CARIBBEAN PRODUCERS JAMAICA LIMITED

THIRD QUARTER

UNAUDITED FINANCIAL REPORT

NINE MONTHS ENDED MARCH 31, 2020

Consolidated Unaudited Financial Results for the nine-month period ended 31 March 2020

The Board of Directors of CPJ group are pleased to present the consolidated unaudited financial results for the nine-month period ended March 31, 2020.

Performance

CPJ group, after recording strong sales and profitability in the first six months of the current fiscal year, reported revenues of US$26.45M in Q3.

The group sales for the latter half of March 2020 were severely impacted by the unexpected shut down of hotels both onshore and offshore due to the COVID-19 global pandemic. Unavoidably, this has impacted the financial performance of the group for Q3 and YTD.

However, the group sales revenues for the nine months period were US$85.92M which is 5.12% more than the same period of the last fiscal year 2019.

The growth in revenue was observed both in onshore and offshore operations.

EBITDA

Due to the spread of COVID-19, the Group's EBITDA in Q3 of current fiscal, recorded a decrease of US$0.50M (40%) when compared to Q3 of 2019.

However, it is imperative to highlight that the Group's EBITDA, for the first nine months of the ongoing fiscal year increased by US$1.11M (38%) to US$4.02M. Further, the profit after tax increased by 124% to US$0.24M when compared to the same time period of the previous fiscal year, 2019.

The above results are prior to IFRS 16 – Leases accounting entries in the books of accounts.

After effecting accounting entries for IFRS 16, for this quarter an adverse impact of US$ 0.053M (11%) on the loss was observed. This has resulted in a reported loss of US$0.52M. Additionally, for the first nine months of the current fiscal year, an adverse impact of US$0.24M (101%) on the profit after tax was observed, resulting in a break-even position, reported loss of US$0.001M.

Balance Sheet and Current assets to Current liabilities ratio

Current assets increased by US$0.62M, while total assets decreased by US$0.18M and total liabilities increased by US$0.13M over the same period of the last fiscal year.

The group continues to demonstrate sound treasury management in these turbulent times with a current asset to current liabilities ratio of 2.20:1 when compared to 1.99:1 in the same period of the last fiscal year.

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

COVID 19

COVID 19 continues to have major impact on global economic activities, especially on the travel and tourism sector resulting in official travel bans and restrictions, and a reduced appetite for business and leisure travel.

CPJ is the largest supplier of food and beverages to the Hospitality sector in the Island and its sales to this sector have been impacted adversely *at least* until the end of the fiscal year June 2020.

To counter these effects, the company has started focusing on direct marketing, by leveraging its presence on social media platforms, thereby ensuring that the social distancing norms recommended by the Government of Jamaica are adhered to.

The group has restructured its work force to align with the changing business landscape. Further, it has also slowed down its imports and is currently focusing on the depletion of inventory at risk.

Outlook

Management is hopeful that a solution to the COVID 19 pandemic will be available soon and expects some normalcy to be restored in the usual busy season from Dec 2020 to March 2021 and beyond.

In the meanwhile, the group is closely monitoring the fall outs of the current pandemic situation and continues to align its business model to the changing macro-economic environment.

Finally, 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 IT platform for growth and 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 brand CPJ to date and in these difficult times.

Mark Hart
Executive Chairman & Interim CEO

Theresa Chin
Director

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Period ended March 31, 2020

Interim Statement of Financial Position -Unaudited

	CPJ Jamaica Unaudited March 31, 2020 TOTAL	CPJ Jamaica Unaudited March 31, 2019 TOTAL	CPJ Jamaica Audited June 30, 2019 TOTAL
CURRENT ASSETS			
Cash and cash equivalents	4,422,356	2,802,458	4,212,776
Accounts receivable	18,158,519	17,103,280	15,889,156
Inventories	28,022,452	30,081,435	31,865,641
	50,603,327	49,987,173	51,967,573
CURRENT LIABILITIES			
Bank overdraft	252,720	-	1,067,854
Short-term loans	1,900,000	6,150,000	5,150,000
Accounts payable	15,271,296	13,965,419	15,520,287
Short-term promissory notes	4,317,794	4,317,794	4,317,794
Current portion long-term borrowings	1,106,634	640,184	1,070,490
Current portion lease liabilities	1,048,967	-	-
Tax payable	178,006	109,044	70,648
	24,075,417	25,182,441	27,197,073
NET CURRENT ASSETS	26,527,910	24,804,732	24,770,500
NON-CURRENT ASSETS			
Investment	67,885	71,581	71,581
Deferred tax asset	1,089,120	953,848	1,096,001
Intangible asset	66,255	50,486	32,585
Right-of-use asset	7,300,869	-	-
Property, plant and equipment	12,865,741	13,809,365	14,303,532
	21,389,870	14,885,280	15,503,699
US$	**47,917,780**	**39,690,012**	**40,274,199**
SHAREHOLDERS' EQUITY			
Share capital	4,898,430	4,898,430	4,898,430
Accumulated surplus	17,045,261	17,597,393	17,074,870
	21,943,691	22,495,823	21,973,300
Non - controlling interest	169,601	167,435	141,254
	22,113,292	22,663,258	22,114,554
NON-CURRENT LIABILITIES			
Long-term promissory notes	9,271,496	7,270,669	7,270,669
Due to related party	3,043,046	2,925,738	3,056,603
Lease liabilities	6,493,327	-	-
Long-term borrowings	6,996,619	6,830,347	7,832,373
	25,804,488	17,026,754	18,159,645
US$	**47,917,780**	**39,690,012**	**40,274,199**
	-	-	-

