



CARIBBEAN PRODUCERS JAMAICA LIMITED

SECOND QUARTER

UNAUDITED FINANCIAL REPORT

SIX MONTHS ENDED DECEMBER 31, 2018



Consolidated Unaudited Financial Results for the six-month period ended 31 December 2018

The Board of Directors are pleased to present the company's consolidated unaudited results for the six-months period ended December 31, 2018.

Strong Revenues and return to profit in Q2 after IT Disruption in Q1

The Group returned to normalcy of operations with strong revenues in Q2 and a return to profit. The increase in revenues for the quarter by US\$5.1M (21%) above Q1 and on par with Q2 of the prior year at US\$29.5M. The Company delivered a strong profit recovery of US\$484K in the month of December 2018.

The overall group sales revenues of US\$53.7M, for the half year are consistent with the strong performance usually witnessed across the Hospitality Sector at this time of the year. The consistency in revenues was observed in both on and off shore operations.

Revenue from protein sales to hotels decreased due to inequitable competition based on their mistreatment of applicable duties and taxes. This represented a decline in the category for the period of US\$1.3M or 19.4% when compared to same period prior year. However, given CPJ's diverse product portfolio, aggressive sales push in other categories resulted in strong growth for seafood (28.6%), spirits (21.1%) and RTD Beverages (13%) to offset the decline.

Extraordinary IT asset write off and fulfilment expenses impacted profitability for the six months ended December 31, 2018

The Group reflected a H1 net loss of US\$1.2M. The notable reduction of US\$2.7M when compared to H1 in prior year was mainly due to the following:

- Impairment of an intangible IT software of US\$0.7M as a result of the failed implementation of a new Warehouse Management System.
- Reduction in gross profit margin from 26.7% to 25.1%. The US\$0.9M (6.4%) decrease was as a result of revenues remaining flat year on year (an insignificant change of US\$0.2M (0.3%)) whilst there was a US\$0.75M (1.9%) increase in cost of operating revenue.

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

Current assets increased by US\$3.4M (6.9%) from US\$48.4M to US\$51.8M. Total assets increased by US\$4.1M (6.7%) whilst total liabilities increased by US\$4.5M (11.9%).

The group continues to focus on cash management and remains liquid with a current ratio of 1.90:1 when compared to 2.03:1 prior year.

Accordingly, the earnings per share decreased from 0.13 cents to a loss per share of 0.11 cents. The stock price for the CPJ share was at \$4.87 as at December 31, 2018.

Awards

The Company was awarded the best Website Award by the Junior Jamaica Stock Exchange (for the 5th time over a 6-year period).

Outlook

Management is of the view that the disruptive impact of the IT implementation project is now contained in Q2. The objective for the second half of the year is to continue the recovery towards profitability after the significant extraordinary impact from Q1 business disruption. Specifically, focus to address the impact on the loss of the market share in protein business during Q3 and Q4 and reverse the correlated impact on the gross profit. The core business remains strong and robust and anticipates the growth in its sales trajectory will continue as planned.

The Management remains committed to a strategy on the ability of the company to achieve long term shareholder value by creating scale and implementing strategic business transformation initiatives. The desired outcome is to strengthen its platform for growth to accommodate the announced plans for new hotel investments and room expansion.

The major project that was announced for this Fiscal Year the construction of the new 56,000 square foot distribution facility will be formally opened on February 12, 2019. The other project that was announced was expansion of the CPJ St. Lucia into retail market. The first CPJ retail store in St. Lucia was opened to the public on the 15th December 2018 and it has been well received by the people of St. Lucia.

The new Distribution center is being viewed as a game changer for CPJ and the most significant event in its 25th anniversary year. It is expected that the company will benefit from significant improvements in achieving operational efficiency, greater customer satisfaction and reduction in direct fulfillment costs and overall contribute towards value creation for its shareholders.

The Management extends its gratitude to its vendors, suppliers, customers, employees and shareholders for their continued support.

