



CARIBBEAN  
CEMENT  
COMPANY  
LIMITED

CARIB CEMENT

# ANNUAL REPORT 2016

BUILDING  
A GREATER  
JAMAICA



## OUR MISSION

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Caribbean Cement Company Limited, a member of the TCL Group, is committed to meeting the needs of its customers by providing high quality building solutions in an environmentally friendly manner, through a competent, inspired and motivated team thereby achieving the financial objectives of its shareholders, whilst adding value to the community.

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## CORPORATE DATA

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### CARIBBEAN CEMENT COMPANY LIMITED

#### Registered Office:

Rockfort, Kingston  
Postal Address: P.O. Box 448, Kingston  
Tel: (876) 928 6231-5  
Fax: (876) 928 7381  
Email: info@caribcement.com

### BOARD OF DIRECTORS

Mr. Parris A. Lyew-Ayee, C.D., Chairman  
Mr. Peter Donkersloot Ponce  
Mr. Hollis N. Hosein  
Mr. Alejandro Varés Leal  
Mr. José Luis Seijo González  
Mr. Luis Gilberto Ali Moya

### COMPANY SECRETARY

Mr. Craig Lloyd Neil

### MANAGEMENT TEAM

Mr. Peter Donkersloot Ponce  
(General Manager)  
Mr. Adrian Spencer  
Mr. Andrew Stephenson  
Mr. Christopher Brown  
Ms. Euvine Dare  
Mr. Garen Williams  
Mr. Glenroy Simpson  
Mrs. Jascinth Buchanan-Wint  
Mr. Jorge Herrera  
Mr. Jose Monge  
Mr. Marcelo Hernandez  
Mr. Marchel Burrell

Mr. Rohan Anderson  
Mr. Sergio Zazueta  
Mrs. Sophia Lowe Pinnock  
Mr. Wayne Ballen  
Mr. Wilson Peña

### BUSINESS UNITS

Caribbean Gypsum Company Limited  
Jamaica Gypsum & Quarries Limited  
Rockfort Mineral Bath Complex Limited

### ATTORNEYS-AT-LAW

Charles Piper & Associates  
13a North Avenue, Kingston 5

#### Dunn Cox

48 Duke Street, Kingston

#### Rattray Patterson Rattray

24-26 Grenada Crescent, Kingston 5

Patterson, Mair, Hamilton

Temple Court, 85 Hope Road, Kingston 6

### REGISTRAR & TRANSFER AGENT

Sagicor Bank Limited  
28-48 Barbados Avenue, Kingston 5

### AUDITORS

Ernst & Young  
8 Oliver Road, Kingston 8

### BANKERS

Bank of Nova Scotia Jamaica Limited  
Citibank, N.A.  
National Commercial Bank Jamaica Limited

### Board Audit Committee

Mr. Hollis Hosein, Chairman  
Mr. Parris A. Lyew-Ayee  
Mr. Alejandro Varés Leal

**Objectives of the Board Audit Committee**

To increase the credibility and objectivity of financial reports:

- To ensure that an effective system of internal controls is established and maintained by the Company;
- To help Directors meet their responsibilities, especially for accountability;
- To strengthen the role of the external Directors by facilitating in-depth discussions between Directors on the Committee, management and external

auditors;

- To provide better communication between Directors and external auditors.

**Corporate Governance Committee**

The Corporate Governance Committee was established on March 4, 2005 by Trinidad Cement Limited of which Caribbean Cement Company Limited is a Business Unit.

The Corporate Governance guidelines can be viewed on the Company's website – [www.caribcement.com/about](http://www.caribcement.com/about).

BOARD OF DIRECTORS



Parris A. Lyew-Ayee, C.D.  
(Chairman), Hollis N. Hosein



Luis Gilberto Ali Moya,  
Alejandro Varés Leal



José Luis Seijo González  
Peter Donkersloot Ponce

## ABOUT OUR BOARD OF DIRECTORS

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### **Parris A. Lyew- Ayee, C.D., Chairman**

Parris A. Lyew-Ayee holds a B.Sc. Honours Degree in Special Geology from The University of the West Indies, and a Master of Engineering Degree in Mineral Engineering Management from Pennsylvania State University.

He is the Executive Director of the Jamaica Bauxite Institute. In addition to being the Chairman of the Board of Directors of Carib Cement, he is also a member of the Board of Directors of Jamaica Bauxite Institute, Noranda Jamaica Bauxite Mining Partners, and Jamaica National Building Society (including its subsidiary organisations – Jamaica National Building Society Foundation and Jamaica National Small Business Loans Limited, where he serves as the Chairman). At the Mona campus of the University of the West Indies, he serves on the Mona Campus Council, the Strategy and Policy Committee, the Finance and General Purposes Committee, the Audit Committee, the Grounds and Buildings Committee and the Board of Directors of the Mona Geoinformatics Institute.

Mr. Lyew-Ayee's contribution to Jamaica's bauxite industry has been acknowledged by the Government of Jamaica, which conferred on him the Order of Distinction in the rank of Officer (OD) in 1988 and the Order of Distinction in the rank of Commander (CD) in 2007.

### **Hollis N. Hosein, Director**

Hollis N. Hosein is a former Group Finance Manager of the TCL Group and has extensive and diverse experience in the areas of Financial Management Systems, Administration and General Management. Mr. Hosein is a Fellow of the Association of Certified Chartered Accountants (FCCA) and a member of the Institute of Chartered Accountants of Trinidad and Tobago (ICATT).

He is a Director and Chairman of the Board Audit Committee of Caribbean Cement Company Limited and the Chairman of the Board of Directors for TCL Guyana Inc. He currently voluntarily assists with several charitable projects in Trinidad & Tobago

### **Alejandro Varés Leal, Director**

Alejandro Varés Leal was appointed as a Director on the Board of Caribbean Cement Company Limited in January 2017. He previously held the position of General Manager.

Mr. Varés Leal, born in Monterrey, Mexico, joined CEMEX in 1999 in the Future Talents Programme where he actively worked in Operations, Sales and Administrative functions. He has held several executive positions in areas within CEMEX such as Strategic Planning and Enterprise Risk Management for Europe, Asia, the Middle East, South America and Mexico.

Mr. Varés Leal has been responsible for the Strategic Planning and Business Development functions in Puerto Rico and Costa Rica, and before joining Carib Cement was acting Country Manager for CEMEX Costa Rica where he actively participated as a member of several Boards and councils, mainly in joint related efforts between the public and private sectors.

While at University, Mr. Varés Leal worked in the financial banking sector with Citibank and Banregio. He holds a Bachelor of Arts Degree in Business Administration from Instituto de Tecnológico de Monterrey, and an MBA from IPADE Business School.

## ABOUT OUR BOARD OF DIRECTORS (C'TD.)

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### **Luis Gilberto Ali Moya, Director**

Luis Gilberto Ali Moya was appointed as the Group Finance Manager, effective January 1, 2016. Prior to joining the TCL Group, Mr. Ali Moya served in the positions of: Financial and Cost Analyst (CEMEX, Venezuela); Business Process Coordinator (D.H.L, Costa Rica); and most recently, as Business Service Organisation Manager (CEMEX, Costa Rica).

Mr. Ali Moya earned his Bachelor of Accounting degree from the Universidad Católica "Andrés Bello" in Caracas, Venezuela (1997). He then went on to attain a Master of Business Administration degree from the Universidad Latinoamericana de Ciencia y Tecnología in San José, Costa Rica (2009).

### **José Luis Seijo González, Managing Director – TCL Group**

José Luis Seijo González was appointed Managing Director of the TCL Group effective May 20, 2016. Prior to this, he held the position of Chief Executive Officer of the TCL Group, from May 4, 2015. He has had many years of experience in the cement industry, having worked in several key cross postings at CEMEX. The most recent, before taking up his appointment at TCL, was that of Head - Strategic and Financial Planning for Spain and the Mediterranean region.

Mr. Seijo González joined CEMEX in 1999, initially in the area of production before moving to strategic planning at the company's operations in Spain. His vast experience incorporates assignments in Mexico in corporate strategic planning, in Israel as Chief Financial Officer, in Bangladesh as Chief Executive Officer and in Latvia, also as Chief Executive Officer.

He holds a B.Sc. in Mechanical Engineering with a Master's Degree in Finance from the University of Bath, United Kingdom.

### **Peter Donkersloot Ponce - General Manager, Caribbean Cement Company Limited**

Peter Donkersloot Ponce was appointed General Manager of Caribbean Cement Company Limited effective November 7, 2016. Mr. Donkersloot Ponce has over eleven years' working experience in the Cement Industry, holding key positions in five different countries (Jamaica, Panama, Peru, El Salvador and Guatemala). His experience ranges in Commercial Operations, Logistics, Risk Assessment, Management Strategic Planning and General Management.

Mr. Donkersloot Ponce holds a Global Masters of Business Administration (MBA) from the Thunderbird School of Global Management along with professional qualifications in Industrial Engineering from the Monterrey Institute of Technology (ITESM), Mexico. He is fluent in both Spanish and English.

## NOTICE OF ANNUAL GENERAL MEETING

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**NOTICE** is hereby given that the **SIXTY EIGHTH ANNUAL GENERAL MEETING** of **CARIBBEAN CEMENT COMPANY LIMITED** will be held at Spanish Court Worthington, 16 Worthington Avenue, Kingston 5 on July 13, 2017 at 10:00 a.m. to transact the following business and to consider and, if thought fit, pass the following Resolutions:

### 1. AUDITED ACCOUNTS FOR YEAR ENDED DECEMBER 31, 2016

To receive the audited accounts for the year ended December 31, 2016, together with the Directors' and Auditors' Reports circulated therewith and declare

**THAT** the Balance Sheet and Profit & Loss Account for the year ended December 31, 2016, together with the Reports of the Directors and Auditors now submitted to this meeting, be and are hereby adopted.

### 2. APPOINTMENT & REMUNERATION OF AUDITORS

To appoint Auditors and authorise the Directors to fix the remuneration of the Auditors.

### 3. ELECTION OF DIRECTORS

In accordance with Article 96 of the Company's Articles of Incorporation, the following Director retires by rotation and, being eligible, offers himself for re-election:

José Luis Seijo González

a) **THAT** the retiring Director, José Luis Seijo González be and is hereby re-elected.

In accordance with Article 103 of the Company's Articles of Incorporation, the following Director, having been appointed since the last Annual General Meeting, retires and being eligible, offers himself for re-election:

Alejandro Vares Leal

In accordance with Article 103 of the Company's Articles of Incorporation, the following Director, having been appointed since the last Annual General Meeting, retires and being eligible, offers himself for re-election:

Peter Donkersloot Ponce

b) **THAT** the retiring Director Alejandro Vares Leal, be and is hereby re-elected.

c) **THAT** the retiring Director Peter Donkersloot Ponce be and is hereby re-elected.

PURSUANT to Article 100 (A) of the Company's Articles of Incorporation, members qualified to attend and vote at the meeting who wish to nominate a person (other than a retiring Director who may be re-appointed at the meeting) to stand as a Director shall deposit such nomination, in writing, signed by the member at the Registered Office of the Company situated at Rockfort, Kingston addressed to "The Company Secretary, Caribbean Cement Company Limited" between 8:00 am on June 30, 2017 and 4:00 pm on July 06, 2017. Each such nomination shall be accompanied by a notice in writing, signed by the person nominated, indicating his/her willingness to be elected.



## NOTICE OF ANNUAL GENERAL MEETING (CT'D.)

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### 4. REMUNERATION OF DIRECTORS

To fix the remuneration of the Directors:

**THAT** the amount shown in the Accounts of the Company for the year ended December 31, 2016, as remuneration of the Directors for their services as Directors be and is hereby approved.

5. To transact any other business which may properly be transacted at an Annual General Meeting.

### NOTE:

A member may appoint a proxy to attend and vote on his/her behalf. The proxy appointed need not be a member of the Company. An appropriate form of proxy accompanies this Notice.

The proxy form must be signed and deposited duly stamped at the Registered Office of the Company situated at Rockfort, Kingston addressed to "The Company Secretary, Caribbean Cement Company Limited" not less than forty-eight hours before the meeting.

### BY ORDER OF THE BOARD



**Craig Lloyd Neil**  
Company Secretary  
Rockfort, Kingston

April 28, 2017

### REGISTERED OFFICE

Rockfort, Kingston

## DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the Audited Financial Statements for the year ended December 31, 2016.

### FINANCIAL RESULTS

Results for the year are shown on pages 27 to 85 in the Financial Statements. These results reflect the operations and financial position of the Company and its business units, Jamaica Gypsum & Quarries Limited, Rockfort Mineral Bath Complex Limited and Caribbean Gypsum Company Limited.

HIGHLIGHTS OF THE YEAR (\$ Thousands)	2016	2015
Turnover	15,780,756	15,431,897
Net Profit	1,301,702	1,546,140
Total Net Assets	7,738,876	6,437,174
Profit per Stock Unit	\$1.53	\$1.82

### TEN LARGEST STOCKHOLDERS AS AT DECEMBER 31, 2016

Name	
TCL Nevis Limited	558,688,942
Trinidad Cement Limited	71,876,497
Scancem International (St Lucia) Limited	42,187,482
Mayberry West Indies Bank Limited	26,664,032
Guardian Life Limited	6,674,357
Colin Steel	6,480,818
Michael J. G. Subratie	5,254,965
National Housing Trust	4,318,904
PAM – Pooled Equity Fund	3,856,976
Bamboo Group Holdings Limited	3,500,690
<b>TOTAL</b>	<b>729,503,663</b>

### DIRECTORS' STOCKHOLDINGS AS AT DECEMBER 31, 2016

Name	
Parris A. Lyew-Ayee	10,000
Alejandro Varés Leal	77,710
<b>TOTAL</b>	<b>87,710</b>

## DIRECTORS' REPORT (CT'D.)

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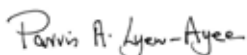
### SENIOR MANAGERS' STOCKHOLDINGS AS AT DECEMBER 31, 2016

Name	
Adrian Spencer	23,750
Glenroy Simpson	3,000
<b>TOTAL</b>	<b>26,750</b>

With the exception of the Directors listed above, no Director or any person/company connected to him/her has a stockholding interest in the Company.

The Directors wish to express thanks to the management and staff for their continued commitment and hard work in 2016.

On behalf of the Board of Directors.



**Mr. Parris A. Lyew- Ayee, C.D.,**

Chairman

April 28, 2017

## CHAIRMAN'S STATEMENT

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Mr. Parris A. Lyew- Ayee, C.D.,  
Chairman

### DEAR SHAREHOLDERS,

On behalf of the Board, I am honoured to present Caribbean Cement Company Limited's Annual Report for the year ended December 31, 2016.

During the financial year 2016, Caribbean Cement Company Limited's (Carib Cement) consolidated statement of revenue and expenses reflected profit before tax of J\$1,351 million, compared to J\$1,726 million in 2015, a decrease of 27% over the previous reporting period. Revenue increased by \$349 million mainly due to the increase in local cement volumes which cushioned the impact from the fall out in exports. This was offset by the kiln and mill overhaul coupled with the stockholding and inventory restructuring costs resulting from a detailed review carried out by management of spares and consumables to determine the optimal levels.

