CPJ

CARIBBEAN PRODUCERS JAMAICA LIMITED

FIRST QUARTER

UNAUDITED FINANCIAL REPORT

THREE MONTHS ENDED SEPTEMBER 30, 2020

The Board of Directors of CPJ Group present the consolidated unaudited results for the three months ended September 2020.

Performance

Since the onset of the pandemic in March 2020, Covid-19 continues to disrupt global economic activity. It has severely impacted the travel and tourism industry, particularly in the Caribbean region.

However, with the easing of the travel restrictions on the Island since June 2020, CPJ Group has recorded an increased demand for its products and services in the first quarter of the current fiscal year over that of the last quarter.

CPJ Group recorded sales of US$9.34M. These sales are consistent with the projections made by the group for the Covid-19 impacted fiscal year 2020-2021.

Sales in this quarter are 61.6% higher than the sales recorded in the last quarter [April - June 2020] i.e., when the onset of Covid-19 had resulted in the unexpected shut down of hotels both onshore and offshore.

Revenue from the hospitality sector in this quarter recorded growth of 482% when compared to the previous quarter. The Company is encouraged by this improved performance and expects continued growth from the hospitality sector in the remaining quarters.

These results are an indication of increased tourist arrivals with the gradual opening of the hotels and resorts across the island.

EBITDA and Profitability

The Group observed a loss of US$1.94M, which included the net impact of the IFRS 9 and 16 of US$298K, one-time work force restructuring costs of US$125K and depreciation charges of US$764K.

EBIDTA for the first three months of the current fiscal year 2020/2021 was a loss of US$431K. Management continues to proactively engage in cost containment activities to reduce the impact on Group losses during these unprecedented times.

The Group maintains strong liquidity reserves and current operating activities are being funded through internally generated cash.

Balance Sheet and Current Assets to Current Liabilities Ratio

Current assets decreased by US$13.3M (27%) from US$48.4M to US$35.1M, while current liabilities decreased by US$8.6M (39%) from US$22M to US$13.4M, attributed to a reduction in accounts receivables, inventory and accounts payable due to the reduced demand of the current pandemic situation.

The total assets decreased by US$14.1M (22%) from US$63.4M to US$49.3M, while the total liabilities decreased by US$9M (22%) from US$41.7M to US$32.7M over the same period last year.

The Group continues to demonstrate strong treasury management during these difficult times with a current asset to current liability ratio of 2.62:1 compared to 2.20:1 in the same period last year.

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

Outlook

Covid-19 induced travel restrictions continue to plague global economic activities including the otherwise booming tourism sector. The easing of the travel restrictions and a willingness to travel has seen increased tourism activity both onshore and offshore. This has increased the demand for CPJ's products and services in the first few months of the fiscal year 2021.

The Group, besides having implemented a series of new IT initiatives, has deployed new equipment in its meat processing facility to increase its product offering in the hospitality and retail space, enhanced its customer delivery proposition by adding new trucks to its fleet, revamped its Kingston retail store for an improved customer experience and is expanding its existing retail store in St. Lucia to increase its product offering to customers.

The Group is prepared for a full recovery of the travel industry. It remains committed to its strategic goal of achieving long-term shareholder value by creating scale and implementing strategic business transformation initiatives.

CPJ Group extends its gratitude to its suppliers, vendors, customers, employees, bankers, bondholders and shareholders for their continued support in these difficult times.

Mark Hart, Exec. Chairman & Interim CEO

Tom Tyler, Co- Chairman

CARIBBEAN PRODUCERS (JAMAICA) LIMITED
Period ended September 30, 2020

Interim Statement of Financial Position -Unaudited

	CPJ Jamaica Unaudited September 30, 2020 TOTAL	CPJ Jamaica Unaudited September 30, 2019 TOTAL	CPJ Jamaica Audited June 30, 2020 TOTAL
CURRENT ASSETS			
Cash and cash equivalents	5,473,698	2,433,677	6,050,144
Accounts receivable	8,579,592	14,696,235	8,388,879
Inventories	21,078,814	31,321,698	24,113,750
	35,132,104	48,451,610	38,552,773
CURRENT LIABILITIES			
Bank overdraft	282,239	1,308,272	122,060
Short-term loans	1,900,000	5,650,000	1,900,000
Accounts payable	6,111,773	9,441,109	8,417,693
Short-term promissory notes	4,317,794	4,317,794	4,317,794
Current portion of lease liabilities	961,511	-	861,405
Current portion long-term borrowings	742,804	1,197,288	1,068,964
Tax payable	65,935	108,656	74,962
	14,382,056	22,023,119	16,762,878
NET CURRENT ASSETS	20,750,048	26,428,491	21,789,895
NON-CURRENT ASSETS			
Investment	67,885	71,581	67,885
Deferred tax asset	2,289,120	1,093,678	2,296,001
Right-of-use assets	7,086,726	-	7,394,234
Intangible asset	54,699	60,357	50,798
Property, plant and equipment	11,744,624	13,798,349	12,200,012
	21,243,054	15,023,965	22,008,930
US$	**41,993,102**	**41,452,456**	**43,798,825**
SHAREHOLDERS' EQUITY			
Share capital	4,898,430	4,898,430	4,898,430
Accumulated surplus	11,158,654	16,816,669	13,007,189
	16,057,084	21,715,099	17,905,619
Non - controlling interest	(229,928)	82,059	(137,161)
	15,827,156	21,797,158	17,768,458
NON-CURRENT LIABILITIES			
Long-term promissory notes	9,273,250	9,270,669	9,272,356
Due to related party	2,905,291	3,044,716	6,596,164
Lease Liabilities	6,873,073	-	7,018,056
Long-term borrowings	7,114,332	7,339,913	3,143,791
	26,165,946	19,655,298	26,030,367
US$	**41,993,102**	**41,452,456**	**43,798,825**
	-	-	-