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

Mark Hart — Director

Theresa Chin — Director

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

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Period ended March 31, 2020

Interim Statement of Comprehensive Income - Unaudited

		Unaudited Three months ended TOTAL March 31, 2020	Unaudited Three months ended TOTAL March 31, 2019	Unaudited Nine months ended TOTAL March 31, 2020	Unaudited Nine months ended TOTAL March 31, 2019	Audited Twelve months ended TOTAL June 30, 2019
Gross operating revenue		26,455,713	28,006,951	85,920,778	81,736,697	109,620,529
Cost of operating revenue		(20,208,015)	(20,569,299)	(64,405,823)	(60,833,850)	(83,397,830)
Gross profit		6,247,698	7,437,652	21,514,955	20,902,847	26,222,699
Selling and administrative expenses		(5,082,881)	(6,129,425)	(16,412,102)	(17,820,301)	(22,861,791)
Expected Credit Loss		(26,500)	-	(62,500)	-	1,842
Depreciation and amortisation		(1,070,799)	(637,845)	(3,205,562)	(1,847,532)	(2,466,027)
Other operating (expenses)/income, net		(6,477)	(74,159)	93,581	(172,883)	175,059
Intangible asset written off		-	82,227	-	(610,008)	(679,713)
Operating profit		61,041	678,450	1,928,372	452,123	392,069
Finance income		253	10	845	288	569
Finance costs		(581,183)	(528,041)	(1,828,525)	(1,328,835)	(1,677,861)
(Loss)/profit before taxation		(519,889)	150,419	100,692	(876,424)	(1,285,223)
Taxation		-	-	(101,954)	(105,791)	117,354
(Loss)/profit for the period, being total comprehensive (loss)/income		(519,889)	150,419	(1,262)	(982,215)	(1,167,869)
Attributable to:						
Shareholders		(553,780)	183,012	(29,609)	(1,009,356)	(1,168,829)
Non-controlling interest		33,891	(32,593)	28,347	27,141	960
	US$	(519,889)	150,419	(1,262)	(982,215)	(1,167,869)
Earnings per stock unit (cents)	¢	(0.05)	0.02	(0.00)	(0.09)	(0.11)

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Period ended March 31, 2020

Interim Statement of Changes in Equity - Unaudited

		Share capital	Accumulated surplus	Non controlling Interest	Total
Nine months ended March 31, 2019					
Balances at June 30, 2018		4,898,430	18,606,749	140,294	23,645,473
Profit for the period, being total comprehensive income		-	(1,009,356)	27,141	(982,215)
Unaudited balances at March 31, 2019	US$	4,898,430	17,597,393	167,435	22,663,258
Nine months ended March 31, 2020					
Balances at June 30, 2019		4,898,430	17,074,870	141,254	22,114,554
Loss for the period, being total comprehensive loss		-	(29,609)	28,347	(1,262)
Unaudited balances at March 31, 2020	US$	4,898,430	17,045,262	169,601	22,113,292