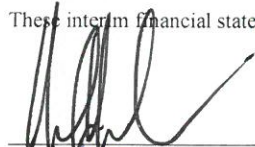


David Lowe, Ph.D.
Chief Executive Officer

Interim Statement of Financial Position -Unaudited

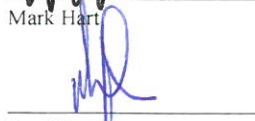
	CPJ Jamaica Unaudited December 31, 2018 <u>TOTAL</u>	CPJ Jamaica Unaudited December 31, 2017 <u>TOTAL</u>	CPJ Jamaica Audited June 30, 2018 <u>TOTAL</u>
CURRENT ASSETS			
Cash and cash equivalents	3,173,068	2,720,433	3,756,720
Accounts receivable	20,221,590	19,724,727	15,214,933
Inventories	27,327,638	25,982,667	25,906,462
	<u>50,722,296</u>	<u>48,427,827</u>	<u>44,878,115</u>
CURRENT LIABILITIES			
Bank overdraft	1,162,155	555,793	776,993
Short-term loans	6,150,000	3,400,000	1,700,000
Accounts payable	14,525,351	11,466,761	10,134,927
Short-term promissory notes	4,317,794	4,317,794	4,317,794
Current portion long-term borrowings	633,072	3,242,860	615,127
Tax payable	480,192	798,096	450,413
	<u>27,268,564</u>	<u>23,781,304</u>	<u>17,995,254</u>
NET CURRENT ASSETS	<u>23,453,732</u>	<u>24,646,523</u>	<u>26,882,861</u>
NON-CURRENT ASSETS			
Investment	71,581	71,581	71,581
Deferred tax asset	953,848	797,291	955,302
Intangible asset	71,805	94,207	707,091
Property, plant and equipment	13,499,354	11,836,306	11,776,693
	<u>14,596,588</u>	<u>12,799,385</u>	<u>13,510,667</u>
USS	<u>38,050,320</u>	<u>37,445,908</u>	<u>40,393,528</u>
SHAREHOLDERS' EQUITY			
Share capital	4,898,430	4,898,430	4,898,430
Accumulated surplus	17,414,381	17,971,404	18,606,749
	<u>22,312,811</u>	<u>22,869,834</u>	<u>23,505,179</u>
Non - controlling interest	200,028	88,574	140,294
	<u>22,512,839</u>	<u>22,958,408</u>	<u>23,645,473</u>
NON-CURRENT LIABILITIES			
Long-term promissory notes	7,269,865	9,268,375	8,269,110
Due to related party	2,738,904	2,735,222	2,736,203
Long-term borrowings	5,528,712	2,483,903	5,742,742
	<u>15,537,481</u>	<u>14,487,500</u>	<u>16,748,055</u>
USS	<u>38,050,320</u>	<u>37,445,908</u>	<u>40,393,528</u>

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



Director

Mark Hart



Director


David Lowe

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

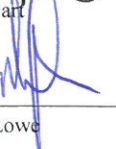
Interim Statement of Financial Position -Unaudited

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Intangible asset	71,805	94,207	707,091
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	<u>22,312,811</u>	<u>22,869,834</u>	<u>23,505,179</u>
Non - controlling interest	200,028	88,574	140,294
	<u>22,512,839</u>	<u>22,958,408</u>	<u>23,645,473</u>
NON-CURRENT LIABILITIES			
Long-term promissory notes	7,269,865	9,268,375	8,269,110
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US\$	<u>38,050,320</u>	<u>37,445,908</u>	<u>40,393,528</u>

