



TRINIDAD CEMENT LIMITED

# CONSOLIDATED AUDITED FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2010

## CONSOLIDATED STATEMENT OF INCOME

TT\$'000	UNAUDITED Three Months Oct to Dec		AUDITED Year Jan to Dec	AUDITED Year Jan to Dec
	2010	2009	2010	2009
<b>CONTINUING OPERATIONS:</b>				
<b>REVENUE</b>	<b>358,735</b>	<b>371,235</b>	<b>1,561,084</b>	<b>1,740,461</b>
<b>Operating (Loss)/Profit from Continuing Operations</b>	<b>(31,883)</b>	<b>50,964</b>	<b>3,026</b>	<b>257,101</b>
Foreign exchange (loss)/gain	(1,668)	(2,722)	2,971	(24,842)
Finance costs - net	(33,869)	(28,809)	(151,335)	(138,931)
<b>(Loss)/Profit before Taxation from Continuing Operations</b>	<b>(67,420)</b>	<b>19,433</b>	<b>(145,338)</b>	<b>93,328</b>
Taxation	16,968	724	69,264	10,275
<b>(Loss)/Profit after Taxation from Continuing Operations</b>	<b>(50,452)</b>	<b>20,157</b>	<b>(76,074)</b>	<b>103,603</b>
<b>DISCONTINUED OPERATIONS:</b>				
Loss after Taxation from Discontinued Operations	(266)	(5,131)	(4,253)	(9,322)
<b>Total (Loss)/Profit after Taxation</b>	<b>(50,718)</b>	<b>15,026</b>	<b>(80,327)</b>	<b>94,281</b>
<b>Attributable to:</b>				
Shareholders of the Parent	(40,856)	17,913	(48,549)	95,820
Non-controlling Interests	(9,862)	(2,887)	(31,778)	(1,539)
	<b>(50,718)</b>	<b>15,026</b>	<b>(80,327)</b>	<b>94,281</b>
<b>Basic and diluted (Loss)/Earnings per Share - cents:</b>				
From Continuing Operations	(17)	9	(18)	43
From Discontinued Operations	(0)	(2)	(2)	(4)
	<b>(17)</b>	<b>7</b>	<b>(20)</b>	<b>39</b>
<b>Earnings Before Interest, Tax, Depreciation &amp; Amortization (EBITDA)</b>	<b>24,871</b>	<b>81,973</b>	<b>161,917</b>	<b>408,750</b>

## DIRECTORS' STATEMENT

Undoubtedly, 2010 was the most challenging in the history of the TCL Group. Continued weak demand resulted in a decline in Revenue by \$179m (10%) following on the \$333m (16%) decline recorded for 2009. Critically, domestic sales volume which generates the bulk of the Group profit margin fell by 16% when compared with 2009. Inventory grew to unsustainable levels necessitating the extended shutdown of the kilns in Jamaica and Barbados for 40 (in Q3) and 98 (in Q4) days respectively. Whilst this monetization of inventory resulted in important cash conservation to the Group, the downside was that significant fixed costs which our plants carry were released into our earnings statement in the absence of production during the period. The Group also incurred higher operating costs from increased fuel prices which rose as the global recession receded and higher personnel costs for termination and pension benefits. The outcome of all this was that operating profit declined by \$254m or 99%.

Net Finance costs increased by \$12m as a result of lower interest income and the absence in 2010 of a redemption option credit. Taxation reflects an increase in the net deferred tax credit of \$51m due mainly to the higher losses incurred. For the year 2010, the Group recorded Losses Attributable to the Parent of \$49m compared with a Profit of \$96m for 2009. This translates to Losses per Share of 20 cents compared with Earnings per share of 39 cents in 2009. As part of its on-going review process, the Group has put up for sale its loss-making subsidiaries in St Maarten.

Recognizing that revenues and liquidity were falling for a second consecutive year and that there was great uncertainty about the timing of a rebound in demand, the Group decided in August 2010 to pursue a re-profiling of its debt portfolio for which higher debt service payments were becoming due. The debt portfolio had increased significantly due to funding of the Expansion and Modernisation Programme. The Group accordingly initiated relevant discussions and a Steering Committee representing 73% of the total debt portfolio was established to lead the negotiation on the terms of the re-profiling. Lenders indicated

their willingness to participate in the re-profiling process but without prejudice to their existing legal rights following the moratorium on all of the Group's debt service payments declared on January 14 2011. At the Committee's request independent consultants were engaged to review the Group's business plans and 5 year projections, as part of the agreed process. The consultants have completed and submitted to the lenders their report which establishes a base scenario derived from management's plans. The Group has forwarded to lenders its debt re-profiling proposals which propose a moratorium of up to three years on debt payments but with triggers that will repay a substantial portion of the current debt over the ensuing five years consistent with the projected net cash flows of the Group. The Group is committed to settling in full all of its debt obligations and the re-profiling, which is expected to be completed in the third quarter, is primarily intended to facilitate the achievement of this objective whilst stabilizing liquidity in the Group.

