Caribbean Producers (Jamaica) Limited
Report to Shareholders
Three Months Ended September 30, 2018

Report to the Shareholders

Consolidated Unaudited Financial Results for The three month period ended 30 September

YTD September 2018
Financial Highlights in US$

Subsidiary is represented in these figures.

	September 2018 YTD	September 2017 YTD	Change	% Change
	U$'000	**U$'000**	**U$'000**	
Gross Revenue	24,315	24,304	11	0%
Gross Profit	6,335	6,546	(211)	-3%
Gross Profit %	**26%**	**27%**		-1%
Operating Expenses	5,914	5,002	(912)	-18%
EBIDTA*	421	1,543	(1,122)	-73%
Finance Cost, Net, Depreciation & Taxation	1,027	1,080	53	5%
Intangible Asset Written Off	692	-	(692)	
Non-controlling interest	(15)	55	(70)	-127%
Net Profit - Equity Holders	(1,282)	408	(1,691)	-414%

**The company defines EBITDA as income before intangible assets impairment, income taxes, net interest expense, depreciation and amortization expenses.*

The Board of Directors are pleased to present the company's consolidated unaudited results for the three-month period ended September 30, 2018:

Quarter 1 – Extraordinary IT failure disrupts business in Q1 and impacts profits

As at the close of the FY 2017/2018, CPJ recorded a 10% growth, thus achieving a record of over US$100m in sales in Jamaica and from its offshore distribution in St Lucia.

In support of continued growth, the company announced two (2) major projects to support its expansion and to leverage on its distribution and supply chain platform across the region.

The first major capital project began with the leasehold improvements of 56,000 square feet of a new state of the art distribution center in Montego Bay, to accommodate its growing portfolio of over 5000 products across frozen, chilled and dry categories, to support retail its food service offerings in the Hotel industry. This will become a game changer for our distribution and service levels and benchmark the company against world class standards.

The second major capital project was the implementation of an enterprise-wide IT platform (which began in June 2018 - Q4 of last fiscal year) to integrate its supply chain with its manufacturing, logistics and warehouse management system to facilitate its aggressive local and regional growth.

The intended benefits from the implementation of the new platform could not be realized as the implementation was not successful, and the use of the new platform had to be suspended in this first quarter due to disruption to our business along with the increased costs to contain the impact during the reversion to the legacy platform. Some significant high margin product categories were also impacted due to our inability to fulfil demand.

Management and third-party service providers have assessed the new platform as being impaired due to a middleware configuration challenge. Therefore, under the guidance of IFRS accounting standards, a decision to write off the full value of the platform was taken.

The extraordinary event with impairment of the intangible asset on the financial statements amounts to a total of approximately US$700k. However, additional expenses associated with this extraordinary asset write off accounted for another US$230k.

Changes in senior management have reflected the action to enhance internal talent capability in enabling the success of major projects of this type in the future.

However, we continue to plan and execute major strategic initiatives to enable the continued growth of the company and remain the market leader in food service industry.

Q1 Revenue remains strong and on par with prior period

Notwithstanding the lag of the IT disruption from Q4 of the previous Fiscal Year, the Group revenues regained sales momentum to deliver Sales of US$24.3M which was on par with the same period in the prior year.

The first quarter is traditionally the least robust sales period in the Hospitality Sector. However, the Group achieved revenues which were on par to prior period in year FY 2017/2018 when Jamaica benefited favourably due to the significant fall off in visits to other competitive destinations that were adversely impacted by a very active hurricane season.

Management interprets this as a continuation of the company's relevance in the industry as major hotels reported a softer quarter in occupancy.

Gross profit of US$6.3M showed a slight reduction of US$0.2M (3%) when compared to last year. The stability in revenues was noted both on and off shore. There was a corresponding US$0.2M (1.2%) increase in the cost of operating revenue which was mainly due to the extraordinary increase in container surcharges resulting from the backlog of containers on the port as a result of the delay experienced during the attempted implementation of the IT platform in the latter part of the final quarter prior year. A strategic move was to reduce profit margins in certain categories in order to remain competitive against new entrants during the disruption of the IT platform.

