



CARIBBEAN PRODUCERS JAMAICA LIMITED

SECOND QUARTER

UNAUDITED FINANCIAL REPORT

SIX MONTHS ENDED DECEMBER 31, 2020



Consolidated Unaudited Financial Results for the six-month period ended 31 December 2020

The Board of Directors are pleased to present the consolidated unaudited financial results for the CPJ Group for six-months period ended December 31, 2020.

Performance

Since March 2020, COVID-19 has continued to disrupt the global tourism industry. The easing of travel restrictions since June 2020 has resulted in an increased demand for CPJ's products and services in the first six months of the current fiscal year when compared with the last quarter of the previous fiscal year.

CPJ Group, after recording improved operating revenue in Q1, continued the trend in Q2 of the current fiscal year. The Group reported gross operating revenue of US\$15.05M which is 61% more than the Q1 operating revenue. For the month of December, the Group achieved gross operating revenue of US\$6.52M and earned EBITDA of US\$0.70M.

The overall Group operating revenue for the half year was US\$24.39M which is 5.14% more than the projections made by the Group for the COVID-19 impacted fiscal year 2020-2021. The growth in revenues was observed both in onshore and offshore operations.

EBITDA and Profitability

EBIDTA for the second quarter of the current fiscal year for the Group is US\$655K, after accounting for staff restructuring costs of US\$168K. There is an increase of 252% in EBIDTA over the first quarter of the current fiscal year. However, the Group ended the second quarter

with an overall loss of US\$850K, after accounting for interest costs of US\$291K, depreciation charges of US\$742K and IFRS 16 adjustments of US\$472K.

The Group recorded a loss of US\$2.79M for the first six months of the current fiscal year. The loss includes IFRS 9 & 16 adjustments of US\$616K, depreciation charges of US\$1.51M and staff restructuring costs of US\$293K.

The group, since the beginning of the current fiscal year, has maintained strong cash balances of over US\$5M, even while continuing to invest over US\$1.5M for important operational infrastructure in IT, meat plant equipment, fleet expansion and the construction of a larger retail outlet in St. Lucia. The outstanding short-term loan remains constant at US\$1.9M since the onset of COVID-19 in March 2020, and there are no immediate plans for any drawdown from existing credit facilities.

CPJ Group continues to proactively engage in cost containment activities to reduce the impact on Group losses during these unprecedented times.

Balance Sheet and Current Assets to Current Liabilities Ratio

Current assets decreased by US\$16.28M (31%) from US\$53.03M to US\$36.75M, while current liabilities decreased by US\$9.57M (38%) from US\$24.96M to US\$15.39M over the same period last year. The decrease in current assets and current liabilities is attributed to a reduction in accounts receivables, inventory and accounts payable due to the reduced demand in the current environment.

Total assets decreased by US\$18.60M (28%) from US\$66.63M to US\$48.03M, while total liabilities decreased by US\$10.65M (24%) from US\$44.9M to US\$34.24M over the same period last year.

The Group continues to demonstrate strong treasury management with a current ratio of 2.39:1 when compared to 2.12:1 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 impact global economic recovery, including the otherwise booming tourism sector.

CPJ Group had forecasted at the beginning of the current fiscal year that it expected a gradual return to normalcy in its sales from Q2 and beyond. The sales in this quarter both onshore and offshore are a testimony to that.

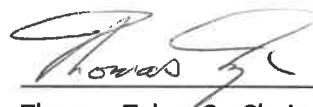
Although our anticipation of vaccine availability in early 2021 was accurate, the Group is now forced to proceed with caution in scaling up its operations due to a longer than anticipated vaccine rollout, the onset of a second wave of the COVID-19 virus and new lockdowns being observed in both the North Americas and Europe.

In view of the current lockdowns and travel restrictions, there is uncertainty around forecasts for tourist arrivals and Group sales for the remaining two quarters of the current fiscal year. The Group 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 during this time.



