READYMIX (WEST INDIES) LIMITED

# CONDENSED CONSOLIDATED UNAUDITED INTERIM FINANCIAL REPORT
## FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

TCL GROUP
Building a Brighter Future

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| TT $'000 | UNAUDITED | | | | AUDITED |
|---|---|---|---|---|---|
| | Three Months Jul to Sep | | Nine Months Jan to Sep | | Year Jan to Dec |
| | 2018 | 2017 | 2018 | 2017 | 2017 |
| **Revenue** | 18,742 | 29,333 | 65,149 | 101,370 | 120,541 |
| **Earnings before interest, tax, depreciation, gain on disposal of property, plant and equipment and restructuring costs** | **4,225** | **4,633** | **4,496** | **13,461** | **10,490** |
| Depreciation | (1,630) | (1,319) | (4,291) | (3,985) | (5,239) |
| Gain on disposal of property, plant and equipment | - | - | 10 | 91 | 92 |
| Stockholding and inventory restructuring costs (Note 5) | - | - | - | - | (2,118) |
| Manpower restructuring costs (Note 6) | (1,816) | - | (14,072) | (187) | (190) |
| Integration restructuring expenses (Note 7) | - | (458) | (31) | (458) | (30,276) |
| **Operating profit/(loss)** | **779** | **2,856** | **(13,888)** | **8,922** | **(27,241)** |
| Net finance income/(costs) | 45 | (76) | 27 | (273) | (85) |
| **Profit/(loss) before taxation** | **824** | **2,780** | **(13,861)** | **8,649** | **(27,326)** |
| Taxation | (171) | (639) | 391 | (2,442) | 7,260 |
| **Profit/(loss) for the period** | **653** | **2,141** | **(13,470)** | **6,207** | **(20,066)** |
| **Profit/(loss) attributable to owners of the Company** | **653** | **2,141** | **(13,470)** | **6,207** | **(20,066)** |
| **Basic and diluted earnings/(loss) per share - cents (Note 3)** | **5.4** | **17.8** | **(112.3)** | **51.7** | **(167.2)** |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| TT$'000 | UNAUDITED | | | | AUDITED |
|---|---|---|---|---|---|
| | Three Months Jul to Sep | | Nine Months Jan to Sep | | Year Jan to Dec |
| | 2018 | 2017 | 2018 | 2017 | 2017 |
| **Profit/(loss) for the period** | **653** | **2,141** | **(13,470)** | **6,207** | **(20,066)** |
| ***Items that will not be reclassified to profit or loss:*** | | | | | |
| Re-measurement gains on pension plans | - | - | - | - | 4,946 |
| Income tax effect | - | - | - | - | (1,483) |
| | **-** | **-** | **-** | **-** | **3,463** |
| ***Items that may be reclassified to profit or loss:*** | | | | | |
| Exchange differences on translation of foreign operations | - | 3 | - | - | - |
| **Total comprehensive income/(loss) for the period** | **653** | **2,144** | **(13,470)** | **6,207** | **(16,603)** |
| Equity holders of the Parent | **-** | **2,116** | **-** | **6,209** | **(16,603)** |
| Non-controlling interest | - | 28 | - | (2) | - |
| **Total comprehensive income/(loss) attributable to owners of the Company** | **653** | **2,144** | **(13,470)** | **6,207** | **(16,603)** |

## DIRECTORS' STATEMENT

RML is pleased to report another quarter, and indeed the nine months to date, of safe operations without any Lost Time Incidents (LTI's).

Market conditions in the construction sector continued to be very depressed. Concrete and Aggregate sales volumes for the third quarter of 2018 were 4% and 67% respectively below that of Q3 2017, resulting in a 36% decrease in revenue. However, adjusted EBITDA (earnings before interest, tax, depreciation, gain on disposals and restructuring costs) for Q3 2018 was $4.2 million compared to $4.6 million in Q3 2017, a decrease of 9%. Additionally, adjusted EBITDA for Q3 2018 was the highest for the three quarters of 2018.

Net profit for the quarter was $0.7 million, compared to a profit of $2.1 million in Q3 2017. The decline in the current quarter was partly attributable to manpower restructuring costs of $1.8 million recorded in the current period, as the company continues to restructure its operations to drive down operating costs. Despite the challenges being experienced, as at September 30, 2018, the company has fully settled all outstanding retroactive liabilities due to employees, in accordance with our collective agreements.

For the nine months of 2018, revenue declined by $36.2 million or 36% compared to the same period of 2017, mainly due to lower sales volume and prices, while adjusted EBITDA was $4.5 million (2017: $13.5 million). Net loss after tax was $13.5 million compared to a profit of $6.2 million in 2017.

