TRINIDAD CEMENT LIMITED

CONDENSED CONSOLIDATED UNAUDITED INTERIM FINANCIAL REPORT

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

TT$'000	UNAUDITED				AUDITED
	Three Months Jul to Sep		Nine Months Jan to Sep		Year Jan to Dec
	2019	2018	2019	2018	2018
Revenue	414,057	415,562	1,281,329	1,300,352	1,721,123
Earnings before interest, tax, depreciation, gain or loss on disposal of property, plant and equipment, restructuring costs and impairment	72,363	74,937	284,788	282,973	342,764
Depreciation	(36,794)	(31,513)	(110,539)	(92,431)	(127,126)
Gain (loss) on disposal of property, plant and equipment	(43)	-	87	9	(238)
Stockholding and restructuring costs (Note 5)	514	(529)	3,623	3,113	7,831
Manpower restructuring costs (Note 6)	(12,864)	(10,358)	(33,819)	(28,581)	(84,930)
Integration restructuring expenses (Note 7)	-	(3,930)	-	(8,103)	-
Impairment of trade receivables	83	2,356	(238)	5,261	2,415
Operating profit	23,259	30,963	143,902	162,241	140,716
Finance costs (net)	(37,273)	(39,798)	(93,090)	(84,948)	(84,557)
(Loss) profit before taxation	(14,014)	(8,835)	50,812	77,293	56,159
Taxation	(9,298)	(12,961)	(40,737)	(48,197)	(63,171)
(Loss) profit for the period	(23,312)	(21,796)	10,075	29,096	(7,012)
(Loss) profit attributable to:					
Owners of the Company	(24,478)	(24,937)	(11,607)	11,953	(37,662)
Non-controlling interests	1,166	3,141	21,682	17,143	30,650
	(23,312)	(21,796)	10,075	29,096	(7,012)
Basic and diluted (loss) earnings per share - cents (Note 3):	(6.6)	(6.7)	(3.1)	3.2	(10.0)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

TT$'000	UNAUDITED				AUDITED
	Three Months Jul to Sep		Nine Months Jan to Sep		Year Jan to Dec
	2019	2018	2019	2018	2018
(Loss) profit for the period	(23,312)	(21,796)	10,075	29,096	(7,012)
Items that are or may be reclassified to profit or loss:					
Exchange differences on translation of foreign operations	(10,054)	(17,533)	(27,834)	(43,611)	(5,622)
Change in fair value of cash flow hedge	-	(1,698)	-	419	(3,976)
	(10,054)	(19,231)	(27,834)	(43,192)	(9,598)
Items that will not be reclassified to profit or loss:					
Remeasurement gains on pension plans and other post-retirement benefits	-	-	-	-	(24,530)
Related tax	-	-	-	-	7,615
	-	-	-	-	(16,915)
Other comprehensive loss for the period, net of tax	(10,054)	(19,231)	(27,834)	(43,192)	(26,513)
Total comprehensive loss for the period	(33,366)	(41,027)	(17,759)	(14,096)	(33,525)
Total comprehensive loss attributable to:					
Owners of the Company	(29,117)	(39,272)	(30,051)	(21,188)	(62,354)
Non-controlling interests	(4,249)	(1,755)	12,292	7,092	28,829
	(33,366)	(41,027)	(17,759)	(14,096)	(33,525)

DIRECTORS' STATEMENT

The TCL Group continued building a strong Health and Safety (H&S) culture under its "ZERO4Life" programme. This included investments in plant upgrades, training and general improvements in working conditions. The accomplishment of three consecutive years with no "Lost Time Injuries" (LTIs) at Arawak Cement Company Limited (ACCL); one year at TCL Guyana and zero incidents during the major maintenance works done in Jamaica and Trinidad are a result of the implementation of global H&S best practices.