Mark Hart, *Executive Chairman
& Interim CEO*



Thomas Tyler, *Co-Chairman*

Interim Statement of Financial Position -Unaudited

	CPJ Jamaica Unaudited December 31, 2020 <u>TOTAL</u>	CPJ Jamaica Unaudited December 31, 2019 <u>TOTAL</u>	CPJ Jamaica Audited June 30, 2020 <u>TOTAL</u>
CURRENT ASSETS			
Cash and cash equivalents	5,718,196	2,920,917	6,050,144
Accounts receivable	11,647,432	22,560,430	8,388,879
Inventories	19,380,957	27,550,189	24,113,750
	<u>36,746,585</u>	<u>53,031,536</u>	<u>38,552,773</u>
CURRENT LIABILITIES			
Bank overdraft	585,169	836,801	122,060
Short-term loans	1,900,000	6,356,712	1,900,000
Accounts payable	7,449,799	12,353,714	8,417,693
Short-term promissory notes	4,317,794	4,317,794	4,317,794
Current portion of lease liabilities	986,134	1,017,268	861,405
Current portion long-term borrowings	1,072,968	652,290	1,068,964
Tax payable	70,480	446,174	74,962
	<u>16,382,344</u>	<u>25,980,753</u>	<u>16,762,878</u>
NET CURRENT ASSETS	<u>20,364,241</u>	<u>27,050,783</u>	<u>21,789,895</u>
NON-CURRENT ASSETS			
Investments	67,885	71,581	67,885
Deferred tax asset	2,296,001	1,089,120	2,296,001
Right-of-use assets	6,779,218	7,598,341	7,394,234
Intangible asset	56,014	75,467	50,798
Property, plant and equipment	11,157,321	13,449,829	12,200,012
	<u>20,356,439</u>	<u>22,284,338</u>	<u>22,008,930</u>
US\$	<u>40,720,680</u>	<u>49,335,121</u>	<u>43,798,825</u>
SHAREHOLDERS' EQUITY			
Share capital	4,898,430	4,898,430	4,898,430
Accumulated surplus	10,432,161	17,599,041	13,007,189
	<u>15,330,591</u>	<u>22,497,471</u>	<u>17,905,619</u>
Non-controlling interest	(242,807)	135,710	(137,161)
	<u>15,087,784</u>	<u>22,633,181</u>	<u>17,768,458</u>
NON-CURRENT LIABILITIES			
Lease liabilities	6,783,513	6,769,818	7,018,056
Long-term promissory notes	9,273,250	9,271,496	9,272,356
Due to related party	3,032,046	3,044,939	3,143,791
Long-term borrowings	6,544,087	7,615,687	6,596,164
	<u>25,632,896</u>	<u>26,701,940</u>	<u>26,030,367</u>
US\$	<u>40,720,680</u>	<u>49,335,121</u>	<u>43,798,825</u>

