



CARIBBEAN PRODUCERS JAMAICA LIMITED

THIRD QUARTER

UNAUDITED FINANCIAL REPORT

NINE MONTHS ENDED MARCH 31, 2019



Consolidated Unaudited Financial Results for the nine-month period ended 31 March 2019

The Board of Directors are pleased to present the company's consolidated unaudited results for the nine-month period ended March 2019.

Strong sales growth in Q3

The Group continues with its recovery, in its operations, recording a profitable third quarter. The group reported revenues of US\$28.19M and earnings of US\$0.15M for this quarter, which is traditionally considered a softer quarter than Q2. This quarter represents the best performing Q3 in terms of revenues for the group to date. The company also witnessed a marginal increase of US\$0.5 M [2%] in overall revenues over the same period last year.

The growth in the revenues and the return to profitability in Q3, has resulted in an improved performance over the two previous quarters. This is a strong indicator that the company is recovering from the business disruption it experienced from the failed IT project in the first half of the current fiscal year.

The overall group revenues was US\$82.35M for the nine months based on the growth in the hospitality sector and the offshore subsidiary compared to US\$81.65M for the same period last year.

Revenues from protein sales to hospitality sector were not only at par with the same period last year, but also better than previous quarters which is encouraging, and this has been achieved despite the inequitable competition in the market.

In addition, the company continues to witness a strong demand for its diversified portfolio of products in this quarter, and hence its Spirits sales grew by 28%, Seafood sales by 11%, Dairy by 6%, Frozen grocery by 8%, Juices by 12% and RTD beverage by 8% when compared to the nine-month period last year.

This growth not only represents the continuous aggressive sales strategy but also deepening of the relevance of CPJ offerings.

Extraordinary IT asset write off and associated operating expenses impact YTD profitability for the nine months ended March 31, 2019

The Group reflected a nine-month net loss of US\$0.98M. The loss was mainly due to the following:

- Impairment of an intangible IT software of US\$0.61M as a result of the failed implementation of a new Warehouse Management System, and
- Correlated impact on Supply chain and Logistics expenses.

The earnings per share decreased from 0.21 cents to a loss per share of 0.09 cents. The stock price for the CPJ share was at \$4.77 as at March 31, 2019.

The Balance Sheet of the Company and current ratio as at end of March 2019

Current assets increased by US\$2.1M (4.4%) from US\$47.9M to US\$50.0M. Total assets increased by US\$4.3M (7.0%) whilst total liabilities increased by US\$5.5M (14.9%).

The group continues to execute strong treasury management during the build out of its new distribution centre in Jamaica and the new retail outlet in St. Lucia, the group remains liquid with a current ratio of 1.99:1 when compared to 2.22:1 prior year.

Outlook

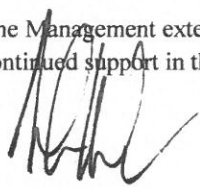
Management believes that the disruptive impact on the business that resulted from the failed IT platform implementation earlier this fiscal, has been overcome. However, this extraordinary event and the related variable and one off costs, will reflect its impact in the financials for the fiscal year ending June, 2019.

The launch of new Distribution center in Q3 represents a significant milestone in our 25th anniversary year. The company anticipates that it will benefit from higher operational efficiencies and greater customer satisfaction through fulfillment. It is envisioned that the new facility will ultimately create long term value in our ability to fulfill and support the growth in the hotel industry.

The group's core business and its fundamentals remain robust and based on the encouraging trends in Q3, the group anticipates that the growth in its sales trajectory will continue as planned in Q4 as well as the new fiscal year 2020.

The Management remains committed to a strategy 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 Management extends its gratitude to its vendors, suppliers, customers, employees and shareholders for their continued support in the brand CPJ.



