



Caribbean Producers (Jamaica) Limited
Report to Shareholders
Nine Months Ended March 31, 2016



Report to the Shareholders

Consolidated Unaudited Financial Results for the nine month period ended 31 March 2016

YTD March 2016

Financial Highlights in JM\$

Weighted average March 2016 – 121.96; Weighted average March 2015 - 115.32

CPJ St. Lucia is represented in these figures

| | March 2016 YTD | March 2015 YTD | Change | % Change |
|--|----------------|----------------|-----------|----------|
| | J\$'000 | J\$'000 | J\$'000 | |
| Gross Revenue | 8,511,118 | 7,494,901 | 1,016,216 | 14% |
| Gross Profit | 2,475,766 | 2,061,335 | 414,431 | 20% |
| Gross Profit % | 29% | 27% | | 2% |
| Operating Expenses | 1,789,993 | 1,433,190 | (356,803) | 25% |
| EBIDTA | 685,773 | 628,145 | 57,628 | 9% |
| Finance Cost & Depreciation | 394,736 | 358,803 | (35,933) | 10% |
| (Gain) on disposal of share of loss in joint venture | (1,404) | 4,342 | (5,746) | 132% |
| Non- Controlling Interest | (9,658) | 15,209 | (24,867) | |
| Net Profit -Equity Holders | 282,784 | 280,209 | 2,575 | 1% |

The Board of Directors is pleased to present the company's consolidated unaudited results for the nine month period ended March 31, 2016.

THE COMPANY DELIVERED STEADY SALES PERFORMANCE YEAR ON YEAR

YEAR TO DATE

During the nine month period gross operating revenue of US\$69.79 million increased by US\$4.79 million or 7.4% over the corresponding period last year. Gross profit trended positively ending at US\$20.30 million reflecting growth of US\$2.42 million (13.6%) above the same period in 2016. CPJ St. Lucia contributed US\$1.67 million or 8.2% of the gross profit. There were marked increases in the sales of Spirits, Seafood and Beverage Systems categories over the corresponding period last year and closer monitoring of the margins for product categories yielded a more favourable gross profit overall. The net profit attributable to the shareholders of US\$2.30 million for the nine month period showed a marginal decrease compared to US\$2.40 million, or 4% based on the year on year comparison. Accordingly, the earnings per stock decreased from USD 0.221 cents to USD 0.211 cents. The year to date gross operating revenue of US\$69.79 million was US\$4.79 million or 7.4% above that for the similar period prior year.

Selling and Administrative expenses increased by US\$2.07 million (16.4%) from US\$12.6 million to US\$14.7 million primarily as a result of increased salary related costs, higher transportation costs and repairs and maintenance expenses. Finance costs decreased by 3.24% from the prior period last year due to treasury management. Depreciation and amortization increased by US\$0.18 million (11.8%) relating to the capital and operating assets of the company.

At the Board Meeting held on 8 February 2016 Caribbean Producers Jamaica Limited declared an interim dividend for the financial year ending June 30th, 2016 in the amount of J\$0.06 per stock unit payable on 25 March 2016 to shareholders on record as at 24 February 2016 with an ex-dividend date of 22 February 2016.

Quarter to Date

Gross operating revenues for the 3rd quarter increased by 5.4% from US\$23.1 million to US\$24.4 million based on growth in the hospitality sector and the new subsidiary CPJ St. Lucia. There was a US\$0.57 million or 8.7% growth in gross profit over the corresponding period last year (US\$7.12 million versus US\$6.55 million for the 3rd quarter of 2015.) Selling and administrative expenses showed a noticeable increase of US\$1.3 million or 31% (US\$5.47 million to US\$ 4.16 million) year on year, the increase was primarily as a result of additional overhead for the new subsidiary. Salary related costs plus repairs and maintenance expenses also increased. The net profit attributable to the shareholders of the company decreased by US\$0.68 million or 53% compared with the corresponding period of 2015, moving from a profit of US\$1.28 million to US\$0.59 million.

Balance Sheet

Current assets grew by US\$2.88 million or 6.8% from US\$42.02 million to US\$44.89 million and total assets grew by 7.8% to US\$59.24 million for the period compared to the corresponding period in 2015. Financing these assets were liabilities of US\$38.63 million and equity of US\$20.61 million both showing growth year on year of 4.82% and 13.85% respectively.

Outlook for Q4 and end of FY 2016

Based on the forecast assumptions for the final quarter for the Company's performance, a lower level of profit for the full financial year ending June 30, 2016 is expected. The reduction in profit is mainly attributed to an increase in operating expenses attributable to additional investment and growth in new business units over the year.