Variable expenses increased significantly due to associated IT Platform failure

The Group reflected a Q1 net loss of US$1.3M. The reduction in profit was primarily a result of the following:

- Impairment in intangible asset of US$0.7M resulting from the attempted implementation for the Warehouse Management System in the fourth quarter of prior year; and
- Logistics and supply chain disruption resulting in increased costs;

Consequently, the operating expenses increased by US$0.9M or 18% from US$5.0M to US$5.9M.

The Balance Sheet of the Company remains strong with healthy ratios and liquidity

Current assets decreased by US$0.8M or 2% from US$46.0M to US$45.2M. Accounts Receivable decreased by US$2.6M when compared to same period last year. This was mainly due to improved collections in the St. Lucian subsidiary. There was an increase of US$2.3M in Inventory from US$26.2M to US$28.5M in preparation for the anticipated busy winter season. There was a reduction of US$0.5M in cash in hand which was anticipated as although there was a net borrowing of US$1.8M it was free cash flow that was used to fund the build out of the new warehouse (US$1.4M) along with the increase in the inventory.

Total assets decreased by US$0.9M or 1% from US$58.9M to US$58.0M. Lower levels of cash and accounts receivables, as well as the investment in the warehouse accounted for the overall decrease in total assets.

Current liabilities were reduced by US$1.7M (8%) when compared to the 1st quarter in prior year. This is mainly due to the reduction in Accounts Payable of US$1.4M (12%); and the current portion of long-term loan of US$2.5M (80%) which was offset by the increase of US$2.0M in short-term loans. Consequently, the company's long-term liabilities have increased by a corresponding US$0.9M.

The company continues to focus on cash management and it remains very liquid with a current ratio of 2.23:1.

Outlook

The major projects announced for FY2018/19 remain on course

Management believes that the disruptive impact of the IT implementation project has been contained and the recovery effort to normalize the business has been achieved. The core business remains strong and robust. However, the extraordinary impact of the write down to the Profit and Loss will be a challenge to offset and to deliver a strong year of financial results in the current fiscal year ending June 2019.

The other major project that was announced for this Fiscal Year is the construction of the new 56,000 square foot distribution facility. This will be completed in Quarter 2 ahead of schedule and within budget. The expectation of this new capital project will enable greater efficiency in service delivery and consolidate all satellite warehouses in western Jamaica.

The third major project is the expansion of the CPJ St Lucia distribution Facility which will also be completed in Q2 and operational in Q3.

Management continues to plan and execute to build on the core strength of the company and is focused on the long-term benefits that will long term value creation for its shareholders

The group continues to execute its business transformation initiatives to strengthen its platform for growth. The group continues to view investment in infrastructure, talent, and technology as vital to maintaining efficiency and managing costs, as the company continues to grow and expand both onshore and offshore. It is expected that the company will benefit from significant improvements in achieving operational efficiency and value creation for its shareholders.

Human Resources Update

The Human Resources department continues to focus on motivating and empowering our workforce to enable peak performance, to achieve our Group's mission of providing the highest levels of service to ensure the success of our customers. During this first quarter of the fiscal year, the department is pleased to report progress and positive performance in the following focus areas.

Corporate Social Responsibility

CPJ continues to uphold its reputation as a responsible corporate citizen by giving back to the communities in which we work. In Q1, we proudly supported ventures in education, youth development and health. Just over 50 toys were donated which comprised of books, puzzles, musical instruments, learning devices among others. The items were well received by the children and the Management Team at Glenhope Nursery. Other projects are in the pipeline includes the usual Christmas activities.

Moving forward, we want the corporate social responsibility initiatives we support to align with our business mission, vision and values and have the greatest possible impact in our communities. This quarter we have engaged a corporate social responsibility specialist to audit our practices and further develop our philanthropic framework.