Each year we boldly raise the bar at Carib Cement, and in 2016 this resulted in a vast increase in domestic sales of over 17% over the previous year. Although focus was deliberately placed on the local market, we were still able to export over 119,098 tonnes of cement. In addition, 39,540 tonnes of clinker were exported to Barbados and Venezuela.

## CHAIRMAN'S STATEMENT (CT'D.)

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Carib Cement continued its implementation of the company's strategic plan. As a result, the company saw growth and development in areas such as investment in state-of-the-art equipment, machinery and physical infrastructure. This resulted in the expansion in its kiln capacity from 2,000 tons per day to 2,800 tons per day. The new equipment also created improved environmental performance.

We have also drastically minimised our water usage, dust emissions and noise levels. These are all in keeping with Carib Cement's drive to perform at international safety and environmental standards.

Carib Cement began the process of renegotiation of a new "Venezuela Clinker Agreement", which ended in February 2016. The agreement consists of Carib Cement providing clinker to Venezuela as part of the compensation mechanism of Jamaica and Venezuela's Petro Caribe Bilateral Agreement. The agreement contains a trade compensation mechanism which enables Jamaica to export goods and services to Venezuela under special terms, conditions and procedures, under which Carib Cement provides clinker to Venezuela.

### JEA 50 AWARDS



Alejandro Varés Leal (Director, Carib Cement) receiving an award from JEA at its "Fantastic 50" Award Banquet held on July 1, 2016 at the Spanish Court Hotel. The award was an acknowledgement to companies which have made significant contributions to Jamaica's export performance.

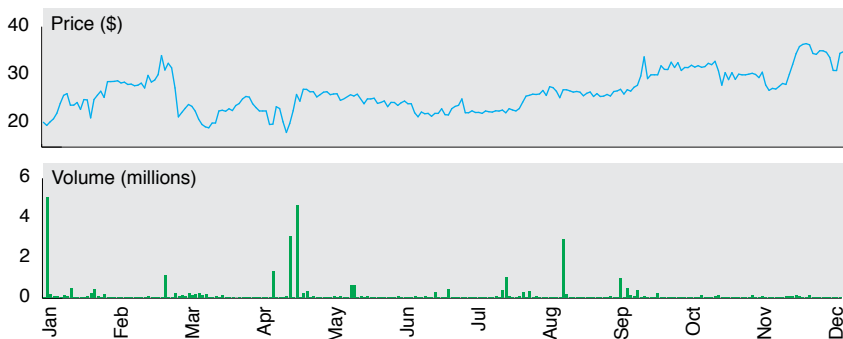
### NEW COAL MILL

Shareholders will recall that at last year's meeting, you were informed that a new Coal Mill would be installed as the current one was underperforming. We are pleased to inform you that work commenced on the mill in July 2016 and that the contractors are working assiduously to meet the contracted deadline for completion in November 2017. The installation of the coal mill is being funded from operational cash flows.

### SHARE PERFORMANCE

Carib Cement's shares surged to new highs in 2016, moving from J\$20.44 at the start of the year to a closing price of J\$34.80 on December 31, 2016. This was reflected in record high growth of 70% over a twelve-month period.

Mon Jan 4, 2016 units opened at \$20.44- Dec 31, 2016 closed at \$34.80



## DIVIDENDS

Even though the company has seen improvement in Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) for the year 2016, we are still uncertain to declare a dividend at this time. This is due to the significant amounts that have been invested in capital projects, such as the coal mill, the limestone reclaimer upgrade, the dust mitigation programme, a mobile sweeper and a 30-tonne crane truck.

## DIRECTORS' FAREWELL AND WELCOME

I take this opportunity to thank our outgoing director and to welcome our new directors nominated by Carib Cement. In October 2016 Chris Dehring resigned as Chairman; we thank him for his service. Alejandro Varés Leal, who will be introduced later in this annual report, was appointed as Director. In addition I, Parris A. Lyew-Ayee, was appointed Chairman and have been a Director since 1991.

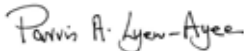
Other changes in Senior Management saw Peter Donkersloot Ponce being appointed General Manager in November 2016.

## OUTLOOK

Carib Cement is committed and confident that it will continue to offer world-class services to the Company's valued customers and shareholders. Our focus for 2017 is to raise the bar even further to increase our profit margins, maintain international quality standards and continue plant upgrades.

According to the World Bank, Jamaica's projected GDP will accelerate in 2017 and oil prices are forecast to remain low. We at Carib Cement are projecting that our cost in energy will also remain reasonably low, which will be reflected in our cost structure.

The directors would like to take this opportunity to thank the General Manager, the management team, employees, distributors and all our stakeholders for their loyalty and continued support as we continue in building a greater Jamaica.

  
**Mr. Parris A. Lyew- Ayee, C.D.,**  
 Chairman

## MANAGEMENT DISCUSSION AND ANALYSIS

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Peter Donkersloot Ponce  
General Manager

2016 was yet another year in which major changes were implemented at Caribbean Cement Company Limited (“Carib Cement”), designed to make further inroads to becoming a world-class operation. Our main areas of focus included continued work on enhancing our health and safety culture and performance; maintaining and improving our fiscal prudence; improving our plant’s efficiency and reliability; becoming more customer services oriented in an effort to better meet the needs of a dynamic market within an economy poised for growth; and reinforcing our company’s commitment to make a positive return on investments.

In 2016, Carib Cement implemented many of the plans that were borne out of the management contract with CEMEX. Investments in various areas to improve safety, the environment, and our people, as well as the reliability and productivity of our equipment were pursued throughout the year. Major investments in housekeeping projects were propelled to new heights with the demolition of obsolete equipment and buildings. The acquisition and installation of dust collecting units to improve environmental performance and the commencement of the major investment in a new Coal Mill for the increased reliability of our main plant were also major milestones achieved throughout the year.

club for employees and their families, as well as various intensive training programs were embarked on successfully throughout the year at different skill levels of the organisation. This investment in our most important resource, our human resource, will only stand to benefit Carib Cement, as an informed, well-trained staff fosters confidence in the individual capabilities of each employee.

## **Our Value Indicators**

### **Health, Safety, and Environment**

Safety remains our most important priority as we tailor our organisation, our practices, and our environment to ensure continuous improvement. We have been incorporating CEMEX best practices into our operations that have resulted in tangible changes, while generating comprehensive plans to bring Carib Cement to world-class standards in safety as quickly as possible. We are committed to maintaining our OHSAS 18001:2007 certification as we partner with the TCL Group and CEMEX to improve safety across the length and breadth of the company and country through specialised programs targeting employees and their families, contractors, and our neighbouring communities.

Environmental protection is a main focus. To that end, in 2016, we have made major investments that will enable a marked improvement of our plant between 2016 and 2017. These improvements include the new dust mitigation program, greater housekeeping, and demolition activity in which significant volumes of scrap metal were sold, contributing to the cost reduction of the program. Our aim is to transform our plant into a facility in which we can be proud, positively impacting our surrounding communities and stakeholders. We are also proud to note that, despite our challenges, we have been able to maintain our ISO 14001 certification for over nine years.

### **Quality**

Once again, Carib Cement reported no instances of non-conforming product, cement or clinker, entering the market locally or overseas, and all cement dispatched met JS and ASTM specifications. Our management systems continue to show improvement and add value as we maintained both ISO 9001:2008 quality management systems and ISO/IEC 17025:2005 laboratory accreditations, which were both re-certified in 2016.

### **Customer Centricity**

Carib Cement has placed a high priority on building a strong customer-centric organization. Our focus on strengthening relationships with our customers began with the re-design of our sales teams and the detailed segmentation of our customer base. Understanding our customer segments and their different needs is the first step to delivering service in which we can be proud and will further allow the company to respond to our customers' needs through value propositions that are aligned with their business strategy.

These fundamental changes have been made to intensify our efforts to better serve our customers by consistently delivering superior value, offering the best products and services available, and making our customers true long-term partners.



## MANAGEMENT DISCUSSION AND ANALYSIS (CT'D.)

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### Market Review

#### The Domestic Market

In 2016, total domestic cement demand improved by an estimated 3% compared with 2015 due to the strength of the industry, particularly infrastructural projects and hotel construction. This contributed to Carib Cement's total domestic sales volume of over 785,000 metric tonnes with increased market share, demonstrating that Carib Cement remains the consumer's choice in the Jamaican market.

Carib Cement's sales volume resulted from new value offers and improvements to Sales and Logistics. We were able to realise increased cement distribution to hotel developments, including Royalton-Negril and White Diamond, and the China Harbour Engineering Company (CHEC), which had major projects along the Marcus Garvey and Mandela Highways.

Further developments in concrete solutions resulted in increased cement applications amongst private sector developers of hotel and industrial projects across Jamaica. These applications include the utilization of concrete waste water pipes, concrete fencing, concrete driveways and car parks, and concrete roofs for houses. Continued growth of the domestic market is expected, driven by increased infrastructure projects, private developments, and retail consumption.

#### Export Sales

During the year, exports of cement and clinker declined by 21% and 78% respectively. Cement export sales were distributed mainly to Suriname and Haiti, while clinker export sales were made to our sister plant in Barbados, as well as to Venezuela (completion of the Petro Caribe supply contract). We were also able to supply other export customers throughout 2016.

New markets have been sought and engaged to increase both our cement and clinker exports in 2017.

### Financial Performance

The Group reported consolidated profit before tax of \$1,351 million compared to profit before tax of \$1,726 million in the corresponding period of 2015. During the third quarter, a major kiln and mill overhaul lasted 45 days and impacted the income statement by \$957 million. However, this was offset by increased revenue of \$349 million and operating cost savings due to a change in strategy. The Group's performance was also impacted by an overstock expense of \$400.8 million resulting from a review conducted on overstocked inventory quantities on hand.

Despite a reduction in cement and clinker export volumes of 21% and 77%, respectively, total revenue increased by \$349 million, which is 2% above 2015. This was mainly due to the 16% increase in local cement volumes arising from the positive trend in infrastructural projects, government projects, and retail demand.

## Operations Review

Carib Cement's team has again proved its commitment to raising the bar in productivity, reliability, and efficiency of plant equipment, which led to higher utilization of our main plant equipment. In 2016, there were major investments in the kiln line, which saw expanded production capacity, as well as both cement mills, to ensure that we can supply 100% of the Jamaican cement market and export opportunities. In August 2016, major work was done on our Kiln 5 line, which increased equipment capacity from 2,000t/pd to 2,800t/pd and improved reliability. The company was able to achieve record equipment stops (from 11 to 5) during November and the highest performance rate for 2016.

Our plant continues to invest in equipment and explore new ways to improve overall operations. In 2016, our capital investments resulted in the commencement of significant projects, including the installation of a new Coal Mill, the upgrade of the Reclaiming system for raw materials, and the purchase of mobile equipment, as well as our focus on the Packing Plant and Logistics area.

## Human Resources Review

2016 remained a year of change. Carib Cement's workforce proved that they were up to the challenge, as well as ready to create a more improved company together. CEMEX partnership was further enhanced, and employees benefited from increased training opportunities at home and in other plants around the world. Staff welfare was boosted with the commissioning of a long awaited sports and wellness center. This facility, which boasts a scenic view of the Kingston Harbour, hosts a gym, an area for socialization and relaxation, while providing the perfect backdrop for the Caribbean Cement Company 2016 Long Service Awards and Banquet.



Visit from an operational team from Trinidad Cement Limited, Arawak Cement Limited, and Caribbean Cement Company to the Caracolito Cement Plant operations in Colombia. The visit is part of a larger exercise, whereby teams from the TCL Group's operations visit CEMEX facilities worldwide. Of particular interest during the visit were maintenance and production optimization and efficiency, with experience gained for use in our operations.

## MANAGEMENT DISCUSSION AND ANALYSIS (CT'D.)

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Visit to Costa Rica Net House (Greenhouse), renowned project by a Carib Cement CSR team.

### Corporate Social Responsibility

Being an exemplary corporate citizen remains a top priority at Carib Cement, and our CEMEX partners embrace and are themselves champions in this area. We believe and hold dear to the principles that enable us to honour our ethical values through actions that are best demonstrated by providing good working conditions for our employees, being a good steward of the environment, and actively working to better the quality of life in our neighboring communities. To this end, we continue to support the community and the country through our support of sports (through community sporting programs), education (through our reading program and scholarships), and health and community development (through health fairs, summer camps, and other programs), among a host of other initiatives.

There was a special emphasis on our surrounding communities, including the Labour Day project at the Bull Bay All Age School, the support of sporting activities and competition, and the continuation of our long-standing literacy program at the Harbour View Primary School, as well as the construction of a much-needed sidewalk in the community to encourage safety and a clear walking path.

The team responsible for CSR was able to gain information and experience from the knowledge transfer taking place in the company.

### CEMEX Initiatives

Carib Cement has benefited immensely from CEMEX's involvement. Its cement industry experts are providing critical analysis of our overall operation and highlighting areas of opportunity for the short, medium, and long term. This partnership, which continues to expand, provides an avenue to share and adopt best practices across the CEMEX group, which now considers Carib Cement a part of the family. This exchange has also benefited the

many employees who are part of the training and exchange programs, which have managed not only to add to our resilience, but also to ensure that Carib Cement will only advance.

## **Business Outlook**

### **Global and Regional Economic Outlook**

The IMF has estimated global growth at 3.1 percent in 2016. The projection for economic activity is expected to improve, specifically in emerging markets and developing economies. Despite the anticipated growth, uncertainty surrounding the policy of the incoming U.S. administration has raised some uncertainty regarding the possible outcomes of these projections, given the global ramifications.

According to the IMF, advanced economies are now projected to grow by 1.9 percent in 2017 and 2.0 percent in 2018, while growth in emerging markets is currently estimated at 4.1 percent in 2016 and 4.5 percent in 2017.

The Jamaican macroeconomic environment has continued to strengthen in 2016. Preliminary estimates from the Planning Institute of Jamaica indicated 1.4 percent growth in the economy for 2016 compared with 2015. This growth was against the background of improved business and investor confidence, as well as the improvements within the Goods Producing industries record of higher levels of output with the exception of the Mining & Quarrying industry.

The Jamaican economy is on the right trajectory to sustain positive growth in 2017. Growth is projected to improve within the range of 1.0% to 2.0%, supported by increased construction activity and improved hotel development in the tourism sector.

The Business Confidence Index reported an average of 141.9 in 2016, the third annual gain since 2013. This highlighted the perception viewed in the market of favourable economic conditions. Concurrently, the Consumer Confidence Index remained high during the year at 151.7, increasing over 33% from 2015. The market views are in line with management, observing increased business activity in various industries and taking a confident view of the diversification of the economy.