The business model fundamentals underpinning its long term business strategy, prospects for growth and performance remain strong. The impact of this is viewed as transitional, and plans to improve efficiency and lower operating costs are scheduled for implementation in the new Fiscal Year 2016/2017.

HUMAN RESOURCES UPDATE

At 413 strong, CPJ's human resource compliment continues to grow and to focus on motivating and empowering our workforce towards higher levels performance and success for Team CPJ.

Annual Employee Awards

It is said that hard work leads to success, and at CPJ, we take it a bit higher—it also leads to applause and great gifts as was demonstrated in our recently held Employee Awards Function held on the lawns of Rose Hall Great House. On March 23, 2016, approximately 56 team members were honoured for their outstanding service to CPJ, some having served in excess of 22 years. Thirty-seven were deemed top performers in their department; 9 were selected as having the attributes and displaying the "Passion & Drive" that exemplifies CPJ; 7 were considered "Most Improved", and there were also awards for Manager of the Year, Employee of the Year, Chairman's Award, Safe Driver Award among others. This is a calendar event that was well supported and lauded by the team and showcased the hard working and committed CPJ team.

Community Service

CPJ acted as the co-title sponsor at the Jamaica Independent School Association/Caribbean Producers Jamaica (JISA/CPJ) Invitational Track meet held at the Montego Bay Sports Complex on Wednesday, April 23rd, 2016. The event is a part of CPJ's drive to develop western Jamaica through youth empowerment. Mr. Mark Hart, the company's chairman was elated about the meet's growth and looked forward to this year, the fourth year of sponsorship. Brands such as Cariburst, Lifespan & Dellos kept all patrons and athletes alike, refreshed and hydrated at the event. Approximately 30 schools at the Preparatory/Primary level attended the event.

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Period ended March 31, 2016

Consolidated Interim Statement of Financial Position - Unaudited

| | Unaudited March 31, 2016 | Unaudited March 31, 2015 | Audited June 30, 2015 |
|---------------------------------|---|---|--------------------------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 4,028,264 | 2,783,063 | 3,049,479 |
| Accounts receivable | 15,453,126 | 14,868,493 | 12,121,195 |
| Inventories | 25,414,126 | 24,367,074 | 23,899,084 |
| | <u>44,895,516</u> | <u>42,018,630</u> | <u>39,069,758</u> |
| CURRENT LIABILITIES | | | |
| Bank overdraft | - | 328,473 | 188,047 |
| Short-term loans | 2,150,000 | 5,975,000 | 4,925,000 |
| Accounts payable | 8,891,462 | 8,098,174 | 6,558,319 |
| Short term promissory notes | 8,861,437 | 4,317,794 | 4,317,794 |
| Current portion long-term loans | 464,577 | 519,171 | 523,444 |
| Tax payable | 110,284 | 176,261 | 175,753 |
| | <u>20,477,760</u> | <u>19,414,873</u> | <u>16,688,357</u> |
| NET CURRENT ASSETS | 24,417,756 | 22,603,757 | 22,381,401 |
| NON-CURRENT ASSETS | | | |
| Investment | 71,584 | 8,962 | 71,584 |
| Interest in joint venture | - | 209,414 | 159,186 |
| Deferred tax asset | 258,650 | 95,508 | 258,650 |
| Intangible asset | 12,551 | - | 19,070 |
| Property, plant and equipment | 14,003,419 | 12,622,902 | 13,252,428 |
| | <u>14,346,204</u> | <u>12,936,786</u> | <u>13,760,918</u> |
| US\$ | <u>38,763,960</u> | <u>35,540,543</u> | <u>36,142,319</u> |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 4,898,430 | 4,898,430 | 4,898,430 |
| Accumulated surplus | 15,745,172 | 13,338,671 | 13,969,969 |
| | 20,643,602 | 18,237,101 | 18,868,399 |
| Non- controlling interest | (30,028) | (131,882) | (109,215) |
| | <u>20,613,574</u> | <u>18,105,219</u> | <u>18,759,184</u> |
| NON-CURRENT LIABILITIES | | | |
| Due to related party | 2,726,835 | 11,605,828 | 2,387,382 |
| Long term borrowings | 6,093,499 | 5,829,496 | 5,671,741 |
| Long term promissory notes | 9,330,052 | - | 9,324,012 |
| | <u>18,150,386</u> | <u>17,435,324</u> | <u>17,383,135</u> |
| US\$ | <u>38,763,960</u> | <u>35,540,543</u> | <u>36,142,319</u> |

These interim financial statements were approved by the Board of Directors on May 9, 2016 and signed on its behalf by:


 Mark Hart

Director


 Ian Polack

Director

The accompanying notes form an integral part of the interim financial statements.