Recruitment and Staffing

The number of employees at CPJ increased by 8.5% compared to the same quarter in the previous fiscal year. We continue to streamline our workforce so it's aligned with the company's strategic course. Our restructured business model is resulting in a leaner, more efficient organization structure. We will continue to meet the needs of our consumers by ensuring we employ the best people with the best attitude for best fit.

CPJ's compensation and benefits policy remains competitive and reflective of industry standards. During this first quarter, CPJ collaborated with a number of companies for the well-being of our valued team, with a focus on physical and financial health.

Training and Development

Under our updated business model, this fiscal year we are focusing on developing talent across the company. Continuing education and training is an important part of working at CPJ.

CARIBBEAN PRODUCERS (JAMAICA) LIMITED
Period ended September 30, 2018

Interim Statement of Financial Position -Unaudited

	CPJ Jamaica Unaudited September 30, 2018 TOTAL	CPJ Jamaica Unaudited September 30, 2017 TOTAL	CPJ Jamaica Audited June 30, 2018 TOTAL
CURRENT ASSETS			
Cash and cash equivalents	3,200,533	3,725,718	3,756,720
Accounts receivable	13,508,438	16,129,860	15,214,933
Inventories	28,476,986	26,155,812	25,906,462
	45,185,957	46,011,390	44,878,115
CURRENT LIABILITIES			
Bank overdraft	634,140	310,245	776,993
Short-term loans	4,500,000	2,500,000	1,700,000
Accounts payable	9,806,234	11,195,677	10,134,927
Short-term promissory notes	4,317,794	4,317,794	4,317,794
Current portion long-term borrowings	614,568	3,075,757	615,127
Tax payable	376,174	588,318	450,413
	20,248,910	21,987,791	17,995,254
NET CURRENT ASSETS	24,937,047	24,023,599	26,882,861
NON-CURRENT ASSETS			
Investment	71,581	71,581	71,581
Deferred tax asset	953,848	797,291	955,302
Intangible asset	46,705	142,272	707,091
Property, plant and equipment	11,780,659	11,889,399	11,776,693
	12,852,793	12,900,543	13,510,667
US$	**37,789,840**	**36,924,142**	**40,393,528**
SHAREHOLDERS' EQUITY			
Share capital	4,898,430	4,898,430	4,898,430
Accumulated surplus	17,324,507	17,438,503	18,606,749
	22,222,937	22,336,933	23,505,179
Non - controlling interest	125,180	(16,981)	140,294
	22,348,117	22,319,952	23,645,473
NON-CURRENT LIABILITIES			
Long-term promissory notes	7,269,865	9,268,375	8,269,110
Due to related party	2,738,704	2,735,222	2,736,203
Long-term borrowings	5,433,154	2,600,593	5,742,742
	15,441,723	14,604,190	16,748,055
US$	**37,789,840**	**36,924,142**	**40,393,528**

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

Thomas Tyler — Director

Theresa Chin — Director

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

Period ended September 30, 2018

Interim Statement of Comprehensive Income - Unaudited

		Unaudited	Unaudited	Audited
		Three months ended	Three months ended	Twelve months ended
		September 30, 2018	September 30, 2017	June 30, 2018
Gross operating revenue		24,314,714	24,303,891	107,795,501
Cost of operating revenue		(17,979,264)	(17,758,323)	(79,367,737)
Gross profit		6,335,450	6,545,568	28,427,764
Selling and administrative expenses		(5,909,755)	(5,015,628)	(21,949,403)
Depreciation and amortisation		(600,416)	(607,235)	(2,460,328)
Other operating (expenses)/income, net		(4,266)	13,407	290,054
Intangible asset written off		(692,235)	-	-
Operating (loss)/profit		(871,222)	936,112	4,308,087
Finance income		108	110	882
Finance costs		(389,651)	(427,876)	(1,670,924)
(Loss)/ profit before taxation		(1,260,765)	508,346	2,638,045
Taxation		(36,591)	(45,000)	(327,439)
(Loss)/ profit for the period, being total comprehensive (loss)/ income		(1,297,356)	463,346	2,310,606
Attributable to:				
Equity holders of the Parent		(1,282,242)	408,491	2,098,476
Non- controlling interest		(15,114)	54,855	212,130
	US$	(1,297,356)	463,346	2,310,606
Earnings per stock unit (cents)	¢	(0.12)	0.04	0.19