Carib Cement is acutely aware of the role it plays in nation building. Rest assured that Carib Cement remains committed to supporting the infrastructural initiatives of the public and private sectors. This commitment has formed a part of the ethos of this organisation since its inception. It is a commitment that we intend to keep now and for the foreseeable future.

As Carib Cement looks to what 2017 has to offer, we are guided by our ability to respond to change and challenges. As the fire which occurred in January 2017 showed us, we are ready, willing, and able to build and become a stronger and more resilient organisation.



**Peter Donkersloot Ponce**  
General Manager



## COMPANY OVERVIEW

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Caribbean Cement Company Limited (Carib Cement) has been in operation since 1952 and is the sole manufacturer of Portland and blended cement in Jamaica. Its main plant and operations are situated in Rockfort, Kingston with additional quarry operations in both St. Andrew and St. Thomas. Carib Cement produces high-quality products using 100% indigenous raw materials, all mined within ten miles of the plant.

The plant's clinker production capacity is 1.3 million tonnes and its cement manufacturing capacity is 2 million tonnes per annum. The plant's primary means of dispatch of its main product, cement, is done through the main plant at Rockfort as well as through two depots in Mandeville and Montego Bay. There are also two Mini Depots in St. Ann and St. Catherine that also allow for an improved dispatch of product to our customers. Carib Cement boasts its own ports for the export of cement and other raw material as well as a port for the importation of coal (the main fuel used to run the kiln).

Carib Cement, a member of the TCL Group/CEMEX, also has three business units - the Jamaica Gypsum and Quarries Limited, the Caribbean Gypsum Company Limited and the Rockfort Mineral Bath Complex Limited. Carib Cement is listed on the Jamaica Stock Exchange and is a major contributor to the Jamaican economy employing over 300 persons directly.

Caribbean Cement Company Limited is committed to being an exemplary corporate citizen, with actions, not just policy, that is demonstrated through our Corporate Social Responsibility programs. These programs are enacted through our neighbouring communities and other stakeholders and are demonstrated through our support of education, sports, health and community development initiatives.

**Sigma Corporate Run, Carib Cement Team:**  
Carib Cement continues its focus on health and wellness while doing good in the community. The Sigma Corporate Run remains a main event supported by employees and their families in a big way.

**Customer Christmas Function at Kingston:** The General Manager, Mr. Peter Donkersloot Ponce, can be seen conversing with customers as we tell them thank you for their business in 2016. This was one of three functions held across Jamaica, with the other two in Mandeville and Montego Bay. At these events, our customers are invited to meet the various Carib Cement employees who they deal with, and also a good opportunity for the employees to "put a face to the name" of our esteemed customers.

At the Carib Cement Awards Banquet in December 2016, the Carib Cement Football Team was awarded for their stellar performance in the Business House Competition of 2015-2016, where they received various awards and were recognised for their discipline and sportsmanship. The Company took the time to thank the team for their hard work and for representing the company well.





## THE EXECUTIVE TEAM

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1. Mr. Peter Donkersloot Ponce - General Manager
2. Mr. Sergio Zazueta - Operations Director
3. Mr. Craig Lloyd Neil - Company Secretary
4. Mrs. Jascinth Buchanan-Wint - Finance Manager
5. Mr. Marcelo Hernandez - Human Resource Manager

6. Mrs. Sophia Lowe Pinnock - Corporate Communication & Public Affairs Manager
7. Mr. Adrian Spencer - Procurement Manager
8. Mr. Andrew Stephenson - Quality, Raw Material & Environment Manager
9. Mr. Rohan Anderson - Process Manager

10. Mr. Christopher Brown - Production Manager
11. Mr. Wayne Ballen - Security Manager
12. Mr. Glenroy Simpson - Maintenance Manager
13. Mr. Marchel Burrell - Health & Safety Manager

14. Mr. Garen Williams - Distribution Sales Manager
15. Mr. Jose Mongue - Strategic Planning Manager
16. Mr. Jorge Herrera - Supply Chain Manager
17. Ms. Euvine Dare - Sports Club Manager



## BUSINESS UNITS

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### **Jamaica Gypsum & Quarries Limited**

Jamaica Gypsum & Quarries Limited (JGQ), a wholly owned Business Unit of Carib Cement, is located in St. Andrew, Jamaica. The company was acquired from the National Investment Bank of Jamaica in 1990. JGQ produces gypsum, anhydrite and two types of shale and pozzolan which it supplies to Carib Cement for use in the manufacture of its cement.

The company also exports its products to various markets including South America and the Caribbean.

### **Caribbean Gypsum Company Limited**

Caribbean Gypsum Company Limited (CGC), a wholly owned Business Unit of Carib Cement, is located in the new Halberstadt Quarry in Bull Bay, St. Andrew. Mining at CGC commenced in August 2014.

Caribbean Gypsum Company's major asset is its 167 acres of gypsum/anhydrite quarry lands, which considerably enhance the reserves of raw material available.

### **Rockfort Mineral Bath Complex Limited**

Rockfort Mineral Bath Complex Limited (RMBC) is a certified property by the Jamaica Tourist Board and is currently leased from the Jamaica National Heritage Trust (JNHT) by Carib Cement. Carib Cement has been operating the facility since 2009. It includes an historic military fort which gave the area its name. Its strategic location is in close proximity to the major metropolitan centers of Kingston and St. Andrew and is approximately 9.5 kms from the Norman Manley International Airport, in addition to Port Royal and several hotels, thus making it easily accessible to both local and tourist markets. It is ideally positioned on the perimeter of Kingston, St. Andrew and Portmore where there is the highest concentration of people in Jamaica.

RMBC is the only mineral spa located in Kingston. The therapeutic properties of the mineral-rich waters rejuvenate and heal the body. It is an iconic heritage monument which has played a significant role in the history of Jamaica and offers a prime venue for events. It comprises a large public pool, eleven private baths, and a historic fort.

## CARIB CEMENT IN THE COMMUNITY

### Beach Cleanup

Caribbean Cement Company Limited partnered with the Bull Bay Community for the International Beach Cleanup Day on September 17, 2016 at the Bob Marley Beach, Nine Miles, Bull Bay. The team was joined by Most Hon. Andrew Holness, ON, MP, Prime Minister of Jamaica, Mrs. Juliet Holness, Member of Parliament for the area as well as their two sons.



### Sports & Wellness Centre



Caribbean Cement Company Limited was proud to open its newly renovated and repurposed Sports and Wellness Centre under the distinguished Patronage of the Most Hon. Andrew Holness, ON, MP, Prime Minister of Jamaica on 8th September 2016. The Sports Club and Wellness Centre located at Jamaica Gypsum Quarry Port, Harbour Head, Rockfort, has its unique place in Jamaica's history as it was once home to Jamaica's first Airport where sea planes landed and where Charles Lindbergh, the famous aviator and explorer, landed in November 1931.

### JMA/JEA Expo 2016

Carib Cement was proud to host a booth at the JMA/JEA Expo 2016. The booth featured our product and services as well as showcased different elements of our work with the community. The photo shows the Prime Minister, the Most Hon. Andrew Holness, ON, MP, having some fun with the staff and patrons to our booth when he attempted to single-handedly lift the cement bag.



## CARIB CEMENT IN THE COMMUNITY

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### Master Builders Seminar

On November 2, 2016 Carib Cement was the proud title sponsor of the annual seminar of the Master Builders Association of Jamaica, a key stakeholder. The main theme for the seminar was Safety in our Construction Industry and Carib Cement made a presentation on our safety practices as well as the services we offer. The seminar offered a great opportunity for persons, both at the seminar and on the radio, to hear about CCCLs commitment to safety as well as interact with members of staff.



### Zika Sensitisation

Carib Cement embarked on a second round of the Zika sensitisation program partnering with the Ministry of Health as well as the neighbouring community. During the course of eight weeks, trained representatives engaged members of the Bull Bay Community to educate members of the best practices to employ to mitigate against mosquito breeding. To this end, Over 450 man hours was spent visiting more than 1,000 homes and businesses to help spread the awareness. More than 2,500 potential breeding sites were identified and addressed.

**TEN YEAR FINANCIAL SUMMARY**  
(In \$'000 except for items \*)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>SALES</b>										
Profit (loss) before taxation	15,780,756	15,431,897	14,356,017	12,089,484	9,084,600	8,033,786	7,929,793	8,869,260	8,805,293	7,847,307
Cement Claims	1,350,862	1,726,388	255,985	(3,079)	(2,672,105)	(2,983,995)	(2,242,360)	(241,028)	571,932	681,172
Taxation	(49,160)	(180,248)	(117,000)	117,000	(676,160)	370,635	685,167	96,516	(155,494)	(21,500)
Net (loss) profit	1,301,702	1,546,140	138,985	113,921	(3,348,265)	(2,613,360)	(1,557,193)	(144,512)	416,438	(137,549)
*Net (loss) profit per Share	1.53	1.82	0.16	0.13	(3.93)	(3.07)	(1.83)	(0.17)	0.49	0.61
EBITDA	2,702,838	2,576,658	961,070	1,470,090	(750,438)	(1,760,893)	(1,623,526)	465,889	1,153,105	996,134
Shareholders Equity	7,738,876	6,437,174	4,891,034	4,752,049	(2,939,072)	409,193	3,022,553	3,240,096	3,458,584	3,155,921
*Share Holders' Equity Per Share	9.09	7.56	5.75	5.58	(3.45)	0.48	3.55	3.81	4.06	3.71
<b>Capital Expenditure - Other</b>										<b>24,548</b>
Capital Expenditure - CWIP	1,699,091	810,904	599,091	578,530	149,217	98,093	362,160	972,132	572,198	1,127,567
Total Capital Expenditure	1,699,091	810,904	599,091	578,530	149,217	98,093	362,160	972,132	572,198	1,152,115
Depreciation	495,688	396,931	364,828	319,207	430,695	518,402	386,852	317,835	318,307	312,196
Working Capital	1,053,992	1,286,956	793,628	1,245,920	191,424	(588,543)	(839,251)	(47,509)	8,052	453,813
Property Plant & Equip't										
Before Dep'n	12,739,772	11,048,229	10,243,474	9,665,926	9,136,341	9,286,740	9,201,962	8,852,624	7,901,716	7,333,573
Long Term debt	-	-	-	739,476	797,712	3,827	4,006	3,178	6,117	7,897
Total Third Party Debt	-	-	779,600	808,810	832,173	560,100	684,533	793,155	608,273	422,892
Parent Company Debt	104,041	1,715,593	1,752,224	1,232,104	7,881,126	5,210,290	3,107,745	2,424,062	1,334,164	1,894,038
Total Debt	104,041	1,715,593	2,531,824	2,040,914	8,713,299	5,770,390	3,792,278	3,217,217	1,942,437	2,316,930
*Cement imported (tonnes)	-	-	-	-	-	-	-	-	46,062	25,988
*Clinker imported (tonnes)	-	-	-	-	-	-	-	-	75,931	73,599
<b>*Production</b>										
Cement	911,325	807,817	830,061	824,893	760,296	766,274	723,489	736,560	724,528	773,019
Clinker	761,061	804,296	795,042	696,077	652,579	628,287	629,444	742,208	578,067	519,598
<b>*Cement Sold - tonnes</b>										
Local	785,056	672,042	598,165	594,764	536,349	553,157	531,605	652,651	720,260	807,484
Export	119,098	151,146	232,766	231,865	218,722	216,757	195,163	88,912	28,463	5,964
TOTAL	904,154	823,188	830,931	826,629	755,071	769,914	726,768	741,563	748,723	813,448
*Clinker Export - tonnes	39,540	180,385	155,423	36,570	12,673	31,228	69,418	88,259	-	-

## INDEPENDENT AUDITOR'S REPORT

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### TO THE SHAREHOLDERS OF CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES

#### Report on the Audit of the Financial Statements

##### Opinion

We have audited the financial statements of Caribbean Cement Company Limited and its Subsidiaries (the "Group") and Caribbean Cement Company Limited (the "Company"), which comprise the Group and Company statements of financial position as at 31 December 2016, and the Group and Company statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying Group and Company financial statements give a true and fair view of the financial position of the Group and Company as at 31 December 2016, and of the Group and Company financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the Jamaican Companies Act.

##### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants ("IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

## TO THE SHAREHOLDERS OF CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES (continued)

## Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the key audit matter
<b>Recognition of deferred tax asset (from tax losses)</b>	
<p>Management made an estimate of the recoverability of the deferred tax assets recognised in regard to past fiscal losses incurred, based on the forecasted taxable profits for the next three years and taking into account the period in which past losses can be claimed. As at 31 December 2016 the Company had accumulated tax losses amounting to \$3.15 billion and a deferred tax asset of \$789 million has been recognised in relation to these losses. The valuation of the deferred tax assets is a key audit matter because it is material to the financial statements and is based on estimates and assumptions about future profitability that may differ in reality.</p>	<p>We assessed the recoverability of the deferred tax assets of Company. Our assessment included reviewing management's approved budget forecasts for the entities and evaluating and challenging these forecasts in the context of local market conditions, the historical accuracy of management's forecast estimates, historical performance of the entity and other relevant independent information and data points.</p> <p>We also assessed the appropriateness of the disclosures in the notes to the financial statements, with reference to that prescribed by International Financial Reporting Standards.</p> <p>Overall, these audit procedures were performed by the more experienced and senior members of the audit team.</p>

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

## TO THE SHAREHOLDERS OF CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES (continued)

## Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the key audit matter
<b>Existence and collectability of trade receivables and revenue recognition</b>	
<p>Trade receivables (net of provision) amounted to \$393.49 million (Company: \$388.70 million) as at 31 December 2016 and revenue amounted to \$15.78 billion (Company: \$15.72 billion) for the year then ended (Refer to Notes 12 and 19, and accounting policy Notes 5 (j) and 5 (n)). These amounts are material to the financial statements.</p> <p>Management exercises judgment in the determination of the collectability of trade receivables at year end. Further, given the nature of the Group's business and the high volume of sales transactions there are factors which may result in the recognition of revenue before the risks and rewards have been transferred to the Group's customers.</p>	<p>Our audit procedures included, but were not limited to, internal control testing on the recognition of revenue to ensure its accounting in accordance with IAS 18: "Revenue". We also sample tested revenue recognized during the year to supporting documents including invoices and delivery documentation, to evaluate the timing of revenue recognition during the accounting period and the existence of the related accounts receivable balances at year end.</p> <p>Further we compared trade receivable balances to customer confirmations, subsequent receipts from customers and/or delivery documentation where applicable.</p> <p>We evaluated and tested the Group's process and documented policy for accounts receivable provisioning. We also challenged and evaluated management's assumptions and explanations in relation to trade receivable provisioning through inspection of the aged receivables listing and verification to supporting documentation.</p> <p>We also tested on a sample basis, sales transactions on either side of the year end date and credit notes issued after year end, to assess whether those transactions were recognized in the correct accounting period.</p>

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

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**TO THE SHAREHOLDERS OF CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES (continued)**

**Other information**

Management is responsible for the other information. The other information comprises the information included in the Group's 2016 Annual Report but does not include the Group and Company financial statements and our auditor's report thereon. The Group's 2016 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the Group and Company financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the Group and Company financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the Group and Company financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

**Responsibilities of Management and the Board of Directors for the Financial Statements**

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's and Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Group and Company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



**INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

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**TO THE SHAREHOLDERS OF CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES (continued)**

**Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that presents a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

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**TO THE SHAREHOLDERS OF CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES (continued)**

**Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

From the matters communicated with the Board of Directors we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on additional matters as required by the Jamaican Companies Act**

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act, in the manner required.

