable preference shares	826,647	-	826,647
Current portion of rehabilitation provision	6,521	6,007	6,521
	5,319,809	**4,568,565**	**4,479,373**
Working capital deficit	**(1,436,909)**	**(1,084,870)**	**(1,470,873)**
Non-current liabilities			
Long-term portion of redeemable preference shares	3,321,528	-	3,021,805
Employee benefits obligation	861,634	826,320	832,804
Long-term portion of loan obligations	8,651,879	11,091,421	11,387,028
Long-term portion of finance lease obligations	59,490	-	-
Deferred tax liability	1,130,574	573,882	614,128
Long-term portion of rehabilitation provision	39,118	33,118	39,118
	14,064,223	**12,524,741**	**15,894,883**
TOTAL NET ASSETS	**7,991,248**	**9,639,549**	**6,418,181**
SHAREHOLDERS' EQUITY			
Share capital:			
Ordinary shares	1,808,837	1,808,837	1,808,837
Preference shares (Note 5)	-	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	67,421	350,864
Accumulated profit/(losses)	578,796	(2,567,220)	(994,271)
TOTAL SHAREHOLDERS' EQUITY	**7,991,248**	**9,639,549**	**6,418,181**

Approved and authorised for issue by the Board of Directors on October 24, 2019 and signed on its behalf by:

Parris A. Lyew-Ayee
Chairman

Jose Luis Seijo Gonzalez
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	**2019**	**2018**	**2019**	**2018**	**2018**
Profit for the year	**76,848**	**305,094**	**1,573,067**	**1,313,067**	**2,466,093**
Adjustments for:					
Taxation charge	161,580	225,847	711,513	700,006	828,568
Depreciation and amortisation	400,550	341,569	1,196,556	808,099	1,153,830
Stockholding and inventory restructuring costs	-	(22,855)	-	-	-
Impairment on property, plant and equipment	-	-	-	-	5,357
Net recovery of impaired receivables	-	732	-	(874)	(1,568)
Interest income	(991)	(2,037)	(6,129)	(9,604)	(12,442)
(Gain)/loss on disposal of property, plant and equipment	(189)	-	(1,304)	-	2,832
Interest expense	180,640	227,076	598,465	298,944	665,438
Employee benefits expenses	18,186	-	54,557	-	72,742
Unwinding of discount on preference shares	22,858	-	66,969	-	-
Unwinding of discount on finance lease obligations	5,759	-	11,143	-	-
Unwinding of discount on rehabilitation provision	-	-	-	-	(661)
Unrealised foreign exchange losses/(gains), net	162,655	353,465	487,953	587,871	(164,709)
	1,027,896	1,428,891	4,692,790	3,697,509	5,015,480
Increase in inventories	(380,923)	(295,955)	(675,823)	(301,509)	(271,570)
Increase in receivables and prepayments	(200,798)	(24,256)	(395,700)	(245,761)	(32,940)
Increase in due from parent and related companies	(52,110)	(55,831)	(24,778)	(74,495)	(36,687)
Increase in payables and accruals	964,129	7,914	728,128	145,138	308,305
Increase in rehabilitation provision	-	-	-	-	7,175
Increase/(decrease) in due to parent and related companies	315,799	(1,799,624)	13,543	183,496	220,208
Cash provided by/(used in) operations	1,673,993	(738,861)	4,338,160	3,404,378	5,209,971
Employee benefits paid	(8,562)	-	(25,727)	-	(37,109)
Interest received	991	2,037	6,129	9,604	12,442
Interest paid	(155,781)	(95,091)	(535,723)	(162,900)	(644,328)
Taxation paid	(19,345)	(53,327)	(21,179)	(160,805)	(174,496)
Net cash provided by/(used in) operating activities	**1,491,296**	**(885,242)**	**3,761,660**	**3,090,277**	**4,366,480**
Cash flows from investing activities					
Additions to property, plant and equipment	(320,688)	(244,481)	(789,961)	(15,774,309)	(16,663,006)
Proceeds from disposal of assets	189	-	1,304	-	-
Net cash used in investing activities	**(320,499)**	**(244,481)**	**(788,657)**	**(15,774,309)**	**(16,663,006)**
Cash flows from financing activities					
Loan obligations, net	(1,173,487)	-	(2,953,893)	-	11,446,224
Finance lease obligations, net	(13,864)	-	(34,210)	-	-
Redeemable preference shares	-	-	-	-	(399,760)
Net repayment of amounts due to related companies	-	1,008,577	-	11,498,994	-
Net cash (used in)/provided by financing activities	**(1,187,351)**	**1,008,577**	**(2,988,103)**	**11,498,994**	**11,046,464**
Decrease in cash and cash equivalents	(16,554)	(121,146)	(15,100)	(1,185,038)	(1,250,062)
Effect of foreign exchange rate changes	(11,292)	(6,545)	(39,100)	(20,519)	(2,215)
Cash and cash equivalent, at beginning of period	394,436	595,201	420,790	1,673,067	1,673,067
Cash and cash equivalent, at end of period	**366,590**	**467,510**	**366,590**	**467,510**	**420,790**
Represented by:					
Cash and cash equivalents	**366,590**	**467,510**	**366,590**	**467,510**	**420,790**