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



 Mark Hart



 David Lowe

Director

Director

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

Period ended December 31, 2018

Interim Statement of Comprehensive Income - Unaudited

	Unaudited Three months ended	Unaudited Three months ended	Unaudited Six months ended	Unaudited Six months ended	Audited Year ended
	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2018</u>
Gross operating revenue	29,415,032	29,544,083	53,729,746	53,905,098	107,795,501
Cost of operating revenue	(22,285,287)	(21,703,186)	(40,264,551)	(39,518,633)	(79,367,737)
Gross profit	7,129,745	7,840,897	13,465,195	14,386,465	28,427,764
Selling and administrative expenses	(5,781,121)	(5,447,419)	(11,690,876)	(10,463,047)	(21,949,403)
Depreciation and amortisation	(609,271)	(638,763)	(1,209,687)	(1,245,998)	(2,460,328)
Other operating (expenses)/income, net	(94,458)	(28,230)	(98,724)	(31,813)	290,054
Intangible asset written off		-	(692,235)	-	-
Operating profit/(loss)	644,895	1,726,485	(226,327)	2,645,607	4,308,087
Finance income	170	93	278	203	882
Finance costs	(411,143)	(421,329)	(800,794)	(849,205)	(1,670,924)
Profit/(loss) before taxation	233,922	1,305,249	(1,026,843)	1,796,605	2,638,045
Taxation	(69,200)	(128,064)	(105,791)	(173,064)	(327,439)
Profit/(loss) for the period, being total comprehensive income/(loss)	164,722	1,177,185	(1,132,634)	1,623,541	2,310,606
Attributable to:					
Equity holders of the Parent	89,874	1,071,630	(1,192,368)	1,463,131	2,098,476
Non- controlling interest	74,848	105,555	59,734	160,410	212,130
US\$	164,722	1,177,185	(1,132,634)	1,623,541	2,310,606
Earnings per stock unit (cents)	0.01	0.10	(0.11)	0.13	0.19

Period ended December 31, 2018

Interim Statement of Changes in Equity - Unaudited

Six months ended December 31, 2017	<u>Share capital</u>	<u>Accumulated surplus</u>	<u>Non controlling Interest</u>	<u>Total</u>
Balances at June 30, 2017	4,898,430	17,030,012	(71,836)	21,856,606
Profit for the period, being total comprehensive income		1,463,131	160,410	1,623,541
Transaction recorded directly in equity:				
Dividends		(521,739)		(521,739)
Unaudited balances at December 31, 2017	US\$ 4,898,430	17,971,404	88,574	22,958,408
Six months ended December 31, 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		(1,192,368)	59,734	(1,132,634)
Unaudited balances at December 31, 2018	US\$ 4,898,430	17,414,381	200,028	22,512,839

Consolidated Interim Statement of Cash Flows - Unaudited

	Unaudited Six months ended <u>December 31, 2018</u>	Unaudited Six months ended <u>December 31, 2017</u>	Audited Year-ended <u>June 30, 2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit for the period	(1,192,368)	1,463,131	2,098,476
Adjustments for:			
Depreciation and amortisation	1,209,687	1,245,998	2,460,328
(Gain)/loss on disposal of property, plant and equipment	(17,614)	57,689	41,935
Intangible asset written off	692,235	-	-
Transfer and adjustment to property plant and equipment	-	-	(6,798)
Interest income	(278)	(203)	(882)
Interest expense	800,794	825,529	1,670,924
Non- controlling interest	59,734	160,410	212,130
Taxation	105,791	173,064	327,439
	<u>1,657,981</u>	<u>3,925,618</u>	<u>6,803,552</u>
Increase in current assets:			
Accounts receivable	(5,006,657)	(5,815,963)	(1,306,169)
Inventories	(1,421,176)	(1,357,320)	(1,281,115)
Increase in current liability:			
Accounts payable	4,417,580	4,192,927	2,853,972
Cash (used)/generated by operations	(352,272)	945,262	7,070,240
Interest paid	(827,950)	(788,770)	(1,627,044)
Tax paid	(74,558)	46,228	(613,841)
Net cash (used)/provided by operating activities	<u>(1,254,780)</u>	<u>202,720</u>	<u>4,829,355</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	(3,004,098)	(831,940)	(2,613,999)
Proceeds from disposal of property, plant and equipment	32,415	5,952	42,962
Interest received	278	203	882
Net cash used by investing activities	<u>(2,971,405)</u>	<u>(825,785)</u>	<u>(2,570,155)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	-	(521,739)	(521,739)
Promissory notes received	755	707	1,442
Promissory notes repaid	(1,000,000)	-	(1,000,000)
Long-term/short-term borrowings repaid	(1,896,085)	(4,010,768)	12,668,254
Due to related company	2,701	(8,782)	(7,801)
Long-term/short-term borrowings received	6,150,000	4,808,241	(12,939,675)
Net cash provided/(used) by financing activities	<u>3,257,371</u>	<u>267,659</u>	<u>(1,799,519)</u>
Net (decrease)/increase in cash and cash equivalents for the period	(968,814)	(355,406)	459,681
Cash and cash equivalents at beginning of the period	<u>2,979,727</u>	<u>2,520,046</u>	<u>2,520,046</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	US\$ <u>2,010,913</u>	2,164,640	2,979,727
Comprised of			
Cash and cash equivalents	3,173,068	2,720,433	3,756,720
Bank overdraft	(1,162,155)	(555,793)	(776,993)
US\$	<u>2,010,913</u>	<u>2,164,640</u>	<u>2,979,727</u>