The engagement partner on the audit resulting in this independent auditor's report is Winston Robinson.

Chartered Accountants

Kingston, Jamaica

23 February 2017

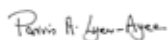
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at 31 December 2016  
(Expressed in Jamaican dollars)

	Notes	2016 \$'000	2015 \$'000
<b>NET ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	6,571,104	5,353,934
Intangible assets	7	9,460	23,232
Deferred tax asset	9	131,713	-
		<u>6,712,277</u>	<u>5,377,166</u>
<b>Current assets</b>			
Inventories	10	2,095,803	2,781,194
Taxation recoverable		118,451	35,680
Due from related companies	11	205,460	581,743
Receivables and prepayments	12	569,929	1,164,942
Cash and cash equivalents	13	717,568	910,666
		<u>3,707,211</u>	<u>5,474,225</u>
<b>Current liabilities</b>			
Income tax payable		-	180,248
Due to parent and related companies	14	104,041	1,510,011
Payables and accruals	15	2,544,019	2,497,010
Provision	17	5,159	-
		<u>2,653,219</u>	<u>4,187,269</u>
<b>Working capital surplus</b>		<u>1,053,992</u>	<u>1,286,956</u>
<b>Non-current liabilities</b>			
Due to parent and related companies	14	-	205,582
Provision	17	27,393	21,366
		<u>27,393</u>	<u>226,948</u>
<b>TOTAL NET ASSETS</b>		<u>7,738,876</u>	<u>6,437,174</u>
<b>SHAREHOLDERS' EQUITY</b>			
<b>Share capital:</b>			
Ordinary	18	1,808,837	1,808,837
Preference	18	5,077,760	5,077,760
<b>Capital contribution</b>	18	3,839,090	3,839,090
<b>Reserves:</b>			
Realized capital gain	18	1,413,661	1,413,661
Accumulated losses	22	(4,400,472)	(5,702,174)
<b>GROUP EQUITY</b>		<u>7,738,876</u>	<u>6,437,174</u>

The accompanying notes form an integral part of these financial statements.

On 23 February 2017, the Board of Directors authorized these financial statements for issue.



Parris Lyew-Ayee

Director



José Luis Seijo González

Director

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2016  
(Expressed in Jamaican dollars)

	Notes	2016 \$'000	2015 \$'000
<b>Revenue</b>	19	15,780,756	15,431,897
<b>Earnings before interest, depreciation, amortization, tax, stockholding and inventory restructuring and manpower restructuring costs</b>	19	2,702,838	2,576,658
Depreciation and amortisation	19	(495,688)	(396,931)
Stockholding and inventory restructuring costs	19	(400,774)	-
Manpower restructuring costs	19	(406,123)	(436,372)
<b>Operating profit</b>	19	1,400,253	1,743,355
Interest income		5,201	10,613
Net debt restructuring gain	31	-	167,792
Finance costs	21	(54,592)	(195,372)
<b>Profit before taxation</b>		1,350,862	1,726,388
Taxation charge	9	(49,160)	(180,248)
<b>Net profit for the year</b>	22	1,301,702	1,546,140
<b>Total comprehensive income attributable to equity holders</b>		1,301,702	1,546,140
<b>Basic and diluted earnings per ordinary share (expressed in \$ per share)</b>	23	\$1.53	\$1.82

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016  
(Expressed in Jamaican dollars)

		Reserves				
	Ordinary share capital \$'000	Preference share capital \$'000	Capital contribution \$'000	Realized capital gain \$'000	Accumulated losses \$'000	Total capital & reserves \$'000
<b>Balance as at 1 January 2015</b>	1,808,837	5,077,760	3,839,090	1,413,661	(7,248,314)	4,891,034
Total comprehensive income for the year	-	-	-	-	1,546,140	1,546,140
<b>Balance as at 31 December 2015</b>	1,808,837	5,077,760	3,839,090	1,413,661	(5,702,174)	6,437,174
Total comprehensive income for the year	-	-	-	-	1,301,702	1,301,702
<b>Balance as at 31 December 2016</b>	1,808,837	5,077,760	3,839,090	1,413,661	(4,400,472)	7,738,876

The accompanying notes form an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended 31 December 2016  
(Expressed in Jamaican dollars)

	Notes	2016 \$'000	2015 \$'000
<b>Cash flows from operating activities</b>			
Profit before taxation		1,350,862	1,726,388
Adjustments for:			
Depreciation and amortization	6,7	495,688	396,931
Net debt restructuring gain	31	-	(167,792)
Stockholding and inventory restructuring costs	19	400,774	-
Net recovery of impaired receivables	12	(40,807)	(23,337)
Interest income		(5,201)	(10,613)
Interest expense	21	9,838	127,854
Unwinding of discount on rehabilitation provision	21	9,636	20,834
Unrealized foreign exchange losses, net		21,140	52,533
		<u>2,241,930</u>	<u>2,122,798</u>
Decrease (Increase) in inventories		284,617	(231,354)
Decrease in receivables and prepayments		623,105	408,619
Decrease (Increase) in due from related companies		376,283	(279,750)
Increase in payables and accruals		48,094	342,144
Increase in provision		1,550	532
(Decrease) Increase in due to parent and related companies		<u>(1,352,672)</u>	<u>492,753</u>
Cash provided by operations		2,222,907	2,855,742
Interest received		5,201	10,613
Interest paid		(61,980)	(190,666)
Tax paid		<u>(443,891)</u>	<u>(2,433)</u>
<b>Net cash provided by operating activities</b>		<u>1,722,237</u>	<u>2,673,256</u>
<b>Cash flows from investing activities</b>			
Additions to property, plant and equipment	6	<u>(1,699,091)</u>	<u>(810,904)</u>
<b>Net cash used in investing activities</b>		<u>(1,699,091)</u>	<u>(810,904)</u>
<b>Cash flows from financing activities</b>			
Repayment of loans		-	(611,808)
Repayment of amounts due to related companies		<u>(205,582)</u>	<u>(515,135)</u>
<b>Net cash used in financing activities</b>		<u>(205,582)</u>	<u>(1,126,943)</u>
<b>(Decrease) Increase in cash and cash equivalents</b>		<u>(182,436)</u>	<u>735,409</u>
<b>Net cash and cash equivalents - beginning of year</b>		910,666	177,917
Effect of foreign exchange rate changes		<u>(10,662)</u>	<u>(2,660)</u>
<b>Net cash and cash equivalents - end of year</b>		<u>717,568</u>	<u>910,666</u>
<b>Represented by:</b>			
Cash at bank and short term deposits	13	<u>717,568</u>	<u>910,666</u>

The accompanying notes form an integral part of these financial statements.

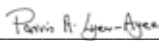
## COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 December 2016  
(Expressed in Jamaican dollars)


	Notes	2016 \$'000	2015 \$'000
<b>NET ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	6,450,759	5,207,248
Investment in subsidiaries	8	47,000	83,000
Deferred tax asset	9	131,713	-
		<u>6,629,472</u>	<u>5,290,248</u>
<b>Current assets</b>			
Inventories	10	2,083,834	2,648,267
Taxation recoverable		118,451	-
Due from subsidiary	16	137,403	235,811
Due from related companies	11	205,460	581,743
Receivables and prepayments	12	500,097	1,027,821
Cash and cash equivalents	13	658,626	895,640
		<u>3,703,871</u>	<u>5,389,282</u>
<b>Current liabilities</b>			
Income tax payable		-	144,567
Due to parent and related companies	14	104,041	1,510,011
Payables and accruals	15	2,493,333	2,441,306
		<u>2,597,374</u>	<u>4,095,884</u>
<b>Working capital surplus</b>			
		<u>1,106,497</u>	<u>1,293,398</u>
<b>Non-current liabilities</b>			
Due to parent and related companies	14	-	205,582
		<u>-</u>	<u>205,582</u>
<b>TOTAL NET ASSETS</b>			
		<u>7,735,969</u>	<u>6,378,064</u>
<b>SHAREHOLDERS' EQUITY</b>			
<b>Share capital:</b>			
Ordinary	18	1,808,837	1,808,837
Preference	18	5,077,760	5,077,760
<b>Capital contribution</b>	18	3,839,090	3,839,090
<b>Reserves:</b>			
Realized capital gain	18	1,413,656	1,413,656
Accumulated losses	22	(4,403,374)	(5,761,279)
<b>COMPANY EQUITY</b>			
		<u>7,735,969</u>	<u>6,378,064</u>

The accompanying notes form an integral part of these financial statements.

On 23 February 2017, the Board of Directors authorized these financial statements for issue.

  
Parris Lyew-Ayee

Director

  
José Luis Seijo González

Director

## COMPANY STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016  
(Expressed in Jamaican dollars)

	Notes	2016 \$'000	2015 \$'000
<b>Revenue</b>	19	15,724,158	15,391,215
<b>Earnings before interest, depreciation, amortization, tax, impairment, stockholding and inventory restructuring and manpower restructuring costs</b>	19	2,742,298	2,615,035
Depreciation	6, 19	(451,703)	(374,646)
Impairment of investment in subsidiary	8	(36,000)	-
Manpower restructuring costs	19	(406,123)	(436,372)
Stockholding and inventory restructuring costs	19	(400,774)	-
<b>Operating profit</b>	19	1,447,698	1,804,017
Interest income		4,323	10,508
Net debt restructuring gain	31	-	167,792
Finance costs	21	(44,956)	(174,538)
<b>Profit before taxation</b>		1,407,065	1,807,779
Taxation charge	9	(49,160)	(180,248)
<b>Net profit for the year</b>	22	1,357,905	1,627,531
<b>Total comprehensive income attributable to equity holders</b>		1,357,905	1,627,531

The accompanying notes form an integral part of these financial statements.



## COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016  
(Expressed in Jamaican dollars)

	Reserves						
	Ordinary share capital \$'000	Preference share capital \$'000	Capital contribution \$'000	Realized capital gain \$'000	Accumulated losses \$'000	Total reserves \$'000	Total capital& reserves \$'000
<b>Balance as at 1 January 2015</b>	1,808,837	5,077,760	3,839,090	1,413,656	(7,388,810)	(5,975,154)	4,750,533
Total comprehensive profit for the year	-	-	-	-	1,627,531	1,627,531	1,627,531
<b>Balance as at 31 December 2015</b>	1,808,837	5,077,760	3,839,090	1,413,656	(5,761,279)	(4,347,623)	6,378,064
Total comprehensive profit for the year	-	-	-	-	1,357,905	1,357,905	1,357,905
<b>Balance as at 31 December 2016</b>	1,808,837	5,077,760	3,839,090	1,413,656	(4,403,374)	(2,989,718)	7,735,969

The accompanying notes form an integral part of these financial statements.

## COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 December 2016  
(Expressed in Jamaican dollars)

	Notes	2016 \$'000	2015 \$'000
<b>Cash flows from operating activities</b>			
Profit before taxation		1,407,065	1,807,779
<b>Adjustments for:</b>			
Depreciation	6	451,703	374,646
Impairment of investment in subsidiary	8	36,000	-
Net debt restructuring gain	31	-	(167,792)
Stockholding and inventory restructuring costs	19	400,774	-
Net recovery of impaired receivables	12	(40,831)	(23,337)
Interest income		(4,323)	(10,508)
Interest expense	21	9,838	127,854
Unrealized foreign exchange losses, net		21,140	52,533
		<u>2,281,366</u>	<u>2,161,175</u>
Decrease (Increase) in inventories		163,659	(209,829)
Decrease (Increase) in due from subsidiary		98,408	(133,814)
Decrease in receivables and prepayments		555,840	439,989
Decrease (Increase) in due from related companies		376,283	(213,597)
Increase in payables and accruals		105,330	368,115
(Decrease) Increase in due to parent and related companies		<u>(1,404,887)</u>	<u>421,808</u>
Cash provided by operations		2,175,999	2,833,847
Interest received		4,323	10,508
Interest paid		(61,982)	(169,832)
Tax paid		<u>(443,891)</u>	<u>(2,433)</u>
<b>Net cash provided by operating activities</b>		<u>1,674,449</u>	<u>2,672,090</u>
<b>Cash flows from investing activities</b>			
Additions to property, plant and equipment	6	<u>(1,695,219)</u>	<u>(810,118)</u>
<b>Net cash used in investing activities</b>		<u>(1,695,219)</u>	<u>(810,118)</u>
<b>Cash flows from financing activities</b>			
Repayment of loans		-	(611,808)
Repayment of amounts due to related companies		<u>(205,582)</u>	<u>(515,135)</u>
<b>Net cash used in financing activities</b>		<u>(205,582)</u>	<u>(1,126,943)</u>
<b>(Decrease) Increase in cash and cash equivalents</b>		<u>(226,352)</u>	<u>735,029</u>
<b>Net cash and cash equivalents - beginning of year</b>		895,640	163,271
Effect of foreign exchange rate changes		<u>(10,662)</u>	<u>(2,660)</u>
<b>Net cash and cash equivalents – end of year</b>		<u>658,626</u>	<u>895,640</u>
<b>Represented by:</b>			
Cash at bank and short term deposits	13	<u>658,626</u>	<u>895,640</u>

The accompanying notes form an integral part of these financial statements.

## NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

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For the year ended 31 December 2016  
(Expressed in Jamaican dollars)

### 1. Corporate information

Caribbean Cement Company Limited (the “Company”) and its Subsidiaries (Note 3) are incorporated under the laws of Jamaica. The Company is a limited liability public company listed on the Jamaica Stock Exchange and is domiciled in Jamaica.

The Company is a 65.65% owned subsidiary of TCL (Nevis) Limited. TCL (Nevis) Limited is a wholly owned subsidiary of Trinidad Cement Limited (the “Ultimate Parent Company”) which also owns 8.45% of the ordinary shares of the Company (See also Note 32, Subsequent Events). The principal activities of Caribbean Cement Company Limited and its Subsidiaries (the “Group”) are the manufacture and sale of cement, clinker and the mining and sale of gypsum, shale and pozzolan. The Group operates in Jamaica.

The registered office of the Company is at Rockfort, Kingston, Jamaica.

### 2. Basis of preparation

#### (i) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), and the requirements of the Jamaican Companies Act.

#### (ii) Basis of measurement

These financial statements have been prepared under the historical cost convention.