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Period ended September 30, 2018

Interim Statement of Changes in Equity - Unaudited

		Share capital	Accumulated surplus	Non controlling Interest	Total
Three months ended September 30, 2017					
Balances at June 30, 2017		4,898,430	17,030,012	(71,836)	21,856,606
Profit for the period, being total comprehensive income			408,491	54,855	463,346
Unaudited balances at September 30, 2017	US$	4,898,430	17,438,503	(16,981)	22,319,952
Three months ended September 30, 2018					
Balances at June 30, 2018		4,898,430	18,606,749	140,294	23,645,473
Loss for the period, being total comprehensive loss			(1,282,242)	(15,114)	(1,297,356)
Unaudited balances at September 30, 2018	US$	4,898,430	17,324,507	125,180	22,348,117

CARIBBEAN PRODUCERS (JAMAICA) LIMITED
Period ended September 30, 2018

Consolidated Interim Statement of Cash Flows - Unaudited

		Unaudited Three months ended September 30, 2018	Unaudited Three months ended September 30, 2017	Audited Year-ended June 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/profit for the period		(1,282,242)	408,491	2,098,476
Adjustments for:				
Depreciation and amortisation		600,416	607,235	2,460,328
(Gain)/loss on disposal of property, plant and equipment		(10,327)	51,579	41,935
Intangible asset written off		692,235	-	-
Transfer and adjustment to property plant and equipment		-	-	(6,798)
Interest income		(108)	(110)	(882)
Interest expense		389,651	427,876	1,670,924
Non- controlling interest		(15,114)	54,855	212,130
Taxation		36,591	45,000	327,439
		411,102	1,594,926	6,803,552
Decrease/(increase) in current assets:				
Accounts receivable		1,706,495	(2,221,096)	(1,306,169)
Inventories		(2,570,524)	(1,530,465)	(1,281,115)
(Decrease)/increase in current liability:				
Accounts payable		(395,462)	4,005,763	2,853,972
Cash (used)/generated by operations		(848,389)	1,849,128	7,070,240
Interest paid		(322,882)	(475,037)	(1,627,044)
Tax paid		(109,376)	(35,486)	(613,841)
Net cash (used)/provided by operating activities		(1,280,647)	1,338,605	4,829,355
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment		(643,596)	(287,353)	(2,613,999)
Proceeds from disposal of property, plant and equipment		17,692	5,080	42,962
Interest received		108	110	882
Net cash used by investing activities		(625,796)	(282,163)	(2,570,155)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid		-	-	(521,739)
Promissory notes received		755	707	1,442
Promissory notes repaid		(1,000,000)	-	(1,000,000)
Long-term/short-term borrowings repaid		(310,147)	(968,609)	12,668,254
Due to related company		2,501	(8,782)	(7,801)
Long-term/short-term borrowings received		2,800,000	815,669	(12,939,675)
Net cash provided/(used) by financing activities		1,493,109	(161,015)	(1,799,519)
Net (decrease)/increase in cash and cash equivalents for the period		(413,334)	895,427	459,681
Cash and cash equivalents at beginning of the period		2,979,727	2,520,046	2,520,046
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	US$	2,566,393	3,415,473	2,979,727
Comprised of				
Cash and cash equivalents		3,200,533	3,725,718	3,756,720
Bank overdraft		(634,140)	(310,245)	(776,993)
	US$	2,566,393	3,415,473	2,979,727

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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 September 30, 2018, 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, 2018, 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 unrealised gains and losses or 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 **IFRS 9**

The Group is in the process of evaluating the impact of IFRS 9 on the financial statements of the Group. The preliminary assessment to date will result in the Group continuing to account for loans and receivables being accounted for at amortised cost based on the criteria of the standard. A simplified approach, permitted by IFRS 9 will be used for trade receivables, utilizing historical defaults by aged receivables as well as forward looking information to determine impairment.