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Period ended March 31, 2016

Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income

| | Unaudited Three months ended <u>March 31,</u> <u>2016</u> | Unaudited Three months ended <u>March 31,</u> <u>2015</u> | Unaudited Nine months ended <u>March 31,</u> <u>2016</u> | Unaudited Nine months ended <u>March 31,</u> <u>2015</u> | Audited Year ended <u>June 30, 2015</u> |
|---|---|---|--|--|---|
| Gross operating revenue | 24,376,149 | 23,137,711 | 69,786,140 | 64,992,206 | 86,850,246 |
| Cost of operating revenue | <u>(17,255,394)</u> | <u>(16,588,710)</u> | <u>(49,486,318)</u> | <u>(47,117,294)</u> | <u>(62,125,820)</u> |
| Gross profit | 7,120,755 | 6,549,001 | 20,299,822 | 17,874,912 | 24,724,426 |
| Selling and administration expenses | (5,465,354) | (4,163,170) | (14,684,742) | (12,617,544) | (17,590,656) |
| Depreciation and amortisation | (611,306) | (550,350) | (1,749,964) | (1,565,299) | (2,164,373) |
| Other operating income/ (expenses), net | <u>78,585</u> | <u>(16,121)</u> | <u>7,855</u> | <u>189,607</u> | <u>362,102</u> |
| Operating profit | 1,122,680 | 1,819,360 | 3,872,971 | 3,881,676 | 5,331,499 |
| Finance income | 10,288 | 108 | 11,887 | 2,606 | 3,609 |
| Finance costs | (490,474) | (528,407) | (1,498,524) | (1,548,673) | (2,026,066) |
| Gain on disposal of interest/(share of loss) in joint venture | <u>(568)</u> | <u>(5,383)</u> | <u>11,515</u> | <u>(37,652)</u> | <u>(37,652)</u> |
| Profit before taxation | 641,926 | 1,285,678 | 2,397,849 | 2,297,957 | 3,271,390 |
| Taxation | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>163,142</u> |
| Profit for the period, being total comprehensive income | US\$ <u>641,926</u> | <u>1,285,678</u> | <u>2,397,849</u> | <u>2,297,957</u> | <u>3,434,532</u> |
| Attributable to: | | | | | |
| Equity holders of the Parent | 591,818 | 1,279,222 | 2,318,662 | 2,429,839 | 3,543,747 |
| Non-controlling interest | <u>50,108</u> | <u>6,456</u> | <u>79,187</u> | <u>(131,882)</u> | <u>(109,215)</u> |
| | US\$ <u>641,926</u> | <u>1,285,678</u> | <u>2,397,849</u> | <u>2,297,957</u> | <u>3,434,532</u> |
| Earnings per stock unit (cents) | <u>0.0538</u> | <u>0.1163</u> | <u>0.2108</u> | <u>0.2209</u> | <u>0.3222</u> |

CARIBBEAN PRODUCERS (JAMAICA) LIMITED**Period ended March 31, 2016****Consolidated Interim Statement of Changes in Equity - Unaudited**

| | <u>Share capital</u> | <u>Accumulated surplus</u> | <u>Non -controlling Interest</u> | <u>Total</u> |
|---|---------------------------------|---------------------------------------|---|---------------------|
| Nine months ended March 31, 2015 | | | | |
| Balances at June 30, 2014 | 4,898,430 | 11,298,901 | - | 16,197,331 |
| Profit for the period, being total comprehensive income | - | 2,429,839 | (131,882) | 2,297,957 |
| Dividends (note 7) | <u>-</u> | <u>(390,069)</u> | <u>-</u> | <u>(390,069)</u> |
| Unaudited balances at March 31, 2015 | US\$ <u>4,898,430</u> | <u>13,338,671</u> | <u>(131,882)</u> | <u>18,105,219</u> |
| Nine Months ended March 31, 2016 | | | | |
| Balances at June 30, 2015 | 4,898,430 | 13,969,969 | (109,215) | 18,759,184 |
| Profit for the period, being total comprehensive income | - | 2,318,662 | 79,187 | 2,397,849 |
| Dividends (note 7) | <u>-</u> | <u>(543,459)</u> | <u>-</u> | <u>(543,459)</u> |
| Unaudited balances at March 31, 2016 | US\$ <u>4,898,430</u> | <u>15,745,172</u> | <u>(30,028)</u> | <u>20,613,574</u> |