Mark Hart
Executive Chairman



David Lowe, Ph.D.
Chief Executive Officer

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

Interim Statement of Financial Position -Unaudited

	Unaudited March 31, 2019	Unaudited March 31, 2018	Audited June 30, 2018
CURRENT ASSETS			
Cash and cash equivalents	2,802,458	3,055,595	3,756,720
Accounts receivable	17,103,280	18,927,155	15,214,933
Inventories	30,081,435	25,879,775	25,906,462
	49,987,173	47,862,525	44,878,115
CURRENT LIABILITIES			
Bank overdraft	-	-	776,993
Short-term loans	6,150,000	2,400,000	1,700,000
Accounts payable	13,965,419	11,206,719	10,134,927
Short-term promissory notes	4,317,794	4,317,794	4,317,794
Current portion long-term borrowings	640,184	3,260,367	615,127
Tax payable	109,044	340,385	450,413
	25,182,441	21,525,265	17,995,254
NET CURRENT ASSETS	24,804,732	26,337,260	26,882,861
NON-CURRENT ASSETS			
Investment	71,581	71,581	71,581
Deferred tax asset	953,848	797,291	955,302
Intangible asset	50,486	47,103	707,091
Property, plant and equipment	13,809,365	11,822,746	11,776,693
	14,885,280	12,738,721	13,510,667
US\$	39,690,012	39,075,981	40,393,528
SHAREHOLDERS' EQUITY			
Share capital	4,898,430	4,898,430	4,898,430
Accumulated surplus	17,597,393	18,818,523	18,606,749
	22,495,823	23,716,953	23,505,179
Non - controlling interest	167,435	160,183	140,294
	22,663,258	23,877,136	23,645,473
NON-CURRENT LIABILITIES			
Long-term promissory notes	7,270,669	9,269,110	8,269,110
Due to related party	2,925,738	2,735,222	2,736,203
Long-term borrowings	6,830,347	3,194,513	5,742,742
	17,026,754	15,198,845	16,748,055
US\$	39,690,012	39,075,981	40,393,528

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

Mark Hart

David Lowe

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

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

Interim Statement of Comprehensive Income - Unaudited

	Unaudited Three months ended March 31, 2019	Unaudited Three months ended March 31, 2018	Unaudited Nine months ended March 31, 2019	Unaudited Nine months ended March 31, 2018
Gross operating revenue	28,006,951	27,744,628	81,736,697	81,649,726
Cost of operating revenue	(20,569,299)	(19,854,494)	(60,833,850)	(59,373,127)
Gross profit	7,437,652	7,890,134	20,902,847	22,276,599
Selling and administrative expenses	(6,129,425)	(5,878,288)	(17,820,301)	(16,341,335)
Depreciation and amortisation	(637,845)	(609,377)	(1,847,532)	(1,855,375)
Intangible asset written-back/(written-off)	82,227	-	(610,008)	-
Other operating (expenses)/income, net	(74,159)	104,707	(172,883)	72,894
Operating profit	678,450	1,507,176	452,123	4,152,783
Finance income	10	117	288	320
Finance costs	(528,041)	(512,395)	(1,328,835)	(1,361,600)
Profit/(loss) before taxation	150,419	994,898	(876,424)	2,791,503
Taxation	-	(76,170)	(105,791)	(249,234)
Profit/(loss) for the period, being total comprehensive income/(loss)	US\$ 150,419	918,728	(982,215)	2,542,269
Attributable to:				
Equity holders of the Parent	183,012	847,119	(1,009,356)	2,310,250
Minority Interest	(32,593)	71,609	27,141	232,019
	US\$ 150,419	918,728	(982,215)	2,542,269
Earnings per stock unit (cent)	0.02	0.08	(0.09)	0.21

CARIBBEAN PRODUCERS (JAMAICA) LIMITED**Period ended March 31, 2019****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, 2018				
Balances at June 30, 2017	4,898,430	17,030,012	(71,836)	21,856,606
Profit for the period, being total comprehensive income	-	2,310,250	232,019	2,542,269
Transaction recorded directly in equity:				
Dividends		(521,739)		(521,739)
Unaudited balances at March 31, 2018	US\$ <u>4,898,430</u>	<u>18,818,523</u>	<u>160,183</u>	<u>23,877,136</u>
Nine months ended March 31, 2019				
Balances at June 30, 2018	4,898,430	18,606,749	140,294	23,645,473
Loss for the period, being total comprehensive loss	-	(1,009,356)	27,141	(982,215)
Unaudited balances at March 31, 2019	US\$ <u>4,898,430</u>	<u>17,597,393</u>	<u>167,435</u>	<u>22,663,258</u>