The Group is also aggressively pursuing new market opportunities while the domestic markets slowly recover. A significant three year contract to supply cement into South America is being negotiated whilst the Group has entered into a lease agreement to establish in the first instance warehouse operations in Haiti. Other opportunities in Brazil, Colombia and the French West Indies are also being pursued. Over the last six years, the Expansion and Modernisation Programme has positioned the Group, with increased capacities and improved efficiencies, to prosper from market opportunities as they arise and Directors are confident that the Group will rebound from the near term challenges.

*Andy J. Bhajan*

Andy J. Bhajan  
Group Chairman  
May 17, 2011

*Dr. Rollin Bertrand*

Dr. Rollin Bertrand  
Director/Group CEO  
May 17, 2011

## REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

### TO THE SHAREHOLDERS OF TRINIDAD CEMENT LIMITED

The accompanying summary consolidated financial statements, which comprise the summary consolidated statement of financial position as at 31 December 2010, and the summary consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, are derived from the audited financial statements of Trinidad Cement Limited and its subsidiaries (the "Group") for the year ended 31 December 2010. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 17 May 2011.

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited financial statements of the Group.

### Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of a summary of the audited consolidated financial statements on the basis of their established criteria as described in Note 1.

### Auditors' Responsibility

Our responsibility is to express an opinion on the summary consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements."

### Opinion

In our opinion, the summary consolidated financial statements derived from the audited consolidated financial statements of the Group for

the year ended 31 December 2010 are consistent, in all material respects, with those financial statements, on the basis of management's established criteria as described in Note 1.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the summary consolidated financial statements which indicates that at year end the Group was not in compliance with certain loan ratio requirements and as such was in default of its obligations under the various loan agreements. Subsequent to year end, on 14 January, 2011, Trinidad Cement Limited publicly declared a moratorium on all debt service payments due by all entities in the Group. Subsequent to the declaration, debt service payments falling due have not been made.

Most of the debt agreements are therefore in default either through non-payment of interest and principal or due to cross default clauses. Lenders therefore can initiate legal action to demand immediate repayment of outstanding loan obligations which the TCL Group is not in a position to immediately meet.

This condition, along with the matters set forth in the Note 2, indicates the existence of a material uncertainty that may impact on the Group's ability to continue as a going concern.

*Ernst + Young*

Port of Spain,  
TRINIDAD;  
May 17, 2011

## NOTES

**Note 1:** The summary consolidated financial statements are prepared in accordance with criteria developed by management. Under management's established criteria, management discloses the summary consolidated statement of financial position, summary consolidated statement of income, summary consolidated statement of comprehensive income, summary consolidated statement of changes in equity and summary consolidated statement of cash flows. These summary financial statements are derived from the audited consolidated financial statements of Trinidad Cement Limited and its subsidiaries for the year ended 31 December 2010, which were prepared in accordance with International Financial Reporting Standards.

**Note 2:** At year end, Trinidad Cement Limited (TCL) was not in compliance with certain loan ratio requirements and as such was in default of its obligations under the various loan agreements. Subsequent to year end, on 14 January 2011, TCL declared a moratorium on all debt service payments following

which payments have not been made. TCL commenced negotiations with its lenders for a re-profiling of its debts and the lenders are participating in the process without prejudice to their existing legal rights that include the power to demand immediate repayment and enforcement of security which includes all the major productive assets of TCL and the Group. Accordingly, there is a material risk that TCL and the Group may not be able to continue as a going concern should lenders enforce their security.

TCL and the Group are pursuing a number of new sales contracts which have the potential to return to profitability its Jamaica and Barbados subsidiaries whilst cost savings strategies are being implemented across the Group. The directors have a reasonable expectation that TCL and the Group will have, from the outlined plans and strategies, adequate cash flows and profitability that will allow TCL and the Group to continue in operational existence in the foreseeable future. For these reasons, the directors continue to adopt the going concern basis in preparing these financial statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

TT\$'000	UNAUDITED Three Months Oct to Dec		AUDITED Year Jan to Dec	AUDITED Year Jan to Dec
	2010	2009	2010	2009
<b>(Loss)/Profit after Taxation</b>	<b>(50,718)</b>	<b>15,026</b>	<b>(80,327)</b>	<b>94,281</b>
Currency translation	8,320	23,328	22,657	(32,134)
Change in fair value of swap, net of tax	5,760	2,670	(4,085)	12,650
	<b>(36,638)</b>	<b>41,024</b>	<b>(61,755)</b>	<b>74,797</b>
<b>Attributable to:</b>				
Shareholders of the Parent	(30,895)	41,964	(35,181)	85,525
Non-controlling Interests	(5,743)	(940)	(26,574)	(10,728)
	<b>(36,638)</b>	<b>41,024</b>	<b>(61,755)</b>	<b>74,797</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