### 3. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

## NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

31 December 2016  
(Expressed in Jamaican dollars)

### 3. Basis of consolidation (continued)

The consolidated financial statements of the Group includes:

Name	Principal activities	Country of incorporation	% equity interest	
			2016	2015
Jamaica Gypsum & Quarries Limited	Mining and the management of port facilities	Jamaica	100	100
Rockfort Mineral Bath Complex Limited	Spa facility	Jamaica	100	100
Caribbean Gypsum Company Limited	Mining	Jamaica	100	100

All subsidiaries have a 31 December year end for financial reporting purposes.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

### 4. Changes in accounting policies and disclosures and future changes in accounting standards

#### a) Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted the following amendments to IFRS effective as of 1 January 2016:

New and amended standards and interpretations

- IFRS 14 Regulatory Deferral Accounts
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Amendments to IAS 1 Disclosure Initiative
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception
- Improvements to IFRSs – 2012-2014 cycle

## NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

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31 December 2016  
(Expressed in Jamaican dollars)

### 4. Changes in accounting policies and disclosures and future changes in accounting standards (continued)

#### a) Changes in accounting policies and disclosures (continued)

The nature and the impact of each new standard and amendment are described below:

##### **IFRS 14 Regulatory Deferral Accounts**

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Group is an existing IFRS preparer and is not involved in any rate-regulated activities, this standard does not apply.

##### **Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests**

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 Business Combinations principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not re-measured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are applied prospectively. These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

##### **Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation**

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively and do not have any impact on the Group, given that it has not used a revenue-based method to depreciate its non-current assets.

**NOTES TO THE CONSOLIDATED AND COMPANY  
FINANCIAL STATEMENTS (CONTINUED)**

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31 December 2016  
(Expressed in Jamaican dollars)

**4. Changes in accounting policies and disclosures and future changes in accounting standards (continued)**

**a) Changes in accounting policies and disclosures (continued)**

**Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants**

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41 Agriculture. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are applied retrospectively and do not have any impact on the Group as it does not have any bearer plants.

**Amendments to IAS 27: Equity Method in Separate Financial Statements**

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements have to apply that change retrospectively. These amendments do not have any impact on the Group's consolidated financial statements.

**Amendments to IAS 1 Disclosure Initiative**

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments do not have any impact on the Group.

**Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception**

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial state-

**NOTES TO THE CONSOLIDATED AND COMPANY  
FINANCIAL STATEMENTS (CONTINUED)**

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31 December 2016  
(Expressed in Jamaican dollars)

**4. Changes in accounting policies and disclosures and future changes in accounting standards (continued)**

**a) Changes in accounting policies and disclosures (continued)**

**Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception (continued)**

ments applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are applied retrospectively and do not have any impact on the Group as the Group does not apply the consolidation exception.

**Annual Improvements 2012-2014 Cycle**

These improvements are effective from 1 January 2016 and the Group has applied these amendments for the first time in these financial statements. They include:

**IFRS 5 Non-current Assets Held for Sale and Discontinued Operations**

Assets (or disposal groups) are generally disposed of either through sale or distribution to the owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment is applied prospectively. These amendments have no impact on the consolidated financial statements.

**IFRS 7 Financial Instruments: Disclosures**

**(i) Servicing contracts**

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures need not be provided for any period beginning before the annual period in which the entity first applies the amendments.

**(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements**

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment is applied retrospectively. These amendments have no impact on the financial statements.

**NOTES TO THE CONSOLIDATED AND COMPANY  
FINANCIAL STATEMENTS (CONTINUED)**

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31 December 2016  
(Expressed in Jamaican dollars)

**4. Changes in accounting policies and disclosures and future changes in accounting standards (continued)**

**a) Changes in accounting policies and disclosures (continued)**

**IAS 19 Employee Benefits**

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is applied prospectively. These amendments have no impact on the financial statements.

**IAS 34 Interim Financial Reporting**

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment is applied retrospectively. These amendments do not have any impact on the Group.

**b) Standards issued but not yet effective**

The standards and interpretations that are issued, but not yet effective are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

**IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2**

The IASB issued amendments to IFRS 2 Share-based Payment in relation to the classification and measurement of share-based payment transactions. The amendments address three main areas:

- The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction.
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations.
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

The amendments are effective for annual periods beginning on or after 1 January 2018. These amendments are not expected to have any impact on the Group's financial statements as the Group does not have any share-based payments transactions.



**NOTES TO THE CONSOLIDATED AND COMPANY  
FINANCIAL STATEMENTS (CONTINUED)**

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31 December 2016  
(Expressed in Jamaican dollars)

**4. Changes in accounting policies and disclosures and future changes in accounting standards (continued)**

**b) Standards issued but not yet effective (continued)**

**IFRS 4 Insurance Contracts - Amendments to IFRS 4**

The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the new insurance contracts standard that the Board is developing to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. The amendments are effective for annual periods beginning on or after 1 January 2018. These amendments are not expected to have any impact on the Group's financial statements as the Group does not issue insurance contracts.

**IFRS 9 Financial Instruments**

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments, that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date. Overall, the Group expects no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9 (See below).

**(i) Classification and measurement**

The Group does not expect a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of IFRS 9.

**(ii) Impairment**

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Group does not expect a significant impact on its equity, but it will need to perform a more detailed analysis, which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

**(iii) Hedge accounting**

This amendment would not apply as the Group does not apply hedge accounting.

## NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

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31 December 2016  
(Expressed in Jamaican dollars)

### 4. Changes in accounting policies and disclosures and future changes in accounting standards (continued)

#### b) Standards issued but not yet effective (continued)

##### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2015, the Group performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Group is considering the clarifications issued by the IASB in an exposure draft in July 2015 and will monitor any further developments.

##### **IFRS 16 Leases**

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model, subject to certain exemptions, in a similar way to finance leases under IAS 17. Lessees recognize a liability to pay rentals with a corresponding asset, and recognize interest expense and depreciation separately. The standard provides guidance on the two recognition exemptions for leases – leases of “low value” assets and short-term leases with a term of 12 months or less. Lessor accounting is substantially the same as IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted but not before the Group applies IFRS 15. The directors and management have not yet assessed the impact of the application of this standard on the Group’s financial statements.

##### **IAS 7 Disclosure Initiative – Amendments to IAS 7**

The amendments to IAS 7, Statement of Cash Flows, are part of the IASB’s Disclosure Initiative and help users of financial statements better understand changes in an entity’s debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The amendment is effective for annual periods beginning on or after 1 January 2017. The directors and management have not yet assessed the impact of the application of this standard on the Group’s financial statements.

##### **IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12**

The IASB issued the amendments to IAS 12 Income Taxes to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.

## NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

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31 December 2016  
(Expressed in Jamaican dollars)

### 4. Changes in accounting policies and disclosures and future changes in accounting standards (continued)

#### b) Standards issued but not yet effective (continued)

##### **IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 (continued)**

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments are effective for annual periods beginning on or after 1 January 2017. These amendments are not expected to have any impact on the Group's financial statements as the Group does not have any debt instruments measured at fair value.

##### **Transfers of Investment Property (Amendments to IAS 40)**

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are effective for annual periods beginning on or after 1 January 2018. These amendments are not expected to have any impact on the Group's financial statements as the Group does not have any investment property.

##### **IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration**

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation is effective for annual periods beginning on or after 1 January 2018. The directors and management have not yet assessed the impact of the application of the amendment to this standard on the Group's financial statements.

##### **Annual Improvements 2014-2016 Cycle**

##### **IAS 28 Investments in Associates and Joint Ventures**

The amendments clarify that:

- An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.

**NOTES TO THE CONSOLIDATED AND COMPANY  
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**4. Changes in accounting policies and disclosures and future changes in accounting standards (continued)**

**b) Standards issued but not yet effective (continued)**

**Annual Improvements 2014-2016 Cycle (continued)**

**IAS 28 Investments in Associates and Joint Ventures (continued)**

- If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

The amendments should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact on the Group's financial statements.

**IFRS 12 Disclosure of Interests in Other Entities**

The amendments clarify that the disclosure requirements in IFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments are effective from 1 January 2017 and must be applied retrospectively. These amendments are not expected to have any impact on the Group's financial statements.

**NOTES TO THE CONSOLIDATED AND COMPANY  
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**5. Significant accounting policies**

**a) Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration which is deemed to be an asset or a liability, within the scope of IAS 39 - 'Financial Instruments: Recognition and Measurement', is measured at fair value with the changes in fair value recognized in either profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured as being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. The Group assesses at each reporting date whether there is an indication that goodwill may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the

**NOTES TO THE CONSOLIDATED AND COMPANY  
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**5. Significant accounting policies (continued)**

**a) Business combinations and goodwill (continued)**

gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

**b) Foreign currency translation**

The Group's functional and presentation currency is the Jamaican dollar. Transactions in currencies other than the Jamaican dollar are initially recorded at the currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in currencies other than Jamaican dollars are translated at the rate of exchange in effect at the date of the statement of financial position. Non-monetary assets and liabilities that are measured in terms of historical cost in currencies other than Jamaican dollars are translated at the rate of exchange in effect at the date of the initial transaction. Exchange differences on foreign currency translations are recognized in profit and loss. Exchange rates are determined by the published weighted average rate at which commercial banks trade in foreign currencies.

**c) Current assets versus non-current classification**

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is (i) expected to be realized or intended to be sold or consumed in the normal operating cycle; (ii) held primarily for the purpose of trading; (iii) expected to be realized within twelve months after the reporting period or (iv) cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when (i) it is expected to be settled in the normal operating cycle (ii) it is primarily held for the purpose of trading (iii) it is due to be settled within twelve months after the reporting period or (iv) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets.

**d) Property, plant and equipment**

Property, plant and equipment held for use in the production or supply of goods and services or for administrative purposes are stated in the statement of financial position at their historical cost, less any subsequent accumulated depreciation and impairment losses.

## NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

31 December 2016  
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### 5. Significant accounting policies (continued)

#### d) Property, plant and equipment (continued)

Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long term construction projects if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the statement of comprehensive income as incurred. Land and capital work in progress are not depreciated.

Interest on loans specific to capital projects is capitalized during the period of construction. (see Borrowing cost at Note 5 (q))

Depreciation is calculated on the straight-line method over the useful lives of the assets. Current annual rates of depreciation are:

Buildings	2.5% to 5.0%
Plant, machinery and equipment	3.0% to 33.3%
Office furniture and equipment	25.0% to 33.3%
Motor vehicles	20.0% to 33.3%

Leasehold land and improvements are amortized over the shorter of the useful life or term of the lease.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognized.

The residual values, useful lives and method of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

#### e) Intangible assets

Intangible assets are measured on initial recognition at cost. Following initial recognition, they are carried at cost less accumulated amortization and any accumulated impairment losses.

Intangible assets are amortized on the straight line method over the economic useful life of the asset. The residual values, useful lives and amortization method are reviewed and adjusted, if appropriate at each financial year end.

Current annual amortization rates are:

Exploration costs	33.3%
Dredging costs	33.3%

**NOTES TO THE CONSOLIDATED AND COMPANY  
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31 December 2016  
(Expressed in Jamaican dollars)

**5. Significant accounting policies (continued)**

**f) Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are separately disclosed in the statement of comprehensive income.

Impairment losses of continuing operations are recognized in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the valuation was taken to equity. In this case, the impairment is also recognized in equity up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

**g) Taxation**

The taxation charge is based on the results for the year as adjusted for items, which are non-assessable or disallowed. The taxation charge is calculated using the tax rate in effect at the statement of financial position date.

A deferred tax charge is provided, using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.



**NOTES TO THE CONSOLIDATED AND COMPANY  
FINANCIAL STATEMENTS (CONTINUED)**

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31 December 2016  
(Expressed in Jamaican dollars)

**5. Significant accounting policies (continued)**

**g) Taxation (continued)**

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that future taxable profits will be available against which these deductible temporary differences, carry-forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilized. Unrecognised deferred tax assets are re-assessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable profits will allow this deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the assets are realized or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantively enacted at the statement of financial position date.

**h) Inventories**

Plant spares, raw materials and consumables are valued at the lower of weighted average cost and net realizable value. Work in progress and finished goods are valued at the lower of cost, including attributable production overheads, and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the costs of completion and estimated costs necessary to make the sale.

**i) Investments**

Equity investments in subsidiaries, classified as non-current, are stated at cost less any impairment adjustments.

**NOTES TO THE CONSOLIDATED AND COMPANY  
FINANCIAL STATEMENTS (CONTINUED)**

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31 December 2016  
(Expressed in Jamaican dollars)

**5. Significant accounting policies (continued)**

**j) Receivables and payables**

Trade receivables are carried at anticipated realizable value. An impairment loss is recognised for doubtful receivables based on a review of outstanding amounts at the year end. Bad debts are written off when identified.

Liabilities for trade and other accounts payable, which are normally settled on 30 to 90 days terms, are recorded initially at amounts representing the fair value of the consideration to be paid for goods and services received by the statement of financial position date, whether or not billed.

**k) Net cash and cash equivalents**

For the purpose of the statement of cash flows, net cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less, net of bank overdraft.

**l) Interest bearing loans and borrowings**

Borrowings are stated initially at cost, being the fair value of consideration received net of transaction cost associated with the borrowings. After initial recognition, borrowings are measured at amortized cost using the effective interest method; any difference between proceeds and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings.

**m) Provisions**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. The expense relating to any provision is charged to the statement of comprehensive income net of any reimbursement.

**n) Revenue recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognized:

Revenue from the sale of goods is recognized when the significant risk and rewards of ownership of goods have been passed to the buyers, which is usually on the delivery of goods, and the amounts of revenue can be measured reliably.

Rental and interest income are recognized as they accrue unless collectability is in doubt.

**NOTES TO THE CONSOLIDATED AND COMPANY  
FINANCIAL STATEMENTS (CONTINUED)**

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31 December 2016  
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**5. Significant accounting policies (continued)**

**o) Pension benefits**

The Group has a defined contribution pension scheme for all permanent employees. The scheme is managed by an outside agency. The Group's liability is limited to its contributions which are accounted for on the accrual basis and charged to the statement of comprehensive income in the period to which they relate.

**p) Operating leases**

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income over the period of the lease on a straight line basis.

**q) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**r) Earnings per share**

The earnings per share is computed by dividing profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

**s) Segment reporting**

A segment is a distinguishable component of the Group that is engaged either in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other segments. The Group bases its segment reporting on business segments whose results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and assess its performance, for which discrete financial information is available and, from which it earns income and incurs expenses.

**t) Financial instruments**

Financial instruments carried on the statement of financial position include cash and bank balances, accounts receivables, accounts payables, and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

**NOTES TO THE CONSOLIDATED AND COMPANY  
FINANCIAL STATEMENTS (CONTINUED)**

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31 December 2016  
(Expressed in Jamaican dollars)

**5. Significant accounting policies (continued)**

**u) Use of estimates and judgements**

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The effect of revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments and estimates made by management in the application of IFRS that have a significant impact on the financial statements are:

**(i) Allowance for impairment losses on trade receivables:**

In determining amounts recorded for impairment losses on trade receivables in the financial statements, management makes judgments regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from receivables. Management also makes estimates of the likely future cash flows from impaired receivables as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individual significant receivables with similar characteristics such as credit risk. (Note 12)

**(ii) Net realisable value of inventories**

Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made of the amounts the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events after the period end to the extent that such events confirm conditions existing at the end of the period.