The Group recorded consolidated revenue of $414 million in the third quarter (Q3) of 2019, 0.4% below the comparative prior period. This achievement was in spite of unusually heavy rainfall experienced in Jamaica that hampered our ability to deliver products in that market. September 2019 year-to-date revenue was $1.3 billion, representing a 1% decrease in comparison with 2018. This was mainly due to the weak demand for cement and concrete in Trinidad and Tobago.

Earnings before interest, tax, depreciation, gain or loss on disposal of property, plant and equipment, restructuring costs and impairment for Q3 2019 was $72 million and $285 million year-to-date, which in comparison to Q3 2018 was 3% lower and 1% higher year-to-date. The decrease was primarily due to the timing of the scheduled annual maintenance of main equipment at our cement plants in Jamaica and Trinidad.

During the quarter, the Group recorded $37 million in finance costs, which is 6% lower than Q3 2018. However, year-to-date, the finance cost has increased 10% to $93 million resulting from foreign exchange losses due to a weak Jamaican dollar, which affected the US-denominated loan balance of our Jamaican subsidiary, Caribbean Cement Company Limited.

Combined Group financial results for the Q3 of 2019 shows a loss of $23 million, however, year-to-date the Group recorded a profit of $10 million. During this quarter, the TCL Group generated $105 million in cash from operations, supported by the positive effects of managing our working capital at an optimal level. Part of these funds were allocated to repaying the debt and invested in capital expenditure to improve our facilities.

IFRS 16 Leases ("IFRS 16") was adopted on January 1, 2019 and due to our selected transition method, we have not restated our prior year comparatives. Therefore, the effects from implementation of this accounting standard year-to-date September 2019 on our financial statements are as follows:

- an increase in the adjusted EBITDA by $6.5 million (in the consolidated statement of profit or loss).
- an increase in the depreciation expenses by $5.1 million (in the consolidated statement of profit or loss).
- recognition of $21.4 million in right-of-use assets (in the consolidated statement of financial position)
- recognition of $22.1 million in leases liabilities (in the consolidated statement of financial position)

Outlook

We are confident that initiatives implemented under our long-term transformation programme will continue to drive productivity and competitiveness while reducing costs and increasing cash flow as we manoeuvre and strategically manage the challenges with which we are confronted in some of our markets.

David Inglefield	**Jose Luis Seijo Gonzalez**
Group Chairman	**Director**
October 24, 2019	**October 24, 2019**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

TT$'000	UNAUDITED		AUDITED
	30.09.19	30.09.18	31.12.18
ASSETS			
Non-current assets			
Property, plant and equipment	1,759,609	1,710,118	1,853,066
Investment	1	-	1
Employee benefits	9,922	29,314	14,233
Trade and other receivables	-	3,836	-
Deferred tax assets	143,245	246,674	179,789
	1,912,777	1,989,942	2,047,089
Current assets			
Inventories	272,052	223,154	229,182
Trade and other receivables	164,145	142,125	173,002
Cash and cash equivalents	80,375	119,286	77,737
	516,572	484,565	479,921
Total assets	2,429,349	2,474,507	2,527,010
EQUITY AND LIABILITIES			
Equity			
Stated capital	827,731	827,732	827,732
Unallocated ESOP shares	(20,019)	(20,019)	(20,019)
Reserves	(266,798)	(278,384)	(248,355)
Retained earnings	98,380	181,661	109,987
Equity attributable to owners of the Company	639,294	710,990	669,345
Non-controlling interests	14,775	(19,696)	2,483
Total equity	654,069	691,294	671,828
Non-current liabilities			
Borrowings	849,694	898,868	922,469
Employee benefits	15,437	10,644	12,359
Other post-retirement benefits	163,447	161,476	160,952
Trade and other payables	-	-	86
Deferred tax liabilities	188,744	263,970	201,122
	1,217,322	1,334,958	1,296,988
Current liabilities			
Trade and other payables	535,624	430,255	539,070
Borrowings	22,334	18,000	19,124
	557,958	448,255	558,194
Total equity and liabilities	2,429,349	2,474,507	2,527,010

