CARIBBEAN PRODUCERS JAMAICA LIMITED

SECOND QUARTER

UNAUDITED FINANCIAL REPORT

SIX MONTHS ENDED DECEMBER 31, 2019

Consolidated Unaudited Financial Results for the six-month period ended 31 December 2019

The Board of Directors are pleased to present the consolidated unaudited financial results for the CPJ group for six-months period ended December 31, 2019.

Performance

CPJ group, after recording strong sales in Q1, continued the trend in Q2 of the current fiscal year. The group reported robust revenues of US$32.38M which is 10% over Q2 of the last fiscal year 2018/2019. For the month of December 2019, the company achieved record sales of over US$11M and earned profit before taxes of US$0.76M.

The overall group sales revenues for the half year were US$59.47M which is 10.7% over the same period of the last fiscal year 2019. The growth in revenues was observed both in onshore and offshore operations. This incidentally is the best performing half year for the group thus far.

The company continues to experience a strong demand for its diversified portfolio of products in this period.

The group has adopted IFRS 16 Leases effective July 1, 2019 which has resulted in the introduction of a single, on-balance sheet accounting model for lessees. Lease liabilities and associated right-of-use assets have now been recognised in relation to leases previously classified as "operating leases" under the principles of IAS 17 Leases. The right-of-use assets represents the right to use the underlying assets and the lease liability represents the obligation to make lease payments.

EBIDTA

The Group's EBIDTA for the first six months of the current fiscal year improved significantly when compared to the same period prior year, having increased by US$1.64M (98%) to US$3.32M.

The Group generated a 382% increase in profit before taxes for this quarter of US$1.12M as compared to US$0.23M in Q2 FY19. There was an increase of 522% in Net profit for this quarter to US$1.02M as compared to US$0.16M in Q2 FY19. The above results are prior to any adjustments in the books of accounts for IFRS 16 – Leases.

After affecting accounting entries for IFRS 16, there is an adverse impact of 23% on the net profit resulting in a reported net profit of US$0.84M.

The robust growth in the sales revenue and profitability for the half year, augurs well for the group as we continue to make progress in improving our operational efficiencies which should contribute to operating profits for the current fiscal year.

Balance Sheet and Current ratio

Current assets increased by US$2.31M (5%) from US$50.72M to US$53.03M. Total assets increased by US$2.4M (4%) whilst total liabilities increased by US$2.09M (5%) over the same period last year.

The group continues to demonstrate strong treasury management with a current ratio of 2.12:1 when compared to 1.86:1 in the same period last year.

The above calculations are prior to any adjustments for IFRS 16.

Awards

The Company received the following accolades during the half year -

a. Best Annual Report and First Runner up for best website 2019 by the Junior Jamaica Stock Exchange;
b. President's award 2019 in recognition and appreciation of invaluable support to the tourism industry by the Jamaica Hotel & Tourism Association, and
c. Purveyor of the Year award 2019 by the RJRGLEANER Hospitality.

Outlook

The Chief Executive Officer tendered his resignation in November 2019 for effect January 31, 2020. The Executive Chairman will act as interim CEO until a successor is identified. The outgoing CEO will be engaged as a Consultant to Management during the transition period.

Management is of the opinion that the group will continue to build on the momentum it has achieved thus far in the remaining quarters of the current fiscal 2020. The objective going forward is to continue working towards value creating initiatives that will not only increase the gross margin but also further streamline fulfilments costs.

The Management remains committed to its strategic goal of achieving 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 Management extends its gratitude to vendors, suppliers, customers, employees and shareholders for their continued support in brand CPJ.