TT\$'000	AUDITED 31.12.2010	AUDITED 31.12.2009
	Non-Current Assets	3,343,685
Current Assets	777,236	781,547
Current Liabilities	(2,137,406)	(835,668)
Non-Current Liabilities	(466,203)	(1,619,421)
<b>Total Net Assets</b>	<b>1,517,312</b>	<b>1,579,287</b>
Share Capital	466,206	466,206
Reserves	958,701	993,533
<b>Equity attributable to Shareholders of the Parent</b>	<b>1,424,907</b>	<b>1,459,739</b>
Non-controlling Interests	92,405	119,548
<b>Total Equity</b>	<b>1,517,312</b>	<b>1,579,287</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

TT\$'000	AUDITED Year Jan to Dec	AUDITED Year Jan to Dec
	2010	2009
<b>(Loss)/Profit before Taxation from Continuing Operations</b>	<b>(145,338)</b>	<b>93,328</b>
Loss before Taxation from Discontinued Operations	(4,253)	(9,286)
<b>(Loss)/Profit before Taxation</b>	<b>(149,591)</b>	<b>84,042</b>
Adjustment for non-cash items	331,159	311,759
	181,568	395,801
Changes in working capital	30,922	(12,563)
	212,490	383,238
Net Interest, taxation and pension contributions paid	(173,650)	(154,312)
Net cash generated by operating activities	38,840	228,926
Net cash used in investing activities	(55,451)	(241,488)
Net cash used in financing activities	(42,877)	(279)
Decrease in cash and cash equivalents	(59,488)	(12,841)
Currency adjustment - opening balance	(6,381)	6,967
Cash and cash equivalents - beginning of year	(20,696)	(14,822)
<b>Cash and cash equivalents - end of year</b>	<b>(86,565)</b>	<b>(20,696)</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

TT\$'000	PARENT		NON-CONTROLLING INTERESTS	
	AUDITED Year Jan to Dec	AUDITED Year Jan to Dec	AUDITED Year Jan to Dec	AUDITED Year Jan to Dec
	2010	2009	2010	2009
<b>Balance at beginning of year</b>	<b>1,459,739</b>	<b>1,372,153</b>	<b>119,548</b>	<b>132,125</b>
Currency translation and other adjustments	17,453	(22,945)	5,204	(9,189)
Allocation to employees and sale of ESOP shares, net of dividend	24	913	-	-
Change in fair value of swap, net of tax	(4,085)	12,650	-	-
(Loss)/Profit after taxation	(48,549)	95,820	(31,778)	(1,539)
Dividends forfeited/(paid)	325	1,148	(569)	(1,849)
<b>Balance at end of year</b>	<b>1,424,907</b>	<b>1,459,739</b>	<b>92,405</b>	<b>119,548</b>

## SEGMENT INFORMATION

TT\$'000	CEMENT	CONCRETE	PACKAGING	CONSOLIDATION ADJUSTMENTS	TOTAL
<b>AUDITED YEAR JAN TO DEC 2010</b>					
Revenue					
Total	1,677,203	138,525	89,387	-	1,905,115
Intersegment	(265,211)	-	(78,820)	-	(344,031)
Third Party	1,411,992	138,525	10,567	-	1,561,084
(Loss)/Profit before Tax	(158,129)	(7,699)	10,764	5,443	(149,591)
Depreciation	159,930	9,211	2,262	(5,428)	165,975
Segment Assets	4,563,411	165,812	118,494	(726,796)	4,120,921
Segment Liabilities	2,996,377	65,581	47,594	(505,943)	2,603,609
Capital expenditure	57,478	5,518	677	-	63,673
<b>AUDITED YEAR JAN TO DEC 2009</b>					
Revenue					
Total	1,842,287	195,474	82,838	-	2,120,599
Intersegment	(311,072)	-	(69,066)	-	(380,138)
Third Party	1,531,215	195,474	13,772	-	1,740,461
Profit before tax	55,265	15,630	6,459	6,688	84,042
Depreciation	144,635	9,798	2,581	(5,365)	151,649
Segment Assets	4,445,176	176,078	95,778	(682,656)	4,034,376
Segment Liabilities	2,810,720	68,065	30,253	(453,949)	2,455,089
Capital expenditure	233,159	7,561	1,086	-	241,806