CONSOLIDATED STATEMENT OF CASH FLOWS

TT$'000	UNAUDITED				AUDITED
	Three Months Jul to Sep		Nine Months Jan to Sep		Year Jan to Dec
	2019	2018	2019	2018	2018
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss) profit before taxation	(14,014)	(8,835)	50,812	77,293	56,159
Adjustments for:					
- Depreciation	36,794	31,513	110,539	92,431	127,126
- Stockholding and restructuring costs (Note 5)	(514)	529	(3,623)	(3,113)	(7,831)
- Finance cost (net)	37,273	39,798	93,090	84,948	84,557
- Pension and other post-retirement expenses	3,455	16,915	18,603	26,471	29,352
- (Gain) loss on disposal of property, plant and equipment	43	-	(87)	(9)	238
	63,037	79,920	269,334	278,021	289,601
Changes in:					
- Inventories	11,505	(21,577)	(33,549)	(14,667)	(16,908)
- Trade and other receivables	(4,971)	2,692	12,405	14,692	(19,688)
- Trade and other payables	35,251	(56,100)	(36,055)	(119,209)	(32,936)
Cash generated from operating activities	104,822	4,935	212,135	158,837	220,069
Pension contributions paid	(2,082)	(8,996)	(6,554)	(15,008)	(20,752)
Post-retirement benefits paid	(2,150)	(1,010)	(4,863)	(2,829)	(8,170)
Taxation paid	(1,895)	(2,177)	(5,838)	(14,538)	(21,470)
Net interest paid	(14,768)	(4,277)	(45,953)	(14,802)	(42,373)
Net cash from (used in) operating activities	83,927	(11,525)	148,927	111,660	127,304
CASH FLOWS FROM INVESTING ACTIVITIES					
Additions to property, plant and equipment	(33,385)	(32,455)	(71,247)	(88,472)	(169,661)
Proceeds from disposal of property, plant and equipment	66	-	66	-	-
Net cash used in investing activities	(33,319)	(32,455)	(71,181)	(88,472)	(169,661)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of borrowings	(5,747)	(33,778)	(17,792)	(151,048)	(4,500)
Proceeds from borrowings	604	121,674	4,015	141,674	-
Net change in revolving facilities	(37,049)	-	(59,863)	-	12,446
Acquisition of non-controlling interest	-	(6,778)	-	(6,778)	(6,815)
Net cash (used in) from financing activities	(42,192)	81,118	(73,640)	(16,152)	1,131
Net increase (decrease) in cash and cash equivalents	8,416	37,138	4,106	7,036	(41,226)
Cash and cash equivalents – beginning of period	72,616	84,851	77,737	118,826	118,826
Effect of movement in exchange rate on cash held	(657)	(2,703)	(1,468)	(6,576)	137
Cash and cash equivalents – end of period	80,375	119,286	80,375	119,286	77,737
Represented by:					
Cash and cash equivalents	80,375	119,286	80,375	119,286	77,737

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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
	2019	2018	2018	2019	2018	2018
Balance at beginning of period	**669,345**	**736,353**	**736,353**	**2,483**	**(17,048)**	**(17,048)**
Adjustment on initial application of IFRS 9	-	(6,932)	(6,932)	-	(205)	(205)
	669,345	729,421	729,421	2,483	(17,253)	(17,253)
Profit (loss) for the period	(11,607)	11,953	(37,662)	21,682	17,143	30,650
Other comprehensive loss	(18,444)	(33,141)	(24,692)	(9,390)	(10,051)	(1,821)
Total comprehensive (loss) income	(30,051)	(21,188)	(62,354)	12,292	7,092	28,829
Acquisition of NCI without change of control	-	2,757	2,278	-	(9,535)	(9,093)
Balance at end of period	**639,294**	**710,990**	**669,345**	**14,775**	**(19,696)**	**2,483**