Mark Hart
Executive Chairman & Interim CEO

Vivek Gambhir
Chief Financial Officer

CARIBBEAN PRODUCERS (JAMAICA) LIMITED
Period ended December 31, 2019

Interim Statement of Financial Position -Unaudited

	CPJ Jamaica Unaudited December 31, 2019 TOTAL	CPJ Jamaica Unaudited December 31, 2018 TOTAL	CPJ Jamaica Audited June 30, 2019 TOTAL
CURRENT ASSETS			
Cash and cash equivalents	2,920,917	3,173,068	4,212,776
Accounts receivable	22,560,430	20,221,590	15,889,156
Inventories	27,550,189	27,327,638	31,865,641
	53,031,536	50,722,296	51,967,573
CURRENT LIABILITIES			
Bank overdraft	836,801	1,162,155	1,067,854
Short-term loans	6,356,712	6,150,000	5,150,000
Accounts payable	12,353,714	14,525,351	15,520,287
Short-term promissory notes	4,317,794	4,317,794	4,317,794
Current portion long-term borrowings	652,290	633,072	1,070,490
Current portion of lease-liability	1,017,268	-	-
Tax payable	446,174	480,192	70,648
	25,980,753	27,268,564	27,197,073
NET CURRENT ASSETS	27,050,783	23,453,732	24,770,500
NON-CURRENT ASSETS			
Investment	71,581	71,581	71,581
Deferred tax asset	1,089,120	953,848	1,096,001
Intangible asset	75,467	71,805	32,585
Property, plant and equipment	13,449,829	13,499,354	14,303,532
Right of use asset	7,598,341	-	-
	22,284,338	14,596,588	15,503,699
US$	**49,335,121**	**38,050,320**	**40,274,199**
SHAREHOLDERS' EQUITY			
Share capital	4,898,430	4,898,430	4,898,430
Accumulated surplus	17,599,041	17,414,381	17,074,870
	22,497,471	22,312,811	21,973,300
Non-controlling interest	135,710	200,028	141,254
	22,633,181	22,512,839	22,114,554
NON-CURRENT LIABILITIES			
Long-term promissory notes	9,271,496	7,269,865	7,270,669
Due to related party	3,044,939	2,738,904	3,056,603
Long-term borrowings	7,615,687	5,528,712	7,832,373
Lease liability	6,769,818	-	-
	26,701,940	15,537,481	18,159,645
US$	**49,335,121**	**38,050,320**	**40,274,199**

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

Mark Hart — Director

Thomas Tyler — Director

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

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Period ended December 31, 2019

Interim Statement of Comprehensive Income - Unaudited

		Unaudited Three months ended TOTAL December 31, 2019	Unaudited Three months ended TOTAL December 31, 2018	Unaudited Six months ended TOTAL December 31, 2019	Unaudited Six months ended TOTAL December 31, 2018	Audited Twelve months ended TOTAL June 30, 2019
Gross operating revenue		32,383,198	29,415,032	59,465,065	53,729,746	109,620,529
Cost of operating revenue		(23,884,923)	(22,285,287)	(44,197,808)	(40,264,551)	(83,397,830)
Gross profit		8,498,275	7,129,745	15,267,257	13,465,195	26,222,699
Selling and administrative expenses		(5,431,714)	(5,781,121)	(11,329,221)	(11,690,876)	(22,861,791)
Expected Credit Loss		(18,500)	-	(36,000)	-	1,842
Depreciation and amortisation		(1,368,220)	(609,271)	(2,134,763)	(1,209,687)	(2,466,027)
Other operating income/(expenses), net		49,638	(94,458)	100,058	(98,724)	175,059
Intangible asset written off		-	-	-	(692,235)	(679,713)
Operating profit		1,729,479	644,895	1,867,331	(226,327)	392,069
Finance income		316	170	592	278	569
Finance costs		(791,818)	(411,143)	(1,247,342)	(800,794)	(1,677,861)
Profit/(loss) before taxation		937,977	233,922	620,581	(1,026,843)	(1,285,223)
Taxation		(101,954)	(69,200)	(101,954)	(105,791)	117,354
Profit/(loss)for the period, being total comprehensive income/(loss)		836,023	164,722	518,627	(1,132,634)	(1,167,869)
Attributable to:						
Equity holders of the Parent		782,372	89,874	524,171	(1,192,368)	(1,168,829)
Non-controlling interest		53,651	74,848	(5,544)	59,734	960
	US$	836,023	164,722	518,627	(1,132,634)	(1,167,869)
Earnings per stock unit (cents)	¢	0.07	0.01	0.05	(0.11)	(0.11)

CARIBBEAN PRODUCERS (JAMAICA) LIMITED
Period ended December 31, 2019

Interim Statement of Changes in Equity - Unaudited

		Share capital	Accumulated surplus	Non controlling Interest	Total
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
Six months ended December 31, 2019					
Balances at June 30, 2019		4,898,430	17,074,870	141,254	22,114,554
Profit for the period, being total comprehensive income		-	524,171	(5,544)	518,627
Unaudited balances at December 31, 2019	US$	4,898,430	17,599,041	135,710	22,633,181