We are pleased to note that despite the significantly reduced revenue generated, RML has recorded positive adjusted EBITDA for the quarter and year to date.

Our strategic partnership for development and sale of housing units through East Lake Development Company Limited on unutilised land owned by RML is well underway and progressing as expected.

The Trinidad and Tobago Securities and Exchange Commission held a hearing in October to consider RML's application for the delisting of our shares from the Trinidad and Tobago Stock Exchange. We are awaiting their decision on this matter.

Glenn Hamel-Smith
Chairman
**October 23, 2018**

Jose Luis Seijo Gonzalez
Director
**October 23, 2018**

## SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| TT$'000 | PARENT | | | NON-CONTROLLING INTERESTS | | |
|---|---|---|---|---|---|---|
| | UNAUDITED | | AUDITED | UNAUDITED | | AUDITED |
| | Nine Months Jan to Sep | | Year Jan to Dec | Nine Months Jan to Sep | | Year Jan to Dec |
| | 2018 | 2017 | 2017 | 2018 | 2017 | 2017 |
| **Balance at beginning of period** | **74,833** | **91,436** | **91,436** | **(4,899)** | **(4,899)** | **(4,899)** |
| Recognition of opening carrying amount differences upon initial application of IFRS 9 (Note 8) | (4,397) | - | - | - | - | - |
| | 70,436 | 91,436 | 91,436 | (4,899) | (4,899) | (4,899) |
| Other comprehensive income/(loss) | - | 2 | 3,463 | - | (2) | - |
| (Loss)/profit after taxation | (13,470) | 6,207 | (20,066) | - | - | - |
| Total comprehensive (loss)/income | (13,470) | 6,209 | (16,603) | - | (2) | - |
| **Balance at end of period** | **56,966** | **97,645** | **74,833** | **(4,899)** | **(4,901)** | **(4,899)** |

## SEGMENT INFORMATION

| TT$'000 | CONCRETE | AGGREGATE | TOTAL |
|---|---|---|---|
| **UNAUDITED NINE MONTHS JAN TO SEP 2018** | | | |
| Revenue | 53,299 | 11,850 | 65,149 |
| Loss before tax | (13,286) | (576) | (13,861) |
| **UNAUDITED NINE MONTHS JAN TO SEP 2017** | | | |
| Revenue | 64,915 | 36,455 | 101,370 |
| Profit before tax | 2,124 | 6,525 | 8,649 |
| **AUDITED YEAR JAN TO DEC 2017** | | | |
| Revenue | 76,355 | 44,186 | 120,541 |
| Loss before tax | (23,050) | (4,276) | (27,326) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| TT$'000 | UNAUDITED | | AUDITED |
|---|---|---|---|
| | 30.09.18 | 30.09.17 | 31.12.17 |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 56,253 | 53,558 | 56,561 |
| Investment | 1 | - | - |
| Trade and other receivables | - | 1,018 | - |
| Deferred tax assets | 13,655 | 5,509 | 12,950 |
| | 69,909 | 60,085 | 69,511 |
| **Current assets** | | | |
| Inventories | 11,739 | 14,584 | 11,940 |
| Trade and other receivables | 12,317 | 20,136 | 13,049 |
| Cash at bank and short term deposits | 30,727 | 55,250 | 51,722 |
| | 54,783 | 89,970 | 76,711 |
| **Total assets** | **124,692** | **150,055** | **146,222** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Stated capital | 12,000 | 12,000 | 12,000 |
| Retained earnings | 44,966 | 85,645 | 62,833 |
| **Equity attributable to owners of the Company** | **56,966** | **97,645** | **74,833** |
| Non-controlling interests | (4,899) | (4,901) | (4,899) |
| **Total equity** | **52,067** | **92,744** | **69,934** |
| **Non-current liabilities** | | | |
| Employee benefits | 10,644 | 16,054 | 12,210 |
| Deferred tax liabilities | 4,429 | 4,969 | 4,715 |
| | 15,073 | 21,023 | 16,925 |
| **Current liabilities** | | | |
| Trade and other payables | 57,129 | 35,867 | 58,942 |
| Liabilities directly associated with the discontinued operations | 423 | 421 | 421 |
| | 57,552 | 36,288 | 59,363 |
| **Total equity and liabilities** | **124,692** | **150,055** | **146,222** |