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

J$'000	UNAUDITED		AUDITED
	Nine Months Jan to Sep		Year Jan to Dec
	2019	2018	2018
Balance as at beginning of period, as previously reported	**6,418,181**	**8,340,030**	**8,340,030**
Recognition of opening carrying amount differences upon initial application of IFRS 9	-	(7,497)	(7,497)
Restated balance as at beginning of period	**6,418,181**	**8,332,533**	**8,332,533**
Profit for the period	1,573,067	1,313,067	2,466,093
Hedge reserve	-	(6,051)	(73,472)
Remeasurement of employee benefits obligation, net of tax	-	-	21,862
Total comprehensive income for the period	**1,573,067**	**1,307,016**	**2,414,483**
Transaction with owners of the Company:			
Fair value adjustment associated with redemption of preference shares (Note 5)	-	-	748,925
Reclassification of preference shares (Note 5)	-	-	(5,077,760)
	-	**-**	**(4,328,835)**
Balance as at end of period	**7,991,248**	**9,639,549**	**6,418,181**

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 profit or loss and other 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 period ended September 30, 2019, 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 as of and for the period ended September 30, 2019, 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 Note 4).

3. Earnings Per Share

Earnings per share is calculated by dividing the profit for the period by the number of ordinary shares outstanding during the period.

4. Initial Application of IFRS 16 Leases

The Group has applied IFRS 16 Leases and has not restated prior periods as allowed by the Standard. The Group has recognised the present value of the remaining lease payments as right-of-use assets and lease liabilities (JA$115 million) for material leases previously classified as operating leases. On initial application, the Group applied the incremental borrowing rates of 13.05% to 14.39% on the lease liabilities.

5. 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 (15 million shares) and 2013 (37 million shares). Each one of the preference shares was issued in the currency of the United States of America with a par value of US$1 per share, which represents 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 represents 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.

6. Earnings Before Interest, Depreciation, Impairment, Amortisation, Stockholding and Inventory and Manpower Restructuring Costs and Taxation

J$'000	UNAUDITED				AUDITED
	Three Months Jul to Sep		Nine Months Jan to Sep		Year Jan to Dec
	2019	2018	2019	2018	2018
Revenue	**4,384,081**	**4,464,724**	**13,513,352**	**13,239,257**	**17,573,931**
Expenses					
Raw material and consumables	400,227	451,778	971,586	1,226,701	1,460,709
Fuels and electricity	816,997	992,417	2,640,176	2,562,788	3,480,111
Personnel remuneration and benefits	599,355	535,734	1,766,430	1,563,171	1,967,124
Repairs and maintenance	236,044	213,629	618,575	659,328	799,346
Equipment hire	325,304	133,815	602,159	432,144	586,908
Cement transportation, marketing and selling expenses	172,202	221,498	533,895	579,739	779,135
Other operating expenses	420,021	213,982	997,516	1,568,875	2,100,304
Changes in inventories of finished goods and work in progress	155,263	177,503	466,664	941,909	1,364,452
Total expenses	**3,125,413**	**2,940,356**	**8,597,001**	**9,534,655**	**12,538,089**
Other income	12,594	27,834	48,773	152,027	283,107
Earnings before interest, depreciation, impairment, amortisation, stockholding and inventory and manpower restructuring costs and taxation	**1,271,262**	**1,552,202**	**4,965,124**	**3,856,629**	**5,318,949**