CARIBBEAN PRODUCERS (JAMAICA) LIMITED
Period Ended March 31, 2019

Consolidated Interim Statement of Cash Flows - Unaudited

	Nine months ended March 31 2019	Nine months ended March 31 2018	Audited Year-ended June 30 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/Profit for the period	(1,009,356)	2,310,250	2,098,476
Adjustments for:			
Depreciation and amortisation	1,847,532	1,855,375	2,460,328
(Gain)/loss on disposal of property, plant and equipment	(17,614)	42,778	41,935
Intangible asset written off	610,008		
Transfer and adjustment to property plant and equipment		40,488	(6,798)
Interest income	(288)	(320)	(882)
Interest expense	1,328,835	1,227,983	1,670,924
Non- controlling interest	27,141	232,019	212,130
Taxation	105,791	249,234	327,439
	<u>2,892,049</u>	<u>5,957,807</u>	<u>6,803,552</u>
 Increase in current assets:			
Accounts receivable	(1,888,347)	(5,018,391)	(1,306,169)
Inventories	(4,174,973)	(1,254,428)	(1,281,115)
 Increase in current liability:			
Accounts payable	<u>3,783,846</u>	<u>3,908,228</u>	<u>2,853,972</u>
 Cash generated from operations	612,575	3,593,216	7,070,240
Interest paid	(1,282,189)	(1,166,567)	(1,627,044)
Taxation paid	<u>(445,706)</u>	<u>(487,653)</u>	<u>(613,841)</u>
Net cash (used)/provided by operating activities	<u>(1,115,320)</u>	<u>1,938,996</u>	<u>4,829,355</u>
 CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	(3,848,408)	(1,413,728)	(2,613,999)
Proceeds from disposal of property, plant and equipment	32,415	13,450	42,962
Interest received	288	320	882
Net cash used by investing activities	<u>(3,815,705)</u>	<u>(1,399,958)</u>	<u>(2,570,155)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	-	(521,739)	(521,739)
Promissory notes received	1,559	1,442	1,442
Promissory notes repaid	(1,000,000)	-	(1,000,000)
Long-term/short-term borrowings repaid	(4,298,986)	(5,276,752)	12,668,254
Due to related company	189,535	(8,782)	(7,801)
Long-term/short-term borrowings received	<u>9,861,648</u>	<u>5,802,342</u>	<u>(12,939,675)</u>
Net cash provided/(used) by financing activities	<u>4,753,756</u>	<u>(3,489)</u>	<u>(1,799,519)</u>
 Net (decrease)/increase in cash and cash equivalents for the period	(177,269)	535,549	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>2,802,458</u>	<u>3,055,595</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 March 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, 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.

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.

Selected explanatory notes

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>March 31, 2019</u>	<u>Three months ended</u> <u>March 31, 2018</u>	<u>Nine months ended March</u> <u>31, 2019</u>	<u>Nine months ended March 31,</u> <u>2018</u>
Profit/(loss) for the period attributable to the shareholders of the company	183,012	847,119	(1,009,356)	2,310,250
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)	0.02	0.08	-0.09	0.21

9 Contingent liabilities

- a 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.
- b In 2018, Jamaica Customs Agency Post Clearance Audit (PCA) conducted a review of the company's import declarations for the period 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 MARCH 2019

NAME	UNITS	%
Sportswear Producers Limited	248,000,000	22.5455
Mayberry Jamaican Equities Limited	218,299,305	19.8454
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	14,921,044	1.3565
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>			218,299,305	19.8454
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 Holdings Limited</u>			14,921,044	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 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
Robert J. Hooker	Director	Self	472,000	0.0429
Theresa Chin	Director	Self	288,900	0.0262
Richard Mark Hall	Director	Self	114,090	0.0104