## CONSOLIDATED STATEMENT OF CASH FLOWS

| TT$'000 | UNAUDITED | | | | AUDITED |
|---|---|---|---|---|---|
| | Three Months Jul to Sep | | Nine Months Jan to Sep | | Year Jan to Dec |
| | 2018 | 2017 | 2018 | 2017 | 2017 |
| **Cash flows from operating activities** | | | | | |
| **Profit/(loss) before taxation** | **824** | **2,780** | **(13,861)** | **8,649** | **(27,326)** |
| Adjustments to reconcile profit before taxation to net cash generated by operating activities: | | | | | |
| Depreciation | 1,630 | 1,319 | 4,291 | 3,985 | 5,239 |
| Increase in provision for doubtful debts | - | 100 | - | 400 | - |
| Net finance costs | (35) | (5) | (17) | 94 | 423 |
| Other non-cash items | 693 | 381 | 812 | 1,437 | |
| Pension | 294 | 351 | 1,300 | 1,053 | 3,845 |
| Gain on disposal of property, plant and equipment | - | - | (10) | (91) | (92) |
| | 3,406 | 4,926 | (7,485) | 15,527 | (17,911) |
| (Increase)/decrease in inventories | (1,303) | (2,209) | 201 | 231 | 2,874 |
| (Increase)/decrease in receivables and prepayments | (468) | 5,150 | (2,879) | 11,469 | 19,324 |
| Increase/(decrease) in payables and accruals | (12,387) | (3,181) | (1,768) | (12,009) | 10,842 |
| Cash (used in)/generated from operations | (10,752) | 4,686 | (11,931) | 15,218 | 15,129 |
| Pension contributions paid | (3,472) | (394) | (4,189) | (1,202) | (1,693) |
| Taxation paid | (181) | (1,181) | (643) | (1,845) | (1,909) |
| Tax refund | - | - | - | - | 1,060 |
| Net interest paid | (46) | (93) | (264) | (329) | (423) |
| **Net cash (used by)/generated from operating activities** | **(14,451)** | **3,018** | **(17,027)** | **11,842** | **12,164** |
| **Cash flows from investing activities** | | | | | |
| Additions to property, plant and equipment | (306) | (1,204) | (3,982) | (3,922) | (8,181) |
| Decrease/(increase) in investment in short-term deposits | 8,000 | 89 | 19,147 | (3,955) | (9,096) |
| Proceeds from disposal of property, plant and equipment | - | - | 10 | - | 409 |
| **Net cash generated by/(used in) investing activities** | **7,694** | **(1,115)** | **15,175** | **(7,877)** | **(16,868)** |
| Net (decrease)/increase in cash and cash equivalents | (6,757) | 1,904 | (1,852) | 3,965 | (4,704) |
| Cash and cash equivalents - beginning of period | 10,531 | 12,391 | 5,626 | 10,330 | 10,330 |
| **Cash and cash equivalents - end of period** | **3,774** | **14,295** | **3,774** | **14,295** | **5,626** |
| **Represented by:** | | | | | |
| Cash on hand and at bank | **3,774** | **14,295** | **3,774** | **14,295** | **5,626** |

**NOTES:**

1. **Basis of Preparation**
These condensed consolidated financial statements are prepared in accordance with established criteria developed by management and discloses the consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, summary consolidated statement of changes in equity and consolidated statement of cash flows.

2. **Accounting Policies**
These condensed consolidated financial statements have been prepared in accordance with the accounting policies set out in "Note 2" of the December 31, 2017 audited financial statements consistently applied from period to period, except where the company has adopted the new and revised accounting standards that are mandatory for annual accounting periods on or after January 1, 2018 and which are relevant to the company's operations.

3. **Earnings Per Share**
Earnings per share (EPS) is calculated by dividing the net profit attributable to Shareholders by the weighted average number of ordinary shares outstanding during the period.

4. **Segment Information**
The Group derived 82% (2017 - 64%) of its revenue from the sale of concrete and 18% (2017 - 36%) from the sale of aggregates. The Group's Sales strategy is associated with these two product lines, accordingly the segment information is so presented.

5. **Stockholding and Inventory Restructuring Costs**
Stockholding and inventory restructuring costs comprise write down of overstocked items identified in a comprehensive review of inventory quantities on hand which was undertaken in 2016 and 2017.

6. **Manpower Restructuring Costs**
Manpower restructuring costs mainly comprise settlement of obligations to separated employees incurred during implementation of restructuring programmes. The objective of the restructuring programmes is to improve cost efficiency in light of continuing market conditions.

7. **Integration Restructuring Expenses**
Integration restructuring expenses comprise the expenses incurred to align the operations and integrate the processes with the ultimate parent company.

8. **Initial Application of IFRS 9 Financial Instruments**
The TCL Group has applied IFRS 9 Financial Instruments and has not restated prior periods as allowed by the standard. The carrying amounts of trade receivables at the beginning of the year were recomputed and recorded using the expected credit loss model. The differences recorded upon initial application of the expected credit loss model have been recognised in opening retained earnings.