**(iii) Residual value and expected useful life of property, plant and equipment and intangibles**

The residual values and expected useful lives of long lived assets are reviewed at least annually. If expectations differ from previous estimates, the change is accounted for. The useful life of an asset is determined in terms of the asset's expected utility to the Group.

**(iv) Taxes**

Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. The Group establishes provisions, based on reasonable estimates taking cognizance of possible differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the Group.

**NOTES TO THE CONSOLIDATED AND COMPANY  
FINANCIAL STATEMENTS (CONTINUED)**

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31 December 2016  
(Expressed in Jamaican dollars)

**5. Significant accounting policies (continued)**

**u) Use of estimates and judgements (continued)**

**(iv) Taxes (continued)**

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilised. Significant management judgement is also required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Based on an assessment made after considering the abovementioned factors, a net deferred tax asset was recognized as at the statement of financial position date. (Note 9)

**(v) Rehabilitation provision**

The provision for restoration and rehabilitation associated with environmental damage represent the best estimates of the future cost of remediation, which are recognized at their nominal value when the time schedule for the disbursement is not clear, or when the economic effect for the passage of time is not significant; otherwise, such provisions are recognized at their discounted values. These obligations include the costs of the future cleaning, reforestation and/or development of the affected areas and include the future costs of abandoning the site so that quarries are left in acceptable condition at the end of their operation.

The ultimate rehabilitation costs are uncertain, and cost estimates can vary in response to many factors, including estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. Therefore, significant estimates and assumptions are made in determining the provision for mine rehabilitation. As a result, there could be significant adjustments to the provisions established which would affect future financial result. Provision for future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each reporting date. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required. (Note 17)

**v) Fair value measurement**

The Group does not measure any assets or liabilities at fair value in its statement of financial position. The fair values of financial instruments measured at amortised cost are disclosed in Note 30. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

## NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

31 December 2016  
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### 5. Significant accounting policies (continued)

#### v) Fair value measurement (continued)

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

### 6. Property, plant and equipment

Property, plant and equipment consist of the following:

Group:

	2016				
	Land and buildings \$'000	Plant machinery, equipment and motor vehicles \$'000	Office furniture and equipment \$'000	Capital works in progress \$'000	Total \$'000
<b>At cost</b>					
1 January 2016	1,409,769	8,246,735	334,958	1,056,767	11,048,229
Additions	-	-	-	1,699,091	1,699,091
Disposals and adjustments	-	-	(148)	-	(148)
Reclassification to intangible assets (Note 7)	-	-	-	(7,400)	(7,400)
Transfers	36,152	604,213	23,824	(664,189)	-
31 December 2016	1,445,921	8,850,948	358,634	2,084,269	12,739,772
<b>Accumulated depreciation</b>					
1 January 2016	731,884	4,680,489	281,922	-	5,694,295
Charges during the year	46,751	407,254	20,511	-	474,516
Disposals and adjustment	-	-	(143)	-	(143)
31 December 2016	778,635	5,087,743	302,290	-	6,168,668
<b>Net book value</b>					
31 December 2016	667,286	3,763,205	56,344	2,084,269	6,571,104

**NOTES TO THE CONSOLIDATED AND COMPANY  
FINANCIAL STATEMENTS (CONTINUED)**

31 December 2016  
(Expressed in Jamaican dollars)

**6. Property, plant and equipment (continued)**

Property, plant and equipment consist of the following:

**Group:**

	2015				
	Land and buildings \$'000	Plant machinery, equipment and motor vehicles \$'000	Office furniture and equipment \$'000	Capital works in progress \$'000	Total \$'000
<b>At cost</b>					
1 January 2015	1,402,855	8,046,428	330,708	463,483	10,243,474
Additions	533	176	-	810,195	810,904
Disposals and adjustments	-	(1,331)	(4,818)	-	(6,149)
Transfers	6,381	201,462	9,068	(216,911)	-
31 December 2015	1,409,769	8,246,735	334,958	1,056,767	11,048,229
<b>Accumulated depreciation</b>					
1 January 2015	690,467	4,353,262	272,290	-	5,316,019
Charges during the year	41,417	327,290	14,452	-	383,159
Disposals	-	(63)	(4,820)	-	(4,883)
31 December 2015	731,884	4,680,489	281,922	-	5,694,295
<b>Net book value</b>					
31 December 2015	677,885	3,566,246	53,036	1,056,767	5,353,934

## NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

31 December 2016  
(Expressed in Jamaican dollars)

### 6. Property, plant and equipment (continued)

Property, plant and equipment consist of the following:

Company:

	2016				
	Land and buildings \$'000	Plant machinery, equipment and motor vehicles \$'000	Office furniture and equipment \$'000	Capital works in progress \$'000	Total \$'000
<b>At cost</b>					
1 January 2016	1,225,619	8,139,261	333,614	1,028,203	10,726,697
Additions	-	-	-	1,695,219	1,695,219
Disposals and adjustments	-	-	(148)	-	(148)
Transfers	22,654	594,043	23,824	(640,521)	-
31 December 2016	1,248,273	8,733,304	357,290	2,082,901	12,421,768
<b>Accumulated depreciation</b>					
1 January 2016	661,524	4,578,871	279,054	-	5,519,449
Charges during the year	32,435	398,761	20,507	-	451,703
Disposals and adjustments	-	-	(143)	-	(143)
31 December 2016	693,959	4,977,632	299,418	-	5,971,009
<b>Net book value</b>					
31 December 2016	554,314	3,755,672	57,872	2,082,901	6,450,759



**NOTES TO THE CONSOLIDATED AND COMPANY  
FINANCIAL STATEMENTS (CONTINUED)**

31 December 2016  
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**6. Property, plant and equipment (continued)**

Property, plant and equipment consist of the following:

**Company:**

	<b>2015</b>				
	<b>Land and buildings \$'000</b>	<b>Plant machinery, equipment and motor vehicles \$'000</b>	<b>Office furniture and equipment \$'000</b>	<b>Capital works in progress \$'000</b>	<b>Total \$'000</b>
<b>At cost</b>					
1 January 2015	1,219,238	7,939,036	329,364	434,996	9,922,634
Additions	-	-	-	810,118	810,118
Disposals and adjustments	-	(1,237)	(4,818)	-	(6,055)
Transfers	6,381	201,462	9,068	(216,911)	-
31 December 2015	1,225,619	8,139,261	333,614	1,028,203	10,726,697
<b>Accumulated depreciation</b>					
1 January 2015	625,716	4,254,444	269,461	-	5,149,621
Charges during the year	35,808	324,427	14,411	-	374,646
Disposals and adjustments	-	-	(4,818)	-	(4,818)
31 December 2015	661,524	4,578,871	279,054	-	5,519,449
<b>Net book value</b>					
31 December 2015	564,095	3,560,390	54,560	1,028,203	5,207,248

- a) In December 2008, Kiln 5 was completed and commissioned. Certain units of the kiln are owned by TCL and the rest are owned by the Company. On 1 December 2008, the Company entered into a lease arrangement with TCL which ends in 2028, in respect of the units that TCL owns (Note 27).

Cement Mill 5 assets are partly owned by TCL and the rest are owned by the Company. On commissioning of the Mill in January 2010, the Company entered into a lease arrangement with TCL in respect of the units that TCL owns (Note 27).

- b) The Company's fixed and floating assets are pledged to secure TCL's loans. The pledged assets include the ownership interest in subsidiaries. The Group is also a guarantor of loans that are taken by the parent or fellow subsidiaries of the parent. The leasehold interest in the quarry held by Jamaica Gypsum & Quarries Limited is pledged in this regard

**NOTES TO THE CONSOLIDATED AND COMPANY  
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**7. Intangible assets**

	<b>The Group</b>		
	<b>Exploration cost \$'000</b>	<b>Dredging cost \$'000</b>	<b>Total \$'000</b>
<b>At cost</b>			
1 January 2015 and 31 December 2015	26,715	30,691	57,406
Reclassification from property, plant and equipment (Note 6)	-	7,400	7,400
31 December 2016	26,715	38,091	64,806
<b>Accumulated amortization</b>			
1 January 2015	5,881	14,521	20,402
Amortization	8,065	5,707	13,772
31 December 2015	13,946	20,228	34,174
Amortization	8,065	13,107	21,172
31 December 2016	22,011	33,335	55,346
<b>Net book value</b>			
31 December 2016	4,704	4,756	9,460
31 December 2015	12,769	10,463	23,232

**8. Investment in subsidiaries**

Investment in subsidiaries consists of the following:

	<b>Company</b>	
	<b>2016 \$'000</b>	<b>2015 \$'000</b>
<b>At cost:</b>		
Jamaica Gypsum and Quarries Limited		
375,000,000 ordinary shares	79,000	79,000
Impairment loss provision	(36,000)	-
	43,000	79,000
Rockfort Mineral Bath Complex Limited		
21,000,000 ordinary shares	2,938	2,938
Impairment loss provision	(2,938)	(2,938)
	-	-
Caribbean Gypsum Company Limited		
1,000 ordinary shares	4,000	4,000
	47,000	83,000

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**8. Investment in subsidiaries (continued)**

During the year, an impairment provision was recognized against the Company's investments in Jamaica Gypsum & Quarries Limited, due to recurring losses from operations. The Company's investment in Rockfort Mineral Bath Complex Limited was fully impaired in 2014.

**9. Taxation**

	<b>Group and Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Statement of comprehensive income</b>		
Taxation consists of:		
Income tax	(180,873)	(180,248)
Deferred tax credit	<u>131,713</u>	<u>-</u>
	<u>(49,160)</u>	<u>(180,248)</u>

The taxation charge differs from the theoretical amount that would arise using the income tax rate as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Profit before taxation	<u>1,350,862</u>	<u>1,726,388</u>	<u>1,407,065</u>	<u>1,807,779</u>
Taxed at 25%	(337,716)	(431,597)	(351,766)	(451,945)
Tax on non-assessable income	2,051	56,021	-	51,522
Tax on non-allowable expenses	(124,489)	(75,222)	(120,576)	(74,754)
Employment tax credit	65,793	58,231	65,793	58,231
Other	19,500	18,989	22,266	39,121
Decrease in tax benefits not recognised	<u>325,701</u>	<u>193,330</u>	<u>335,123</u>	<u>197,577</u>
Tax charge	<u>(49,160)</u>	<u>(180,248)</u>	<u>(49,160)</u>	<u>(180,248)</u>
<b>Deferred tax asset</b>				
Balance at beginning of year	-	-	-	-
Deferred tax asset for the year	<u>131,713</u>	<u>-</u>	<u>131,713</u>	<u>-</u>
Balance at end of year, net	<u>131,713</u>	<u>-</u>	<u>131,713</u>	<u>-</u>

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**9. Taxation (continued)**

The significant components of deferred tax asset are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Deferred tax liability:				
Property, plant and equipment	(770,004)	(815,747)	(772,619)	(815,779)
Unrealized exchange gains	<u>(2,146)</u>	<u>(48,756)</u>	<u>(2,146)</u>	<u>(48,756)</u>
	<u>(772,150)</u>	<u>(864,503)</u>	<u>(774,765)</u>	<u>(864,535)</u>
Deferred tax asset:				
Tax losses	831,937	1,085,111	789,146	1,049,223
Accrued vacation	24,047	27,132	23,886	26,907
Accrued redundancy	-	30,517	-	30,517
Interest payable	-	13,263	-	13,263
Accrued charges and rewards	86,016	44,910	86,016	44,910
Unrealized exchange losses	<u>7,430</u>	<u>34,838</u>	<u>7,430</u>	<u>34,838</u>
	<u>949,430</u>	<u>1,235,771</u>	<u>906,478</u>	<u>1,199,658</u>
	177,280	371,268	131,713	335,123
Tax benefits in respect of tax losses not recognised	<u>(45,567)</u>	<u>(371,268)</u>	<u>-</u>	<u>(335,123)</u>
	<u>131,713</u>	<u>-</u>	<u>131,713</u>	<u>-</u>

Subject to agreement with the Taxpayer Audit and Assessment Department, tax losses available for indefinite carry forward and offset against future profits amount to approximately \$3,327,748,000 (2015: \$4,340,444,000) for the Group and \$3,156,584,000 (2015: \$4,196,892,000) for the Company.

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**10. Inventories**

Inventories consist of the following:

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Plant spares	724,487	1,148,617	724,487	1,148,617
Consumables	397,744	340,358	397,744	340,358
Raw materials and work in progress	785,504	1,066,924	777,299	1,048,929
Finished goods	286,779	346,911	283,015	231,979
Goods in transit	5,349	585	5,349	585
	<u>2,199,863</u>	<u>2,903,395</u>	<u>2,187,894</u>	<u>2,770,468</u>
Provision for obsolescence and impairment	<u>(104,060)</u>	<u>(122,201)</u>	<u>(104,060)</u>	<u>(122,201)</u>
	<u>2,095,803</u>	<u>2,781,194</u>	<u>2,083,834</u>	<u>2,648,267</u>

Included in the provision for obsolescence and impairment is \$104,060,000 (2015: \$109,064,000) for spares relating to the idle Kiln #4 asset which have been fully impaired since 31 December 2012.

**11. Due from related companies**

Due from related companies consists of the following:

	<b>Group and Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Readymix (West Indies) Limited	-	69
Arawak Cement Company Limited	84,741	30,255
TCL (Nevis) Limited	-	50,085
TCL Ponsa Limited	67	49
Trinidad Cement Limited	2,461	255,717
TCL Trading Limited	57,767	245,568
TCL Guyana	<u>60,424</u>	<u>-</u>
	<u>205,460</u>	<u>581,743</u>

These balances are unsecured and carry no fixed repayment terms.