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, 2020

Interim Statement of Comprehensive Income - Unaudited

	Unaudited Three months ended <u>TOTAL</u> <u>31-Dec-20</u>	Unaudited Three months ended <u>TOTAL</u> <u>31-Dec-19</u>	Unaudited Six months ended <u>TOTAL</u> <u>31-Dec-20</u>	Unaudited Six months ended <u>TOTAL</u> <u>31-Dec-19</u>	Audited Twelve months ended <u>TOTAL</u> <u>June 30, 2020</u>
Gross operating revenue	15,047,311	32,383,198	24,393,443	59,465,065	91,703,310
Cost of operating revenue	(11,103,361)	(23,884,923)	(18,021,586)	(44,197,808)	(70,931,125)
Gross profit	3,943,950	8,498,275	6,371,857	15,267,257	20,772,185
Selling and administrative expenses	-3,316,990	-5,431,714	(6,185,902)	(11,329,221)	(19,265,895)
Expected credit losses	-81,000	-18,500	(111,000)	(36,000)	(443,496)
Depreciation and amortisation	-1,049,719	(1,368,220)	(2,121,096)	(2,134,763)	(4,336,133)
Other operating income, net	101,222	49,638	132,623	100,058	128,448
Operating (loss)/profit	(402,537)	1,729,479	(1,913,518)	1,867,331	(3,144,891)
Finance income	7,847	316	16,235	592	3,724
Finance costs	(455,681)	(791,818)	(894,390)	(1,247,342)	(2,404,929)
(Loss)/profit before taxation	(850,371)	937,977	(2,791,673)	620,581	(5,546,096)
Taxation	-	(101,954)	-	(101,954)	1,200,000
(Loss)/profit for the period, being total comprehensive (loss)/income	US\$ (850,371)	836,023	(2,791,673)	518,627	(4,346,096)
Attributable to:					
Equity holders of the Parent	(837,492)	782,372	(2,686,027)	524,171	(4,067,681)
Non-controlling interest	(12,879)	53,651	(105,646)	(5,544)	(278,415)
	US\$ (850,371)	836,023	(2,791,673)	518,627	(4,346,096)
Earnings per stock unit (cents)	(0.08)	0.07	(0.24)	0.05	(0.37)

Interim Statement of Changes in Equity - Unaudited

	<u>Share capital</u>	<u>Accumulated surplus</u>	<u>Non controlling Interest</u>	<u>Total</u>
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 profit	-	524,171	(5,544)	518,627
Unaudited balances at December 31, 2019	US\$ 4,898,430	17,599,041	135,710	22,633,181
Six months ended December 31, 2020				
Balances at June 30, 2020	4,898,430	13,007,189	(137,161)	17,768,458
Loss for the period, being total comprehensive loss	-	(2,686,027)	(105,646)	(2,791,673)
Unaudited balances at December 31, 2020	US\$ 4,898,430	10,321,162	(242,807)	14,976,785

Consolidated Interim Statement of Cash Flows - Unaudited

	Unaudited Six months ended 31-Dec-20	Unaudited Six months ended Dec-19	Audited Year-ended June 30, 2020
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit for the period	(2,686,027)	524,171	(4,067,681)
Adjustments for:			
Depreciation and amortisation	2,121,096	2,134,763	4,336,133
Loss on revaluation of investment	-	-	3,696
(Gain)/loss on disposal of property, plant and equipment	(61,953)	7,287	(6,487)
Transfer and adjustment to property plant and equipment	-	5,196	1,167
Interest income	(16,235)	(592)	(3,724)
Interest expense	894,390	1,247,342	2,269,380
Lease liabilities	-	(406,205)	-
Non-controlling interest	(105,646)	(5,544)	(278,415)
Taxation	-	101,954	(1,200,000)
	145,625	3,608,372	1,054,069
(Increase)/decrease in current assets:			
Accounts receivable	(3,258,553)	(6,671,274)	7,500,277
Inventories	4,732,793	4,315,452	7,751,891
Decrease in current liability:			
Accounts payable	(1,158,074)	(3,392,643)	(7,127,448)
Cash generated/(used) by operations	461,791	(2,140,093)	9,178,789
Interest paid	(704,210)	(1,021,272)	(2,244,526)
Tax paid	(4,482)	280,453	4,314
Net cash (used)/provided by operating activities	(246,901)	(2,880,912)	6,938,577
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment and intangible assets	(470,938)	(755,030)	(1,041,936)
Additions to intangible assets	(11,767)	-	-
Proceeds from disposal of property, plant and equipment	76,053	13,555	35,053
Interest received	16,235	592	3,724
Net cash used by investing activities	(390,417)	(740,883)	(1,003,159)
CASH FLOWS FROM FINANCING ACTIVITIES			
Promissory notes received	894	2,000,827	2,001,687
Payment of Lease Liabilities	(109,814)	-	(753,396)
Long-term/short-term borrowings, repaid	(2,121,452)	(714,960)	(13,617,809)
Due to related company	(746)	(11,664)	87,188
Long-term/short-term borrowings received	2,073,379	1,286,786	9,130,074
Net cash (used)/provided by financing activities	(157,739)	2,560,989	(3,152,256)
Net (decrease)/increase in cash and cash equivalents for the period	(795,057)	(1,060,806)	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\$ 5,133,027	2,084,116	5,928,084
Comprised of			
Cash and cash equivalents	5,718,196	2,920,917	6,050,144
Bank overdraft	(585,169)	(836,801)	(122,060)
US\$	5,133,027	2,084,116	5,928,084