Consolidated Interim Statement of Cash Flows - Unaudited

		Unaudited Six months ended 31-Dec-19	Unaudited Six months ended 31-Dec-18	Audited Year-ended June 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) for the period		524,171	(1,192,368)	(1,168,829)
Adjustments for:				
Depreciation and amortisation		2,134,763	1,209,687	2,466,027
Loss/(gain) loss on disposal of property, plant and equipment		7,287	(17,614)	8,624
Intangible asset written off		-	692,235	679,713
Transfer and adjustment to property plant and equipment		5,196		22,309
Interest income		(592)	(278)	(569)
Interest expense		1,247,342	800,794	1,677,861
Lease Liability		(406,205)	-	-
Non-controlling interest		(5,544)	59,734	960
Taxation		101,954	105,791	(117,354)
		3,608,372	1,657,981	3,568,742
(Increase)/decrease in current assets:				
Accounts receivable		(6,671,274)	5,006,657	(1,060,618)
Inventories		4,315,452	(1,421,176)	(5,959,179)
(Decrease)/increase in current liability:				
Accounts payable		(3,392,643)	4,417,580	5,434,910
Cash generated by operations		(2,140,093)	(352,272)	1,983,855
Interest paid		(1,021,272)	(827,950)	(1,727,411)
Tax recovered/(paid)		280,453	(74,558)	(379,765)
Net cash used by operating activities		(2,880,912)	(1,254,780)	(123,321)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment		(755,030)	(3,004,098)	(5,061,393)
Proceeds from disposal of property, plant and equipment		13,555	32,415	32,387
Interest received		592	278	569
Net cash used by investing activities		(740,883)	(2,971,405)	(5,028,437)
CASH FLOWS FROM FINANCING ACTIVITIES				
Promissory notes received		2,000,827	755	1,559
Promissory notes repaid		-	(1,000,000)	(1,000,000)
Long-term/short-term borowings received		1,286,786	(1,896,085)	15,512,153
Due to related company		(11,664)	2,701	320,400
Long-term/short-term borowings repaid		(714,960)	6,150,000	(9,517,159)
Net cash provided by financing activities		2,560,989	3,257,371	5,316,953
Net (decrease)/increase in cash and cash equivalents for the period		(1,060,806)	(968,814)	165,195
Cash and cash equivalents at beginning of the period		3,144,922	2,979,727	2,979,727
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	US$	2,084,116	2,010,913	3,144,922
Comprised of				
Cash and cash equivalents		2,920,917	3,173,068	4,212,776
Bank overdraft		(836,801)	(1,162,155)	(1,067,854)
	US$	2,084,116	2,010,913	3,144,922

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, 2019, 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, 2019, which have been consistently applied from period to period, except for the adoption of IFRS 16, Leases. The changes in accounting policies are disclosed in note 5.

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 **Segment reporting**

Segment information is presented in respect of the group's strategic business segments. The identification of business segments is based on the group's management and internal reporting structure. Segment results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis.

Segment information below represents segment revenue based on the country receiving the benefit of our products/services and segment assets based on the country in which the owner is registered.

Geographical information:

	2019				
	Jamaica	Investments	St. Lucia	Eliminations	Total
	US$	US$	US$	US$	US$
Revenue from external customers	51,302,089	-	8,495,683	(332,707)	59,465,065
Segment non-current assets	21,845,089	3,246,819	3,692,513	(6,500,083)	22,284,338
Additions to property, plant and equipment	576,321	-	178,709	-	755,030

Selected explanatory notes (contd)

5 **Changes in Accounting Policies**

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the last annual financial statements. The changes in accounting policies will also be reflected in the group's consolidated financial statements as at and for the year ended June 30, 2020.

The group has initially adopted IFRS 16 'Leases' from July 1, 2019. IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the group, as a lessee, has recognized right-of-use assets representing right to use the underlying assets and lease liabilities representing its obligations to make lease payments.

The group has applied IFRS 16 using the modified retrospective approach, the reclassifications arising from the new leasing rules are recognised in the opening balance sheet at July 1, 2019. Accordingly, the comparative information presented for the prior reporting period has not been restated, that is, it is presented, as previously reported, under IAS 17 and related interpretations.

As a lessee, the group previously classified leases as operating leases based on its assessment of whether the lease transferred substantial risks and rewards of ownership. Under IFRS 16, the group recognizes right-of-use assets and lease liabilities for most leases, that is, these leases are on-balance sheet.