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**12. Receivables and prepayments**

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Trade receivables	415,370	889,076	410,559	887,737
Sundry receivables and prepayments	<u>176,442</u>	<u>338,556</u>	<u>111,397</u>	<u>202,774</u>
	591,812	1,227,632	521,956	1,090,511
Less: Impairment provision	<u>(21,883)</u>	<u>(62,690)</u>	<u>(21,859)</u>	<u>(62,690)</u>
	<u>569,929</u>	<u>1,164,942</u>	<u>500,097</u>	<u>1,027,821</u>

**Changes in impairment provision**

	<b>Group Individually impaired</b>		<b>Company Individually impaired</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance as at 1 January	62,690	86,027	62,690	86,027
Net recoveries	<u>(40,807)</u>	<u>(23,337)</u>	<u>(40,831)</u>	<u>(23,337)</u>
Balance as at 31 December	<u>21,883</u>	<u>62,690</u>	<u>21,859</u>	<u>62,690</u>

As at 31 December, the aging analysis of trade receivables net of impairment provision is as follows:

			The Group			
			Past due but not impaired			
		Neither past due nor impaired	< 30 days	30-60 days	61-90 days	> 90 days
	Total					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2016	<u>393,487</u>	<u>383,147</u>	<u>2,404</u>	<u>7,764</u>	<u>-</u>	<u>172</u>
2015	826,386	777,975	26,290	11,259	10,862	-

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**12. Receivables and prepayments (continued)**

		The Company Past due but not impaired				
	Total	Neither past due nor impaired	< 30 days	30-60 days	61-90 days	> 90 days
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2016</b>	<u>388,700</u>	<u>381,840</u>	<u>-</u>	<u>6,688</u>	<u>-</u>	<u>172</u>
<b>2015</b>	<u>825,047</u>	<u>775,907</u>	<u>25,455</u>	<u>9,158</u>	<u>14,136</u>	<u>391</u>

**13. Cash and cash equivalents**

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Cash at bank and in hand	267,472	536,923	208,530	521,897
Short-term deposits	<u>450,096</u>	<u>373,743</u>	<u>450,096</u>	<u>373,743</u>
	<u>717,568</u>	<u>910,666</u>	<u>658,626</u>	<u>895,640</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

**14. Due to parent and related companies**

The amounts due to parent and related companies consist of the following:

	Group and Company	
	2016 \$'000	2015 \$'000
TCL Ponsa Manufacturing Limited	16,519	10,363
TCL Guyana Limited	193	-
Trinidad Cement Limited	15,111	1,301,399
TCL (Nevis) Limited	6,180	352,353
TCL Packaging Limited	66,038	34,426
TCL Trading Limited	-	17,052
	<u>104,041</u>	<u>1,715,593</u>
Long-term	-	205,582
Short-term	<u>104,041</u>	<u>1,510,011</u>
	<u>104,041</u>	<u>1,715,593</u>

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**14. Due to parent and related companies (continued)**

The amounts due to parent and related companies consist of the following:

	<b>Group and Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
The long-term amount comprises the following:		
Trinidad Cement Limited	-	205,582
The short-term amount comprises:		
TCL Ponsa Manufacturing Limited	16,519	10,363
TCL Guyana Limited	193	-
Trinidad Cement Limited	15,111	1,095,817
TCL (Nevis) Limited	6,180	352,353
TCL Packaging Limited	66,038	34,426
TCL Trading Limited	-	17,052
	<u>104,041</u>	<u>1,510,011</u>

Included in 2015 short term amounts payable to Trinidad Cement Limited was a loan in the amount of \$85,909,000 (US\$716,000), at an interest rate of 7.5%. This amount was fully repaid during the year.

**15. Payables and accruals**

Payables and accruals consist of the following:

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Trade payables	1,712,541	1,484,542	1,700,191	1,459,567
Sundry payables				
and accruals	733,963	815,631	695,937	785,297
Statutory obligations	<u>97,515</u>	<u>196,837</u>	<u>97,205</u>	<u>196,442</u>
	<u>2,544,019</u>	<u>2,497,010</u>	<u>2,493,333</u>	<u>2,441,306</u>

Sundry payables and accruals include \$146,336,000 representing withholding tax payable on the conversion of US\$37,000,000 of the companies debt to preference shares (Note 18). On 28 June 2013 the Company was granted a period of six years to pay the withholding taxes, with an assessment to be completed at the end of three years to determine the Company's ability to commence payment. The assessment is pending and in the interim the amount is shown as a current liability.



## NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

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### 16. Due from subsidiary

This amount represents the net trade amounts due from Jamaica Gypsum & Quarries Limited and management fees charged by the Parent company.

### 17. Provision

This represents the present value of the cost of rehabilitating the quarries of a subsidiary to their original state, which are expected to be incurred between 2017 and 2023. This provision has been created based on the Group's internal estimates. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary rehabilitation works required that will reflect market conditions at the relevant time. The discount rate used in the calculation of the provision as at 31 December 2016 was 19.74% (2015: 24.3%). The unwinding of the discount associated with this cost is recorded in finance costs (Note 21).

	<b>Group and Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
As at 1 January	21,366	-
Rehabilitation provision recognized during the year	1,550	532
Unwinding of discount (Note 21)	<u>9,636</u>	<u>20,834</u>
As at 31 December	<u>32,552</u>	<u>21,366</u>
Short term	5,159	-
Long term	<u>27,393</u>	<u>21,366</u>
	<u>32,552</u>	<u>21,366</u>

### 18. Share capital and reserves

Share capital consists of the following:

	<b>Number of units</b>	<b>Number of units</b>
	<b>2016 (000)</b>	<b>2015 (000)</b>
Authorized:		
Ordinary shares of no par value	<u>1,350,000</u>	<u>1,350,000</u>
Preference shares	<u>115,000</u>	<u>115,000</u>

## NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

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### 18. Share capital and reserves (continued)

Payables and accruals consist of the following:

	Number of Units	Number of Units	Group and Company	
	2016 (000)	2015 (000)	2016 \$'000	2015 \$'000
<b>Issued and fully paid:</b>				
Ordinary shares of no par value 1 January and 31 December	<u>851,138</u>	<u>851,138</u>	<u>1,808,837</u>	<u>1,808,837</u>
<b>Preference shares in issue</b>				
at 1 January and 31 December	<u>52,000</u>	<u>52,000</u>	<u>5,077,760</u>	<u>5,077,760</u>
			<u>6,886,597</u>	<u>6,886,597</u>
<b>Capital contribution</b>	<u>-</u>	<u>-</u>	<u>3,839,090</u>	<u>3,839,090</u>

- (a) On 5 January 2010 at an Extraordinary General Meeting the members approved a resolution for the conversion of US\$15,000,000 of the Company's indebtedness to TCL into fifteen million (15,000,000) redeemable preference shares of US\$1 each.

On 25 June 2013, at a General Meeting the shareholders approved a resolution for the creation of 100,000,000 new preference shares and further authorized the Board to issue to Trinidad Cement Company Limited allotments of new preference shares for the purpose of discharging debts owed by the Company to TCL. Subsequently, on 29 June 2013, the Board approved the conversion of US\$37,000,000 due to Trinidad Cement Limited into thirty seven million (37,000,000) redeemable preference shares of US\$1 each.

Additionally, on this date the TCL Board approved that intercompany balances of US\$38,000,000 due by the Company to TCL be forgiven. The debt forgiven was credited to capital contribution by the Company.

This restructuring was designed to strengthen the equity position of the Company.

The preference shares confer upon the holders thereof no right at any time to receive any dividend beyond such dividend as the Company may, at its discretion, declare upon the preference shares provided that if the Company shall declare any dividend on its ordinary shares it shall at the same time declare a dividend on the preference shares at a rate no lower than the rate declared on the ordinary shares. All dividends declared upon the preference shares shall be paid in United States dollars. The preference shares may be redeemed at any time at the sole discretion of the Company.

- (b) The Group and the Company realized capital gains of \$1,413,661,000 and \$1,413,656,000, respectively, represent the profit from the sale of certain machinery and equipment in August 1999 which was credited to the statement of comprehensive income over the 10 year period of the original operating lease.

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**19. Operating profit**

Operating profit consists of the following:

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>	<u>15,780,756</u>	<u>15,431,897</u>	<u>15,724,158</u>	<u>15,391,215</u>
<b>Expenses:</b>				
Raw materials and consumables	1,400,510	1,047,642	1,708,069	1,359,899
Fuels and electricity	2,717,215	2,860,796	2,710,559	2,855,083
Personnel remuneration and benefits (Note 20)	2,067,036	2,360,371	2,039,531	2,327,121
Repairs and maintenance	989,007	965,486	978,450	942,994
Operating lease	3,323,635	2,826,250	3,323,635	2,826,250
Marketing and selling expenses	122,635	204,478	107,038	149,798
Cement transportation	500,027	592,732	433,559	471,171
Insurance	240,033	214,628	229,082	203,091
Training and staff development	102,178	111,073	102,178	111,073
Technical assistance fees and related charges	300,551	325,267	294,364	322,231
Security	103,770	112,744	92,399	92,789
Equipment hire	621,236	709,491	541,651	585,897
Other operating expenses	404,412	589,629	406,839	613,958
Changes in inventories of finished goods and work in progress	<u>293,058</u>	<u>(17,686)</u>	<u>181,890</u>	<u>22,487</u>
<b>Total expenses</b>	<u>13,185,302</u>	<u>12,902,901</u>	<u>13,149,244</u>	<u>12,883,842</u>
Profit before other income	2,595,454	2,528,996	2,574,914	2,507,373
Other income	<u>107,384</u>	<u>47,662</u>	<u>167,384</u>	<u>107,662</u>
<b>Earnings before interest, depreciation, amortization, tax, stockholding and inventory restructuring and manpower restructuring</b>	2,702,838	2,576,658	2,742,298	2,615,035
Depreciation and amortization	(495,688)	(396,931)	(451,703)	(374,646)
Impairment loss	-	-	(36,000)	-
Stockholding and inventory restructuring costs	(400,774)	-	(400,774)	-
Manpower restructuring costs	<u>(406,123)</u>	<u>(436,372)</u>	<u>(406,123)</u>	<u>(436,372)</u>
<b>Operating profit</b>	<u>1,400,253</u>	<u>1,743,355</u>	<u>1,447,698</u>	<u>1,804,017</u>

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### 19. Operating profit (continued)

Change in accounting estimates:

#### Deferred expenditure

The cost of installed refractories, chains and grinding media is amortized to match the estimated period of their economic usefulness. Management performed a review of the period of economic usefulness in October 2016. The full cost of installed refractories chains and grinding media has been expensed in 2016 as raw materials and consumables. At December 31, 2015 deferred expenditure included unamortized cost of \$3.20 million. The change in estimate has resulted in an estimated increase in raw materials and consumables cost of \$120.77 million as at 31 December 2016.

#### Stockholding and inventory restructuring costs

Stockholding and inventory restructuring costs comprises write down of overstocked items identified in a comprehensive review of inventory quantities on hand, which was undertaken in 2016. In accordance with IAS 2: "Inventories," management has recorded an expense of \$400.77 million 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.

#### Operating profit is arrived at after charging:

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Audit fees:				
Current year	11,506	12,695	10,015	11,031
Directors' emoluments:				
Fees	<u>2,140</u>	<u>2,726</u>	<u>2,140</u>	<u>2,726</u>

### 20. Personnel remuneration and benefits

Personnel remuneration and benefits consist of the following:

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Wages and salaries	1,509,619	1,770,288	1,487,589	1,744,224
Statutory contributions	162,033	178,447	159,767	176,020
Pension costs (Note 25)	57,467	70,717	56,797	70,026
Other personnel costs	<u>337,917</u>	<u>340,919</u>	<u>335,378</u>	<u>336,851</u>
	<u>2,067,036</u>	<u>2,360,371</u>	<u>2,039,531</u>	<u>2,327,121</u>

# NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

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## 21. Finance costs

Finance costs consist of the following:

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Interest expense	9,838	127,854	9,838	127,854
Loss on currency exchange	35,118	46,684	35,118	46,684
Unwinding of discount on rehabilitation provision (Note 17)	9,636	20,834	-	-
	<u>54,592</u>	<u>195,372</u>	<u>44,956</u>	<u>174,538</u>

## 22. Profit after taxation and accumulated losses

a) The net profit is dealt with in the financial statements as follows:

	2016 (000)	2015 (000)
Company	1,357,905	1,627,531
Subsidiaries	<u>(56,203)</u>	<u>(81,391)</u>
Group	<u>1,301,702</u>	<u>1,546,140</u>

b) The accumulated losses are reflected in the financial statements as follows:

	2016	2015
Company	(4,403,374)	(5,761,279)
Subsidiaries	<u>2,902</u>	<u>59,105</u>
Group	<u>(4,400,472)</u>	<u>(5,702,174)</u>

## 23. Earnings per share

	Group	
	2016 \$'000	2015 \$'000
Profit attributable to shareholders (\$'000)	<u>1,301,702</u>	<u>1,546,140</u>
Number of shares in issue (thousands)	<u>851,138</u>	<u>851,138</u>
Basic and diluted earnings per ordinary share (expressed in \$ per share)	<u>\$1.53</u>	<u>\$1.82</u>

**NOTES TO THE CONSOLIDATED AND COMPANY  
FINANCIAL STATEMENTS (CONTINUED)**

31 December 2016  
(Expressed in Jamaican dollars)

**24. Related party transactions**

**Terms and conditions of transactions with related parties**

Parties are considered to be related if they are members of the same group or are jointly controlled by the same entity. Related parties also include those who have the ability to exercise significant influence over the entity or are members of key management. CCCL and its subsidiaries are part of the Trinidad Cement Limited Group. Transactions with related parties are made on terms equivalent to those that prevail in an arm's length transaction. For the year ended 31 December 2015 and 2016, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

a) Transactions with Trinidad Cement Limited and its subsidiaries:

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Included in the statement of comprehensive income:</b>				
(Income)/expenses -				
Sale of cement	(563,113)	(1,326,623)	(563,113)	(1,326,623)
Sale of clinker	(78,172)	(264,392)	(78,172)	(264,392)
Technical fee charges	94,138	87,889	94,138	87,889
Purchase of goods and Materials	645,486	389,846	645,486	389,846
Interest charges on advances	7,376	48,329	7,376	48,329
Operating lease (Note 6, 19)	<u>3,323,635</u>	<u>2,826,250</u>	<u>3,323,635</u>	<u>2,826,250</u>

**Included in the statement of financial position:**

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Short-term amounts received, net	<u>-</u>	<u>139,595</u>	<u>-</u>	<u>99,289</u>
Long-term amounts	<u>-</u>	<u>429,226</u>	<u>-</u>	<u>429,226</u>

**NOTES TO THE CONSOLIDATED AND COMPANY  
FINANCIAL STATEMENTS (CONTINUED)**

31 December 2016  
(Expressed in Jamaican dollars)

**24. Related party transactions (continued)**

b) Transactions between the Company and its subsidiaries:

	<b>Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Included in the Company statement of comprehensive income:</b>		
Purchase of gypsum, shale and pozzolan	309,207	272,852
Port fees paid	8,142	58,049
Management fee received	(60,000)	(60,000)
Subvention	<u>13,834</u>	<u>10,789</u>

c) Transactions with Cemex related entities:

	<b>Group and Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Included in the statement of comprehensive income:</b>		
Sale of cement	(312,199)	(103,761)
Purchase of grinding aids	<u>33,005</u>	<u>-</u>
<b>Included in the statement of financial position:</b>		
Accounts receivable	-	21,691
Accounts payable	10,727	7,196
Capital expenditure	<u>180,330</u>	<u>-</u>

d) Compensation of directors and key management personnel

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Short-term employee benefits	123,629	198,166	123,629	198,166
Post-retirement benefits	5,232	6,957	5,232	6,957
Directors' fees	<u>2,140</u>	<u>2,726</u>	<u>2,140</u>	<u>2,726</u>
	<u>131,001</u>	<u>207,849</u>	<u>131,001</u>	<u>207,849</u>

**NOTES TO THE CONSOLIDATED AND COMPANY  
FINANCIAL STATEMENTS (CONTINUED)**

31 December 2016  
(Expressed in Jamaican dollars)

**25. Pension plan**

The Group participates in a defined contribution pension plan which is managed by an independent party, Sagicor Life Jamaica Limited. This plan is mandatory for all categories of permanent employees. Contributions are 10% of pensionable salary for both employee and employer. The amount of annual pension at any date shall be that pension which can be secured by the accumulated contribution plus interest to that date. The Group's and Company's contributions in the year amounted to \$57,467,000 (2015: \$70,717,000) and \$56,797,000 (2015: \$70,026,000) respectively.