Selected explanatory notes

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, 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.

Basis of preparation

These interim financial statements have been prepared in accordance with accounting policies set out in note 4 to the audited financial statements for the year ended June 30, 2020.

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.

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:

	December 31, 2020			
	Jamaica US\$	St. Lucia US\$	Eliminations US\$	Total US\$
Revenue from external customers	19,335,668	5,119,078	(61,303)	24,393,443
Segment non-current assets	23,424,040	3,236,681	(6,311,163)	20,349,558
Additions to property, plant and equipment and intangible assets	480,006	2,699	-	482,705
	December 31, 2019			
	Jamaica US\$	St. Lucia US\$	Eliminations US\$	Total US\$
Revenue from external customers	51,302,089	8,495,683	(332,707)	59,465,065
Segment non-current assets	25,091,908	3,692,513	(6,500,083)	22,284,338
Additions to property, plant and equipment and intangible assets	576,321	178,709	-	755,030

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 both Jamaica and St. Lucia, where subsidiary is based.

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 and the re-opening of some of the major hotels, has resulted in an improvement in performance for the quarter.

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:

- Aggressive debtor management along with inventory containment have resulted in strong cash flows, despite the reduction in revenues.
- Capex spend restricted to critical asset replacements and to assets which contribute to the bottom line.
- Implementation of several IT initiatives aimed at improving operational efficiencies and furthering growth in the new fiscal year.
- 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. Significant growth expected in this segment which will increase liquidity and diversify revenue streams for the subsidiary.
- Increased thrust and focus on home deliveries both onshore and offshore.
- The Group continues to closely monitor and maintain reduced operating expenses.
- Current operating activities are being funded by internal generated cash.

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 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%

As at June 30, 2020, subject to the agreement of the Commissioner, General, Tax Administration Jamaica, tax losses available for set-off against future profits amounted to approximately \$3,027,000 (2019: \$166,000). If unutilised, these losses can be carried forward indefinitely. However, the amount that can be utilised is restricted to 50% of chargeable income (before prior year losses) in any one year.

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 average number

	<u>Three months ended December 31, 2020</u>	<u>Three months ended December 31, 2019</u>	<u>Six months ended December 31, 2020</u>	<u>Six months ended December 31, 2019</u>	<u>Twelve months ended June 30, 2020</u>
Profit/(Loss) for the period attributable to the shareholders of the company (US\$)	(837,492)	782,372	(2,686,027)	524,171	(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	1,100,000,000	1,100,000,000
Earnings per stock unit (expressed in ¢ per share)	(0.08)	0.07	(0.24)	0.05	(0.37)

Selected explanatory notes (contd)

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) The company has given guarantees in the ordinary course of business, under banking arrangements, in favour of the Collector of Customs in the amount of \$339,259 (J\$47,500,000). Additionally a letter of credit was issued amounting to \$125,000 on behalf of the company in favour of a third party.
- (C) In 2018, Jamaica Customs Agency Post Clearance Audit (JCA) 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 2020**

NAME	UNITS	%
Sportswear Producers Limited	252,692,542	22.9720
Mayberry Jamaican Equities Limited	218,459,500	19.8600
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
Sagikor 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>			218,459,500	19.8600
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