5 **IFRS 15**

Selected explanatory notes

The Group has conducted an assessment in order to determine the qualitative and quantitative impacts of the implementation of this new revenue recognition standard. Based on this assessment, the company does not expect a material impact due to the transition to IFRS 15. However, the assessment is still ongoing and the final impact is not yet known.

6 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.

7 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%

8 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:

	Three months ended September 30, 2018	Three months ended September 30, 2017	Twelve months ended June 30, 2018
Profit for the period attributable to the shareholders of the company	(1,282,242)	408,491	2,098,476
Weighted average number of ordinary stock units held during the period	1,100,000,000	1,100,000,000	1,100,000,000
Earnings per stock unit (expressed in ¢ per share)	- 0.12	0.04	0.19

9 Contingent liabilities

In 2016, Tax Administration Jamaica (TAJ) conducted a GCT audit for the period January 2012 to December 2015 and proposed an adjustment to the returns for the period. No formal assessment has been served in this regard. During the year, the management and directors continued discussions with TAJ and other relevant authorities to review and resolve the proposed adjustments. At the date of authorisation of these financial statements, the resolution process is still ongoing.

CARIBBEAN PRODUCERS JAMAICA LIMITED

TOP TEN (10) STOCKHOLDERS AS AT 30TH SEPTEMBER 2018

NAME	UNITS	%
Sportswear Producers Limited	248,000,000	22.5455
Mayberry Jamaican Equities Limited	218,252,305	19.8411
Wave Trading Limited	180,632,858	16.4212
Thomas Tyler	82,830,563	7.5301
Oniks Investments Limited	75,297,515	6.8452
Ho Choi Limited	33,581,579	3.0529
Beech Realty Company Limited	31,000,000	2.8182
PWL Bamboo Holdings Limited	14,866,744	1.3515
ATL Group Pension Fund Trustees Nom. Ltd	12,982,044	1.1802
Bricks Limited	12,000,000	1.0909

SENIOR MANAGERS

NAME	UNITS	%
Debbie Clarke	0	0
Hugh Logan	144,343	0.0131
Kesha Ann Harper	0	0
Rhys Campbell	0	0
Ryan Peart	0	0

DIRECTORS AND CONNECTED PARTIES REPORT

NAME	POSITION	RELATIONSHIP	UNITS	%
Sportswear Producers Limited			248,000,000	22.5455
Mark Hart	Chairman	Connected party holding		
Mayberry West Indies Limited			218,252,305	19.8411
Konrad Mark Berry	Director	Connected party holding		
Christopher Berry	Director	Connected party holding		
Wave Trading Limited			180,632,858	16.4212
Mark Hart	Chairman	Connected party holding		
Thomas Tyler	Co-Chairman	Self	82,830,563	7.5301
PWL Bamboo Group Holdings Limited			14,866,744	1.3515
Mark Konrad Berry	Director	Connected party holding		
Bricks Limited			12,000,000	1.0909
David Lowe	Director	Connected party holding		
Alpine Endeavors Limited			1,881,100	0.1710
Ronald Schrager	Director	Connected party holding		
Apex Pharmacy Limited			1,421,936	0.1292
Christopher Berry	Director	Connected party holding		
A+Medical Centre Limited			1,000,000	0.0909
Christopher Berry	Director	Connected party holding		
Jan Polack	Director	Self	1,977,724	0.1797
Konrad Mark Berry	Director	Self	500,000	0.0455
Robert J. Hooker	Director	Self	472,000	0.0429
Theresa Chin	Director	Self	288,900	0.0263
Richard Mark Hall	Director	Self	114,090	0.0104