CARIBBEAN PRODUCERS (JAMAICA) LIMITED
Period ended March 31, 2016

Consolidated Interim Statement of Cash Flows - Unaudited

| | Unaudited Nine months ended March 31, 2016 | Unaudited Nine months ended March 31, 2015 | Audited Year-ended June 30, 2015 |
|--|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit for the period | 2,318,662 | 2,429,839 | 3,543,747 |
| Adjustments for: | | | |
| Depreciation and amortisation | 1,749,964 | 1,565,299 | 2,164,373 |
| Share of loss in joint venture | - | 37,652 | 37,652 |
| Gain on disposal of property, plant and equipment | (1,130) | (14,869) | (19,967) |
| Non-controlling interest | 79,187 | (131,882) | (109,215) |
| Interest income | (11,887) | (2,606) | (3,609) |
| Taxation | - | - | (163,142) |
| Interest expense | 1,491,524 | 1,506,815 | 2,026,066 |
| | <u>5,626,320</u> | <u>5,390,248</u> | <u>7,475,905</u> |
| (Increase)/decrease in current assets: | | | |
| Accounts receivable | (3,331,931) | (2,236,088) | 1,454,854 |
| Inventories | (1,515,042) | (5,828,965) | (5,301,338) |
| Increase in current liability: | | | |
| Accounts payable | <u>2,300,164</u> | <u>3,347,014</u> | <u>1,728,934</u> |
| Cash from operations | 3,079,511 | 672,209 | 5,358,355 |
| Interest paid | (1,458,545) | (1,448,131) | (2,033,554) |
| Tax paid | <u>(65,469)</u> | <u>(919)</u> | <u>(1,427)</u> |
| Net cash provided/(used) by operating activities | <u>1,555,497</u> | <u>(776,841)</u> | <u>3,323,374</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest received | 11,887 | 2,606 | 3,609 |
| Investment | - | (8,962) | (28,964) |
| Interest in joint venture | 159,186 | (27,280) | 22,948 |
| Additions to property, plant and equipment | (2,493,306) | (2,306,110) | (3,791,663) |
| Proceeds from disposal of property, plant and equipment | <u>-</u> | <u>14,907</u> | <u>27,655</u> |
| Net cash used by investing activities | <u>(2,322,233)</u> | <u>(2,324,839)</u> | <u>(3,766,415)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Dividends paid | (543,459) | (390,069) | (863,180) |
| Promissory notes received | 9,297,742 | 11,064,787 | 7,970 |
| Promissory notes repaid | (4,740,613) | (9,248,496) | (123,495) |
| Due to related company | 339,453 | - | 1,668,458 |
| Long-term/short-term borrowings received | 11,487,997 | 1,726,804 | 11,467,956 |
| Long-term/short-term borrowings repaid | <u>(13,907,552)</u> | <u>(495,034)</u> | <u>(11,848,559)</u> |
| Net cash provided by financing activities | <u>1,933,568</u> | <u>2,657,992</u> | <u>309,150</u> |
| Net increase/ (decrease) in cash and cash equivalents for the period | 1,166,832 | (443,688) | (133,891) |
| Cash and cash equivalents at beginning of the period | <u>2,861,432</u> | <u>2,898,278</u> | <u>2,995,323</u> |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | US\$ <u>4,028,264</u> | <u>2,454,590</u> | <u>2,861,432</u> |
| Comprised of: | | | |
| Cash and cash equivalents | 4,028,264 | 2,783,063 | 3,049,479 |
| Bank overdraft | <u>-</u> | <u>(328,473)</u> | <u>(188,047)</u> |
| | US\$ <u>4,028,264</u> | <u>2,454,590</u> | <u>2,861,432</u> |

CARIBBEAN PRODUCERS (JAMAICA) LIMITED
Period ended March 31, 2016

Selected explanatory notes

1 The company

Caribbean Producers (Jamaica) Limited ("company or "parent company") is incorporated under laws of and domiciled in Jamaica. Its registered office is situated at Shop No. 14, Montego Freeport Shopping Centre, Montego Bay, St. James and its principal place of business is at 1 Guinep Way, Montego Freeport, Montego Bay, St. James.

The company's principal activities during the year were the wholesaling and distribution of food and beverages, the distribution of non-food supplies and the manufacture and distribution of fresh juices and meats.

As at March 31, 2016, the company held 100% of the issued share capital of CPJ Investments Limited, a company incorporated on September 16, 2013. CPJ Investments Limited's principal activity is holding a 51% investment in CPJ (St. Lucia) Limited, a company whose principal activity is the wholesaling and distribution of non-food supplies. Both companies are incorporated and domiciled in St. Lucia.