SEGMENT INFORMATION

TT$'000	CEMENT	CONCRETE	PACKAGING	CONSOLIDATION ADJUSTMENTS	TOTAL
UNAUDITED NINE MONTHS JAN TO SEP 2019					
Revenue					
Total	1,423,649	52,905	56,439	-	1,532,993
Inter-segment	(197,413)	(1,700)	(52,551)	-	(251,664)
Third party revenue	1,226,236	51,205	3,888	-	1,281,329
Profit (loss) before tax	66,360	(17,212)	1,664	-	50,812
Depreciation	102,684	6,128	1,727	-	110,539
Segment assets	3,059,841	110,419	98,375	(839,286)	2,429,349
Segment liabilities	2,334,581	60,308	30,933	(650,542)	1,775,280
Capital expenditure	66,684	3,742	821	-	71,247
UNAUDITED NINE MONTHS JAN TO SEP 2018					
Revenue					
Total	1,396,722	65,150	54,756	-	1,516,628
Inter-segment	(168,132)	(749)	(47,395)	-	(216,276)
Third party revenue	1,228,590	64,401	7,361	-	1,300,352
Profit (loss) before tax	159,593	(13,861)	(1,333)	(67,106)	77,293
Depreciation	90,503	4,291	1,971	(4,334)	92,431
Segment assets	2,687,955	100,393	89,740	(403,581)	2,474,507
Segment liabilities	2,465,357	61,980	46,394	(790,518)	1,783,213
Capital expenditure	83,446	3,982	1,044	-	88,472
AUDITED YEAR JAN TO DEC 2018					
Revenue					
Total	1,867,067	83,330	72,517	-	2,022,914
Inter-segment	(237,962)	-	(63,829)	-	(301,791)
Third party revenue	1,629,105	83,330	8,688	-	1,721,123
(Loss) profit before tax	(91,034)	(13,477)	(1,890)	162,560	56,159
Depreciation	126,139	5,455	2,564	(7,032)	127,126
Segment assets	3,172,640	113,574	79,338	(838,542)	2,527,010
Segment liabilities	2,998,459	56,633	30,892	(1,230,802)	1,855,182
Capital expenditure	159,865	8,260	1,536	-	169,661

NOTES:

1. **Basis of Preparation**
These condensed consolidated financial statements are prepared in accordance with established criteria developed by management and disclose 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 Notes 2 to 8 of the December 31, 2018 audited financial statements consistently applied from period to period. The Group has adopted all the new and revised accounting standards that are mandatory for annual accounting periods on or after January 1, 2019 and which are relevant to the Group's operations.

3. **Earnings Per Share**
Earnings per share (EPS) is calculated by dividing the (loss) profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period. The weighted average number of ordinary shares in issue for the period has been determined by deducting from the total number of issued shares of 374.648M, the weighted average of 2.845M shares that were held as unallocated shares by our Employee Share Ownership Plan (ESOP).

4. **Segment Information**
Management's principal reporting and decision making are by product and accordingly the segment information is so presented.

5. **Stockholding and Restructuring Costs**
Stockholding and restructuring costs comprise reclassification of costs and credits in respect of overstocked items. This expense has been accounted for as a change in an accounting estimate consistent with IAS 8: "Accounting Policies, Changes in Accounting Estimates and Errors" resulting from new developments.

6. **Manpower Restructuring Costs**
Manpower restructuring costs mainly comprise severance costs incurred during implementation of restructuring programmes. The objective of the restructuring programmes is to improve cost efficiency.

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

8. **Initial Application of IFRS 16 Leases**
The TCL Group has applied IFRS 16 Leases and has not restated prior periods as allowed by the Standard. The Group has recognised the present value of the remaining lease payments as right-of-use assets and lease liabilities ($22.7 million) for material leases previously classified as operating leases. On initial application, the Group applied the incremental borrowing rates of 8.83% to 14.39% on the lease liabilities.