The group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain re-measurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. Generally, the group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The group has applied judgement to determine the lease term for some lease contracts in which it is a leasee that includes renewal options. The assessment of whether the group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

Transition

Previously, the group classified property leases as operating leases under IAS 17. These leases typically run for a period of 5 years. Some leases include an option to renew the lease for an additional 5 years after the end of the lease period. Some leases provide for additional rent payments.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the group's incremental borrowing rate as at July 1, 2019 of 7.07% and 9.17%.

Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any on pre-paid or accrued lease payments.
The group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Used hindsight when determining lease terms if the contract contains options to extend or terminate the lease.

The adoption of IFRS 16 resulted in an increase in the lease liability of $8,193,291 and a corresponding increase in the right-of-use asset of $8,193,291 on July 1, 2019.

The table below shows the reconciliation of the operating lease commitments disclosed as at June 30, 2019 to the lease liabilities recognized as at July 1, 2019.

Operating lease commitments disclosed as at June 30, 2019	11,130,711
Discounted using the incremental borrowing rate as July 1, 2019	6,810,399
Adjustments arising from different treatment of extension and termination options	1,483,279
and changes in the index or rate affecting variable payments	(100,387)
Lease liabilities recognized as July 1, 2019	8,193,291

The group incurred depreciation charges of $594,950 on the right-of-use assets and interest expense of $311,069 on the lease liability during the six months period.

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

7 **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

	Three months ended December 31, 2019	Three months ended December 31, 2018	Six months ended December 31, 2019	Six months ended December 31, 2018	Twelve months ended June 30, 2019
Profit/(Loss)t for the period attributable to the shareholders of the company (US$)	836,023	164,722	518,627	(1,132,634)	(1,167,869)
Weighted average number of ordinary stock units held during the period	1,100,000,000	1,100,000,000	1,100,000,001	1,100,000,000	1,100,000,000
Earnings per stock unit (expressed in ¢ per share)	0.07	0.01	0.05	(0.11)	(0.11)

8 **Contingent liabilities**

(a) In 2016, Tax Administration Jamaica (TAJ) conducted a General Consumption Tax 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.

(b) In 2018, Jamaica Customs Agency Post Clearance Audit (PCA) conducted a review of the company's import declarations for the period from January 1, 2017 to July 31, 2018 and assessed the company for potential additional duty and taxes as per the Assessment Order dated January 22, 2019. During the period till date, the management has had discussions with JCA and sent a response disputing the assessment. As at the date of these financial statements, the resolution process is still ongoing.

TOP TEN (10) STOCKHOLDERS AS AT 31ST DECEMBER 2019

NAME	UNITS	%
Sportswear Producers Limited	248,000,000	22.5455
Mayberry Jamaican Equities Limited	217,960,075	19.8146
Wave Trading Limited	129,632,858	11.7848
Oniks Investments Limited	126,297,515	11.4816
Thomas Tyler	82,830,563	7.5301
Ho Choi Limited	33,581,579	3.0529
Beech Realty Company Limited	31,000,000	2.8182
PWL Bamboo Holdings Limited	20,536,570	1.8670
Bricks Limited	12,000,000	1.0909
SJIML A/C 3119	11,906,171	1.0824

SENIOR MANAGERS

NAME	UNITS	%
Debbie Clarke	0	0
Hugh Logan	144,343	0.0131
Kesha Ann Harper	0	0
Vivek Gambhir	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 Jamaican Equities Limited			217,960,075	19.8146
Konrad Mark Berry	Director	Connected party holding		
Christopher Berry	Director	Connected party holding		
Wave Trading Limited			129,632,858	11.7848
Mark Hart	Chairman	Connected party holding		
Oniks Investments Limited			126,297,515	11.4816
Thomas Tyler	Co-Chairman	Connected party holding		
Thomas Tyler	Co-Chairman	Self	82,830,563	7.5301
PWL Bamboo Holdings Limited			20,536,570	1.8670
Konrad Mark Berry	Director	Connected party holding		
Bricks Limited			12,000,000	1.0909
David Lowe	Director	Connected party holding		
Alpine Endeavours 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		
Konrad Mark Berry	Director	Self	500,000	0.0454
Theresa Chin	Director	Self	288,900	0.0262
Richard Mark Hall	Director	Self	114,090	0.0104