**26. Contingencies**

- (i) There are no pending legal actions and other claims as at 31 December 2016. During 2015, there were several pending legal actions and other claims estimated at \$24,600,000, in which the Group is involved. It is the opinion of the directors, based on the information provided by the Company's attorneys, that liability, if any, arising out of these claims is not considered probable. Accordingly, no provision has been made in these financial statements in respect of these matters.
- (ii) On 6 August 2015 the Company entered into an "Amended and Restated Credit Agreement" as a guarantor of loans in the amount of US\$200 million as executed by TCL. Principal and Interest repayments commenced on 11 November 2015 and are payable quarterly to 11 August 2020. The TCL Group is required to comply with certain financial covenants and expenditure limits as prescribed by the Agreement.

**27. Commitments**

**a) Operating leases**

The Company has commitments of \$5,651,378,000 (US\$44,000,000) under the operating leases with Trinidad Cement Limited, which are payable semi-annually in United States dollars (Note 6). The annual lease charges were revised during 2013.

As at 31 December, future minimum lease payments are:

	<b>\$'000</b>
Within one year	2,825,689
After one year, but less than five years	<u>2,825,689</u>
	<u>5,651,378</u>

New rates are to be negotiated for the period 1 January 2019 to 31 December 2028.



## NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

31 December 2016  
(Expressed in Jamaican dollars)

### 27. Commitments (continued)

#### Other operating leases

Other operating leases represents the lease commitments of the subsidiaries. The accumulated future minimum lease payments are as below:

	2016 \$'000	2015 \$'000
Within one year	3,425	3,500
After one year, but less than five years	13,775	13,738
More than five years	<u>49,846</u>	<u>53,309</u>
	<u>67,046</u>	<u>70,547</u>

#### b) Capital commitment

The amount of \$2,084,849,000 (US\$16,232,000) (2015: \$164,597,000 (US\$1,371,000)) was approved and contracted for as at 31 December 2016 in respect of capital projects.

### 28. Limestone reserves

The major raw material used in the cement manufacturing process is limestone. The limestone requirements of the Company are met from reserves in land leased from the Government of Jamaica. The annual lease charge is \$700,000 and the lease term has 32 years remaining but exploitable reserves are expected to have a life of 162 years based on the current extraction rate. Deep reserves have a further exploitable life of approximately 120 years. These limestone reserves are not recorded in these financial statements.

### 29. Operating segment reporting

#### Geographical information

	2016 \$'000	2015 \$'000
Local	14,496,498	12,732,264
Caribbean countries	603,375	365,566
South American countries	<u>680,883</u>	<u>2,334,067</u>
	<u>15,780,756</u>	<u>15,431,897</u>

The revenue information above represents third party revenue based on the location of the customers' operations.

Revenue from one customer amounted to \$3,755,532,000 (2015: \$1,947,134,000), arising from cement sales.

# NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

31 December 2016  
(Expressed in Jamaican dollars)

## 30. Financial risk management objectives and policies

The Group's principal financial liabilities comprise trade payables and related party balances. The Group has various financial assets such as trade receivables, cash and short-term deposits and related party balances which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, interest rate risk, liquidity risk and foreign currency risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

### Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's exposure to credit risks arises primarily from its trade receivables and from its financing activities of short term deposits with banks and financial institutions and foreign exchange transactions.

The following table shows the maximum exposure to credit risk for the components of the statement of financial position:

	Group		Company	
	Gross maximum exposure		Gross maximum exposure	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Trade receivables	393,487	826,386	388,700	825,047
Cash and cash equivalents	717,568	910,666	658,626	895,640
Due from related companies	205,460	581,743	205,460	581,743
Due from subsidiary	-	-	137,403	235,811
	<u>1,316,515</u>	<u>2,318,795</u>	<u>1,390,189</u>	<u>2,538,241</u>

### a) Trade and other receivables

The Group's main exposure to credit risk is managed by an established credit policy under which each customer has to be assessed individually for credit worthiness before the customer can be considered for a credit limit. Credit limits are established for all customers and are based on internal rating criteria which are reviewed annually.

As at 31 December 2016, the Group had 2 customers (2015: 4 customers) that owed the Group more than \$72,000,000 each (2015: \$62,000,000 each), which accounted for 82% (2015: 68%) of all trade receivables owing.

The Group manages its concentration risk by frequent and diligent reviews of its largest customers' operations to ensure that they remain economically viable and will be able to settle liabilities in a timely manner.

The aged receivable balances are regularly monitored. An allowance for impairment is done annually on the trade receivables balances where customers assessed have amounts that are older than 90 days overdue despite the Group's collection efforts during the year.

## NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

31 December 2016  
(Expressed in Jamaican dollars)

### 30. Financial risk management objectives and policies (continued)

#### b) Cash and cash equivalents

This risk is managed in line with the Group's policy. Excess funds are invested for short periods of time depending on the Group's cash flow requirements. These surplus funds are placed with approved financial institutions with no concentration of the funds being at any specific counterparty and thereby mitigating potential financial losses.

Annual reviews of the policy are undertaken and approved at the Group's Board of Directors level.

#### Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. At 31 December 2016, the Group had no significant exposure to interest rate risk as there were no borrowings and at 31 December 2015 all borrowings were at fixed rates. The interest rate exposure of borrowings is as follows:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Total borrowings:				
At fixed rates	<u>-</u>	<u>291,491</u>	<u>-</u>	<u>291,491</u>
Weighted average effective interest rates:				
	(%)	(%)	(%)	(%)
Related party loans	<u>-</u>	<u>5.5</u>	<u>-</u>	<u>5.5</u>

#### Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has transactional currency exposures. Such exposure arises from purchases by the Group in currencies other than its functional currency. Approximately sixty percent (60%) of the Group's purchases are denominated in or sensitive to currencies other than its functional currency. The Group has a net foreign currency exposure as at 31 December.

The following table demonstrates the sensitivity to a reasonably possible change in the following exchange rates of the Group's and the Company's profit before tax (expressed in Jamaican dollars), with all other variables held constant.

## NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

31 December 2016  
(Expressed in Jamaican dollars)

### 30. Financial risk management objectives and policies (continued)

#### Foreign currency risk (continued)

		Change in exchange rate	Group Effect on profit before tax \$'000	Company Effect on profit before tax \$'000
2016	US\$	+1%	209	209
	US\$	-6%	(1,255)	(1,255)
	Euro	+1%	100	100
	Euro	-6%	<u>(602)</u>	<u>(602)</u>
2015	US\$	+1%	14,383	14,426
	US\$	-8%	(115,064)	(115,408)
	Euro	+1%	-	-
	Euro	-8%	<u>(5)</u>	<u>(5)</u>

#### Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Group maintains a balance between continuity of funding and flexibility through the use of bank loans and related party financing.

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted payments.

	The Group					
	On Demand \$'000	Less than 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 years \$'000	Total \$'000
<b>As at 31 December 2016</b>						
Due to parent and related companies	-	104,041	-	-	-	104,041
Trade and other payables	-	-	2,027,565	-	-	2,027,565
	-	104,041	2,027,565	-	-	2,131,606
<b>As at 31 December 2015</b>						
Due to parent and related companies	-	-	1,510,011	208,086	1,718,097	
Trade and other payables	-	2,468,502	-	-	-	2,468,502
	-	2,468,502	1,510,011	208,086	-	4,186,599

# NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

31 December 2016  
(Expressed in Jamaican dollars)

## 30. Financial risk management objectives and policies (continued)

### Liquidity risk (continued)

The table below summarizes the maturity profile of the Company's financial liabilities at 31 December based on contractual undiscounted payments.

	The Company					Total \$'000
	On Demand \$'000	Less than 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 years \$'000	
<b>As at 31 December 2016</b>						
Due to parent and related companies	-	104,041	-	-	-	104,041
Trade and other payables	-	-	1,995,573	-	-	1,995,573
	-	104,041	1,995,573	-	-	2,099,614
<b>As at 31 December 2015</b>						
Due to parent and related companies	-	-	1,510,011	208,086	-	1,718,097
Trade and other payables	-	2,432,796	-	-	-	2,432,796
	-	2,432,796	1,510,011	208,086	-	4,150,893

### Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business activities, maximize shareholder value. As at December 2016, there were no externally imposed capital ratio requirement.

The Group manages its capital structure and makes adjustments, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

### Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the statement of financial position date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis or other valuation models. Management assessed that the carrying amounts of cash and cash equivalents, trade receivables and trade payables approximate their fair values largely due to the short-term maturities of these instruments.

## NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

31 December 2016  
(Expressed in Jamaican dollars)

### 30. Financial risk management objectives and policies (continued)

	The Group			
	Carrying amount		Fair values	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Financial assets</b>				
Cash and cash equivalents	717,568	910,666	717,568	910,666
Receivables	499,072	983,066	499,072	983,066
Due from related companies	<u>205,460</u>	<u>581,743</u>	<u>205,460</u>	<u>581,743</u>
<b>Financial liabilities</b>				
Payables	2,027,565	2,468,502	2,027,565	2,468,502
Due to parent and related companies	<u>104,041</u>	<u>1,715,593</u>	<u>104,041</u>	<u>1,715,198</u>

	The Company			
	Carrying amount		Fair values	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Financial assets</b>				
Cash and cash equivalents	658,626	895,640	658,626	895,640
Due from subsidiary	137,403	235,811	137,403	235,811
Receivables	429,240	853,336	429,240	853,336
Due from related companies	<u>205,460</u>	<u>581,743</u>	<u>205,460</u>	<u>581,743</u>
<b>Financial liabilities</b>				
Payables	1,995,573	2,432,796	1,995,573	2,432,796
Due to parent and related companies	<u>104,041</u>	<u>1,715,593</u>	<u>104,041</u>	<u>1,715,198</u>

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

All fair values in 2016 and 2015 are classified as Level 3.

**NOTES TO THE CONSOLIDATED AND COMPANY  
FINANCIAL STATEMENTS (CONTINUED)**

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31 December 2016  
(Expressed in Jamaican dollars)

**31. Net debt restructuring gain**

In March 2015 the TCL Group negotiated new terms under the Override Agreement with Lenders with the restructured debt agreements coming into effect as at March 30, 2015. The main elements of the restructured debt agreements included: reduction of the interest rate on the outstanding debt by 2%; forgiveness of the default moratorium interest from September 30, 2014 (2%); the ability to prepay originally secured and unsecured debt on a discounted basis within 90 days of the effectiveness of the restructuring. In May 2015 the TCL Group prepaid the Override debt in full net of prepayment discount of TT\$ 194.2 (J\$3,555.6) million with the proceeds of a Bridge Loan and internal cash of TT\$ 99.2 (J\$1,816.2) million. Of this prepayment discount \$167.79 million was allocated to the Group.

**32. Subsequent Events**

On 24 January 2017 CEMEX, S.A.B. de C.V. through its indirect subsidiary Sierra Trading acquired 113 million of the ordinary shares of Trinidad Cement Limited and on that date increased their shareholding from 39.5% to a majority stake of 69.8% of the total issued ordinary share of Trinidad Cement Limited. As a result of this transaction the TCL Group consequently became a subsidiary of Sierra Trading and as at 24 January 2017 CEMEX, S.A.B. de C.V is the ultimate parent of the TCL Group and the Company.

# FORM OF PROXY - 2017

**PLEASE AFFIX  
\$100 POSTAGE  
STAMP HERE**

I/We \_\_\_\_\_  
(Name of Shareholder)

of \_\_\_\_\_  
(Address)

being a member(s) of the above named Company, hereby appoint

\_\_\_\_\_ (Name of Proxy)

of \_\_\_\_\_ or failing him/her  
(Address)

\_\_\_\_\_ (Name of Proxy)

of \_\_\_\_\_  
(Address)

as my/our Proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at Spanish Court Worthington, 16 Worthington Avenue, Kingston 5 on July 13, 2017 at 10:00 a.m. and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2017

\_\_\_\_\_  
(Signature)

Please indicate with an "X" in the spaces below how you wish your Proxy to vote on the resolutions listed below. Unless otherwise instructed, the Proxy will vote as he thinks fit.

RESOLUTION	For	Against
Resolution 1 – Adoption of Accounts Be it resolved that the Financial Statements for the year ended December 31, 2016 and the Reports of the Directors and Auditors thereon be adopted.		
Resolution 2 – Be it Resolved that KPMG be appointed as the Auditors for the year 2017 and that the Board be authorized to fix their remuneration.		
Resolution 3 – Election of Directors Be it resolved as follows: (a) Jose Luis Seijo "That Mr. Jose Luis Seijo, who retires by rotation and being eligible, be and is hereby re-elected as a Director in accordance with Article 96 of the Company's Articles of Incorporation,." (b) Alejandro Vares "That Mr. Alejandro Vares, having been appointed by the Directors since the last Annual General Meeting, and who retires and being eligible, be and is hereby re-elected as a Director of the Company in accordance with Article 103 of the Company's Articles of in Incorporation,." (c) Peter Donkersloot Ponce "That Mr. Peter Donkersloot, having been appointed by the Directors since the last Annual General Meeting, and who retires and being eligible, be and is hereby re-elected as a Director of the Company in accordance with Article 103 of the Company's Articles of Incorporation,."		
Resolution 4 – Remuneration of Directors		
Resolution 5 – Amendment to CCCL's Articles of Incorporation: "BE it resolved that the final sentence of Article 86 of the Articles of Incorporation be deleted, so that the amended Article 86 will read: "A Director need not hold any shares of the Company to qualify him for the office of Director."		



**Note:**

1. To be valid, this Form of Proxy must be lodged at the Registered Office of the Company not less than forty-eight hours before the meeting.
2. Any alteration in this Form of Proxy shall be initialed.
3. In the case of joint holders, the signature of one holder will be sufficient but the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, seniority being determined by the order in which the names stand on the register.
4. If the appointer is a Corporation, this Form of Proxy must be executed under its Common Seal.
5. Please affix a \$100.00 postage stamp in the space provided above.

**Postal address:** CARIBBEAN CEMENT COMPANY LIMITED  
P.O. Box 448 Kingston

**Registered Office:** Rockfort, Kingston



[www.caribcement.com](http://www.caribcement.com)