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 September 30, 2020

Interim Statement of Comprehensive Income - Unaudited

	Unaudited Three months ended TOTAL September 30, 2020	Unaudited Three months ended TOTAL September 30, 2019	Audited Twelve months ended TOTAL June 30, 2020
Gross operating revenue	9,346,132	27,081,867	91,703,310
Cost of operating revenue	(6,918,225)	(20,312,885)	(70,931,125)
Gross profit	2,427,907	6,768,982	20,772,185
Selling and administrative expenses	(2,868,912)	(5,897,507)	(19,265,895)
Expected credit losses	(30,000)	(17,500)	(443,496)
Depreciation and amortisation	(1,071,377)	(766,543)	(4,336,133)
Other operating income/(expenses), net	31,401	50,420	128,448
Operating profit	(1,510,981)	137,852	(3,144,891)
Finance income	8,388	276	3,724
Finance costs	(438,709)	(455,524)	(2,404,929)
Loss before taxation	(1,941,302)	(317,396)	(5,546,096)
Taxation	-	-	1,200,000
Loss for the year, being total comprehensive loss	(1,941,302)	(317,396)	(4,346,096)
Attributable to:			
Equity holders of the Parent	(1,848,535)	(258,201)	(4,067,681)
Non- controlling interest	(92,767)	(59,195)	(278,415)
	(1,941,302)	(317,396)	(4,346,096)
Earnings per stock unit (cents)	(0.18)	(0.02)	0.37

CARIBBEAN PRODUCERS (JAMAICA) LIMITED
Period ended September 30, 2020

Consolidated Interim Statement of Cash Flows - Unaudited

		Unaudited Three months ended September 30, 2020	Unaudited Three months ended September 30, 2019	Audited Year-ended June 30, 2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period		(1,848,535)	(258,201)	(4,067,681)
Adjustments for:				
Depreciation and amortisation		1,071,377	766,543	4,336,133
Gain on sale of interest in joint venture		-	-	(6,487)
(Gain)/loss on disposal of property, plant and equipment		(26,710)	8,012	3,696
Transfer and adjustment to property plant and equipment		-	(5,139)	1,167
Interest income		(8,388)	(276)	(3,724)
Interest expense		438,709	455,524	2,269,380
Non- controlling interest		(92,767)	(59,195)	(278,415)
Taxation		-	-	(1,200,000)
		(466,314)	907,268	1,054,069
Decrease/(increase) in current assets:				
Accounts receivable		(190,713)	1,192,921	7,500,277
Inventories		3,034,936	543,943	7,751,891
(Decrease)/increase in current liability:				
Accounts payable		(2,567,137)	(6,165,076)	(7,127,448)
Cash (used)/generated by operations		**(189,228)**	(3,520,944)	9,178,789
Interest paid		(177,492)	(369,626)	(2,244,526)
Tax paid		(2,146)	40,331	4,314
Net cash (used)/provided by operating activities		**(368,866)**	(3,850,239)	6,938,577
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment		(318,172)	(303,333)	(1,041,936)
Proceeds from disposal of property, plant and equipment		32,500	11,328	35,053
Interest received		8,388	276	3,724
Net cash (used)/provided by investing activities		(277,284)	(291,729)	(1,003,159)
CASH FLOWS FROM FINANCING ACTIVITIES				
Promissory notes received		894	2,000,000	2,001,687
Payment of Lease Liabilities		(44,877)	-	(753,396)
Long-term/short-term borowings, repaid		(6,506)	-	(13,617,809)
Due to related company		(238,500)	(11,887)	87,188
Long-term/short-term borowings Received		198,514	134,338	9,130,074
Net cash (used)/provided by financing activities		**(90,475)**	2,122,451	(3,152,256)
Net (decrease) / increase in cash and cash equivalents for the period		**(736,625)**	(2,019,517)	2,783,162
Cash and cash equivalents at beginning of the period		5,928,084	3,144,922	3,144,922
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	US$	5,191,459	1,125,405	5,928,084
Comprised of				
Cash and cash equivalents		5,473,698	2,433,677	6,050,144
Bank overdraft		(282,239)	(1,308,272)	(122,060)
	US$	5,191,459	1,125,405	5,928,084