2 Basis of preparation

These interim financial statements have been prepared in accordance with accounting policies set out in note 2 to the audited financial statements for the year ended June 30, 2015, which have been consistently applied from period to period.

3 Basis of consolidation

(i) A "subsidiary" is an enterprise controlled by the company. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of a subsidiary are included in the consolidated financial statements from the date control commences until the date that control ceases.

The interim consolidated financial statements include the financial statements of the company and its subsidiaries (note 1).

(ii) Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

(iii) Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the group.

(iv) Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests, even if doing so causes the non-controlling interest to have a deficit balance.

4 Operating segments

An operating segment is a component of the company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the company's other components and for which discrete financial information is available. An operating segment's operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance.

Based on the nature of the company's products, processes, customers and distribution systems, management has determined that disclosure of segment information is not applicable to the company.

5 Taxation

The company's shares were listed on the Junior Market of the Jamaica Stock Exchange on July 20, 2011. Consequently, the company is entitled to a remission of taxes for 10 years in the proportions set out below, provided the shares remain listed for at least 15 years:

Years 1 to 5 100%
 Years 6 to 10 50%

CARIBBEAN PRODUCERS (JAMAICA) LIMITED
Period ended March 31, 2016

Selected explanatory notes

6 Earnings per stock unit

Earnings per stock unit is calculated by dividing the profit for the period by the weighted average number of ordinary shares in issue for the period. The weighted average number of shares for the period was calculated as follows:

| | <u>Three months</u> <u>ended March 31,</u> <u>2016</u> | <u>Three months</u> <u>ended March 31,</u> <u>2015</u> | <u>Nine months</u> <u>ended March 31,</u> <u>2016</u> | <u>Nine months ended</u> <u>March 31, 2015</u> |
|---|--|--|---|---|
| Issued ordinary shares at beginning of period | 1,100,000,000 | 1,100,000,000 | 1,100,000,000 | 1,100,000,000 |
| Effect of shares issued during the period | - | - | - | - |
| Weighted average number of ordinary shares held during the period | <u>1,100,000,000</u> | <u>1,100,000,000</u> | <u>1,100,000,000</u> | <u>1,100,000,000</u> |

7 Dividends

On February 8, 2016, the Board of Directors declared an interim dividend of J\$0.06 per stock unit payable on March 25, 2016 to shareholders on record as at February 24, 2016 with an ex-dividend date of February 22, 2016.

8 Interest in joint venture

The company sold its 50% share in Caribbean Egg Processers Limited to its joint venture partner.



TOP TEN (10) SHAREHOLDERS

As at 31 March 2016

| <u>NAME</u> | <u>SHARES</u> |
|--|---------------|
| Wave Trading Limited | 440,000,000 |
| Sportswear Producers Limited | 248,000,000 |
| Mayberry West Indies Limited | 229,246,815 |
| JCSD Trustee Services Ltd. A/C#76579-02 | 13,679,900 |
| ATL Group Pension Fund Trustees Nom. Ltd. | 12,982,044 |
| SJIML A/C 3119 | 11,906,171 |
| Yuan, Liao | 9,971,710 |
| JCSD Trustee Services Ltd. - Sigma Venture | 6,270,084 |
| SJLIC for Scotiabridge Retirement Scheme | 6,070,917 |

DIRECTORS' AND SENIOR OFFICERS' INTERESTS

The interests of the Directors and Senior Officers, holding office at the end of the quarter, along with their connected persons*, in the ordinary stock units of the Company were as follows:

Directors

| | |
|------------------------------|-----------|
| Mark Hart ^{1, 2} | |
| Ronald Schrager ³ | |
| Antony Hart ¹ | |
| Jan Polack | 2,790,185 |
| Antony Hart | 2,616,324 |
| Richard Mark Hall | 114,090 |
| Theresa Chin | 760,900 |
| Sandra Glasgow (Mentor) | 100,000 |

Senior Officers

| | |
|----------------------|---------|
| Radcliffe Murray | 567,098 |
| Hugh Logan | 144,343 |
| Petra-Ann Williamson | 285,467 |
| Roger Williams | 40,418 |

| | |
|--|-------------|
| ¹ Interests in Sportswear Producers Limited | 248,000,000 |
| ² Interests in Wave Trading Limited | 440,000,000 |
| ³ Interests in Alpine Endeavors Limited | 1,881,100 |

*Persons deemed to be connected with a director/senior manager are:

- i. The director's/senior manager's husband or wife.
- ii. The director's/senior manager's minor children (these include step-children) and dependants and their spouses.
- iii. The director's/senior manager's partners.
- iv. Bodies corporate of which the director/senior manager and or persons connected with him together