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 December 31, 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

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.

Selected explanatory notes

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:

	<u>Three months ended</u> <u>December 31, 2018</u>	<u>Three months ended</u> <u>December 30, 2017</u>	<u>Six months ended December</u> <u>31, 2018</u>	<u>Six months ended December 31,</u> <u>2017</u>
Profit/(loss) for the period attributable to the shareholders of the company	89,874	1,071,630	(1,192,368)	1,463,131
Weighted average number of ordinary stock units held during the period	1,100,000,000	1,100,000,000	1,100,000,000	1,100,000,000
Earnings per stock unit (expressed in ¢ per share)	0.01	0.10	(0.11)	0.13

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.



TOP TEN (10) STOCKHOLDERS AS AT 31ST DECEMBER 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	%
<u>Sportswear Producers Limited</u>			248,000,000	22.5455
Mark Hart	Chairman	Connected party holding		
<u>Mayberry West Indies Limited</u>			218,252,305	19.8411
Konrad Mark Berry	Director	Connected party holding		
Christopher Berry	Director	Connected party holding		
<u>Wave Trading Limited</u>			180,632,858	16.4212
Mark Hart	Chairman	Connected party holding		
Thomas Tyler	Co-Chairman	Self	82,830,563	7.5301
<u>PWL Bamboo Group Holdings Limited</u>			14,866,744	1.3515
Mark Konrad Berry	Director	Connected party holding		
<u>Bricks Limited</u>			12,000,000	1.0909
David Lowe	Director	Connected party holding		
<u>Alpine Endeavors Limited</u>			1,881,100	0.1710
Ronald Schrager	Director	Connected party holding		
<u>Apex Pharmacy Limited</u>			1,421,936	0.1292
Christopher Berry	Director	Connected party holding		
<u>A+Medical Centre Limited</u>			1,000,000	0.0909
Christopher Berry	Director	Connected party holding		
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



Compliance Statement for Statutory Obligations

Reporting Period: 2nd Quarter Ending December 31, 2018

Statutory Liability	Oct-18	Date of Pmt	Nov-18	Date of Pmt	Dec-18	Date of Pmt
P.A.Y.E.	8,217,870.94	7-Nov-18	8,813,038.89	11-Dec-18	9,293,302.31	14-Jan-19
N.H.T.	3,619,487.08	7-Nov-18	3,642,925.39	11-Dec-18	4,839,832.38	14-Jan-19
Education Tax	4,081,190.92	7-Nov-18	4,101,109.90	11-Dec-18	5,451,167.18	14-Jan-19
HEART	2,171,692.18	7-Nov-18	2,185,755.15	11-Dec-18	2,903,899.23	14-Jan-19
NIS	1,936,329.12	7-Nov-18	1,885,138.02	11-Dec-18	2,901,537.64	14-Jan-19
GCT	1,930,984.00	28-Nov-18	22,979,657.00	28-Dec-18		
Contractors Levy	15,860.00	13-Nov-18	65,347.76	13-Dec-18	136,636.00	10-Jan-19
Withholding Taxes- Loan Interest	1,187,706.30	13-Nov-18	2,212,708.14	13-Dec-18	1,770,118.21	10-Jan-19

Kesha-Ann Harper
Director of Finance

8/2/2019

Date

Vivek Gambhir
Chief Financial and Information Technology Officer

08th Feb, 2019

Date