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Interim Statement of Changes in Equity - Unaudited

		Share capital	Accumulated surplus	Non controlling Interest	Total
Three months ended September 30, 2019					
Balances at June 30, 2019		4,898,430	17,074,870	141,254	22,114,554
Total Comprehensive Loss for the year:					
Loss for the year, being total comprehensive loss		-	(258,201)	(59,195)	(317,396)
Balances at September 30, 2019		4,898,430	16,816,669	82,059	21,797,158
Three months ended September 30, 2020					
Balances at June 30, 2020		4,898,430	13,007,189	(137,161)	17,768,458
Total Comprehensive Loss for the year:					
Loss for the year, being total comprehensive loss		-	(1,848,535)	(92,767)	(1,941,302)
Balances at September 30, 2020	US$	4,898,430	11,158,654	(229,928)	15,827,156

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, 2020, 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, 2020.

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:

	2020				
	Jamaica US$	Investments US$	St. Lucia US$	Eliminations US$	Total US$
Revenue from external customers	7,345,165	-	2,005,632	(4,665)	9,346,132
Segment non-current assets	21,131,389	3,263,316	3,389,683	(6,534,453)	21,249,935
Additions to property, plant and equipment	304,790	-	910	-	305,700

Selected explanatory notes (contd)

5 **Significant events and transactions**

The Group continues to be impacted by the COVID-19 pandemic, since the first reported case in March 2020, which resulted in travel restrictions and the closure of hotels and resorts in the island.

The extent and duration of the impact of COVID-19 on the global and local economy remains uncertain, and the Group continues to closely monitor the impact of this pandemic on its operations. The lifting of the travel restrictions in the country since June and the re-opening of some of the major hotels, has resulted in an improvement in performance for the quarter, when compared to the last quarter of prior fiscal year which reported significant losses.

Management believes that the Group is well positioned to overcome the challenges resulting from the economic downturn and has proactively implemented steps to minimize the adverse impact going forward. Steps that have been implemented include:

- Increased sales and revenues expected from the upcoming winter tourist season which begins in November and goes into the first quarter of 2021.
- Repositioning of the St. Lucian subsidiary in the retail channel, as well as an increased focus on direct to consumer sales resulted in revenue growth by 100% in that channel.
- Aggressive debtor management along with inventory containment have resulted in strong cash flows, despite the reduction in revenues.
- The Group continues to closely monitor and maintain reduced operating expenses.
- Current operating activities are being funded by internal generated cash.
- Implementation of several IT initiatives aimed at improving operational efficiencies and furthering growth in the new fiscal year.

The Group has enough capital and liquidity to service its operating activities and debt; and anticipates a full recovery of the travel industry in the near future.

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 taxes
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 September 30, 2020	Three months ended September 30, 2019	Twelve months ended June 30, 2020
Profit/(Loss)t for the period attributable to the shareholders of the company (US$)	(1,848,535)	(258,201)	(4,067,681)
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)	(0.18)	(0.02)	(0.37)

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 30th SEPTEMBER 2020

NAME	UNITS	%
Sportswear Producers Limited	252,692,542	22.9720
Mayberry Jamaican Equities Limited	214,879,522	19.5435
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
MF& G Trust & Finance Ltd A/C 58	12,355,738	1.1232
Sagicor Select Fund Limited (Class C Shares)	10,917,106	0.9925

SENIOR MANAGERS

NAME	UNITS	%
Debbie Clarke		
Hugh Logan	144,343	0.0131
Vivek Gambhir		
Xavier Perez		
Alejandro Sanchez		

DIRECTORS AND CONNECTED PARTIES REPORT

NAME	POSITION	RELATIONSHIP	UNITS	%
<u>Sportswear Producers Limited</u>			252,692,542	22.9720
Mark Hart	Chairman	Connected party holding		
<u>Mayberry Jamaican Equities Limited</u>			214,879,522	19.5435
Konrad Mark Berry	Director	Connected party holding		
Christopher Berry	Director	Connected party holding		
<u>Wave Trading Limited</u>			129,632,858	11.7848
Mark Hart	Chairman	Connected party holding		
<u>Oniks Investments Limited</u>			126,297,515	11.4816
Thomas Tyler	Co-Chairman	Connected party holding		
Thomas Tyler	Co-Chairman	Self	82,830,563	7.5301
<u>PWL Bamboo Holdings Limited</u>			20,536,570	1.8670
Konrad Mark Berry	Director	Connected party holding		
<u>Alpine Endeavours 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	0.0454
Theresa Chin	Director	Self	288,900	0.0262
Richard Mark Hall	Director	Self	114,090	0.0104