CARIBBEAN PRODUCERS (JAMAICA) LIMITED
Period ended March 31, 2020

Consolidated Interim Statement of Cash Flows - Unaudited

		Unaudited Three months ended March 31, 2020	Unaudited Three months ended March 31, 2019	Audited Year-ended June 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/profit for the period		(29,609)	(1,009,356)	(1,168,829)
Adjustments for:				
Depreciation and amortisation		3,205,562	1,847,532	2,466,027
Loss/(gain) on disposal of property, plant and equipment		7,580	(17,614)	8,624
Intangible asset written off		-	610,008	679,713
Transfer and adjustment to property plant and equipment		-	-	22,309
Interest income		(845)	(288)	(569)
Interest expense		1,828,525	1,328,835	1,677,861
Non-controlling interest		28,347	27,141	960
Taxation		101,954	105,791	(117,354)
		5,141,514	2,892,049	3,568,742
(Increase)/decrease in current assets:				
Accounts receivable		(2,269,363)	(1,888,347)	(1,060,618)
Inventories		3,843,189	(4,174,973)	(5,959,179)
(Decrease)/increase in current liability:				
Accounts payable		(305,370)	3,783,846	5,434,910
Cash generated by operations		6,409,970	612,575	1,983,855
Interest paid		(1,772,146)	(1,282,189)	(1,727,411)
Tax paid		12,285	(445,706)	(379,765)
Net cash provided/(used) by operating activities		4,650,109	(1,115,320)	(123,321)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment		(930,155)	(3,848,408)	(5,061,393)
Proceeds from disposal of property, plant and equipment		13,555	32,415	32,387
Investment		3,696	-	-
Interest received		845	288	569
Net cash used by investing activities		(912,059)	(3,815,705)	(5,028,437)
CASH FLOWS FROM FINANCING ACTIVITIES				
Promissory notes received		2,000,827	1,559	1,559
Promissory notes repaid		-	(1,000,000)	(1,000,000)
Long-term/short-term borrowings repaid		(4,049,610)	(4,298,986)	(9,517,159)
Due to related company		(13,557)	189,535	320,400
Payment of lease liabilities		(650,996)	-	-
Long-term/short-term borrowings received		-	9,861,648	15,512,153
Net cash (used)/provided by financing activities		(2,713,336)	4,753,756	5,316,953
Net Increase/(decrease) in cash and cash equivalents for the period		1,024,714	(177,269)	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$	4,169,636	2,802,458	3,144,922
Comprised of				
Cash and cash equivalents		4,422,356	2,802,458	4,212,776
Bank overdraft		(252,720)	-	(1,067,854)
	US$	4,169,636	2,802,458	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 March 31, 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, 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:

	2020				
	Jamaica	Investments	St. Lucia	Eliminations	Total
	US$	US$	US$	US$	US$
Revenue from external customers	74,405,718	-	12,057,510	(542,450)	85,920,778
Segment non-current assets	21,070,439	3,251,445	3,578,670	(6,510,684)	21,389,870
Additions to property, plant and equipment	722,718	-	207,437	-	930,155

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, 2018 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, under which the cumulative effect of initial application is recognized in retained earnings 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 and changes in the index or rate affecting variable payments	1,483,280
Recognition exemption for leases with less than 12 months of lease term at transition	(100,387)
Lease liabilities recognized as July 1, 2019	8,193,291

The group incurred depredation charges of $892,422 on the right-of-use assets and interest expense of $461,221 on the lease liability during the nine months period.

6 The World Health Organization declared the Coronavirus (COVID-19) outbreak a pandemic due to its rapid spread across the globe. Jamaica has been affected by the outbreak, which resulted in the Government of Jamaica declaring Jamaica a disaster area on March 13, 2020. This has disrupted business operations, caused a downturn in the economy and significantly increased economic uncertainty.

The effect of COVID-19 has had an initial impact for the quarter ended March 31, 2020, resulting in a decline in revenue

The Group expects that this will have a further impact resulting in losses on accounts receivable, impairment of inventories, decline in revenues and the ability of the company to service its debts. The Group has not made an estimate of these amounts at this time. Management is also monitoring the turn of events closely and actively working on implementing the necessary strategic actions to mitigate any effect on the Group's business activities, and ensure long term sustainability.

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
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

	Three months ended March 31, 2020	Three months ended March 31, 2019	Nine months ended March 31, 2020	Nine months ended March 31, 2019	Twelve months ended June 30, 2019
Loss/(profit)t for the period attributable to the shareholders of the company (US$)	(553,780)	183,012	(29,609)	(1,009,356)	(1,168,829)
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	1,100,000,000
Earnings per stock unit (expressed in ¢ per share)	(0.05)	0.02	(0.003)	(0.09)	(0.11)

9 **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 MARCH 2020

NAME	UNITS	%
Sportswear Producers Limited	248,000,000	22.5455
Mayberry Jamaican Equities Limited	214,975,522	19.5432
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	12,203,933	1.1367
Bricks Limited	12,000,000	1.0909

SENIOR MANAGERS

NAME	UNITS	%
Debbie Clarke	0	0
Hugh Logan	144,343	0.0131
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			214,975,22	19.5432
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