

Section 9.2

Management Discussion and Analysis

Potential Risk

The Company's Risk are carefully monitored and managed. Caribbean Cream Limited has expose to various economic and competitive risks that are similar to all manufacturing companies.

Management Systems

Caribbean Cream Limited has established standard operating procedures that all employees are given and are a part of their training. These standards ensure quality and consistency of the products produced. There are systems of checks and balances throughout the process at various levels. The Company structure is purposely kept flat and employees are cross trained in various areas, forming depth and breadth of expertise in the organization. Further, the Company's high employee retention rate lends to consistency and lack of labour disturbance.

Foreign Exchange

The Company uses foreign exchange to purchase raw materials and equipment used in the production of its products. Hence, any devaluation of the Jamaican dollar will increase the cost of inputs. In order to manage fluctuations, inputs are bought in bulk and forward contracts are used where possible. Additionally, the pricing of the products takes into account all elements that impact the replacement cost of inputs. However, rapid devaluation that could not be anticipated will negatively impact the Company's profit margins; price increases will have to be phased in to accommodate the impact of this devaluation. Currently, a pricing model is employed that tracks the rate of exchange, once a threshold point is reached a review is done to assess the internal rate of exchange and any changes that have to be made.

Movement in Commodity Prices

The production of ice cream involves the purchasing of sugar and other commodities that can vary wildly on the world markets. However, the company has established relationships with suppliers and in some instance no longer rely on a middle man to make their purchases, giving them greater negotiation ability. Commodities are bought three months in advance; if there is a sharp rise in commodities the company shall revalue its current inventory and evaluate whether a price increase will be necessary.

Competition

The Company's main competition would be a local producer that has the ability to produce unique flavours in bulk. Thus far the Company considers only one other manufacturer to occupy this space. They continue to make strides in spite of the longevity this company has had in the market space. Barriers to entry by a new player would include cost and knowledge. There is a costly learning curve for entrants seeking to produce a quality product at a competitive price point.

Foreign entrants to the market are unlikely as they would have to reconfigure their production line to produce the unique flavours that is demanded by consumers in the Caribbean. The Company continues to press its competitive advantages of expertise, efficiency and innovation to stay ahead of the competition.

2012 November 1

The Board of Directors
CARIBBEAN CREAM LIMITED
3 South Road
Kingston 5.

Dear Sirs,

We have audited, in accordance with International Standards on Auditing, the financial statements of Caribbean Cream Limited for the year ended February 29, 2012 as stated in our report dated July 2, 2012. The financial statements for the years ended February 29, 2008 through to February 28, 2011 were audited by another independent accountant, who expressed unqualified opinions in their reports dated November 13, 2008, November 13, 2009, November 13, 2010 and August 26, 2011 respectively.

In our opinion, the extracted statements of Financial Position and statements of Comprehensive Income set out in the prospectus are consistent, in all material respects, with the financial statements referred to above, from which they were derived.

For a better understanding of the company's financial position at the end of the reporting periods referred to above, the results of its operations for each of the periods ended on those dates, and the scope of our audit, the extracted statements of Financial Position and the statements of Comprehensive Income should be read in conjunction with the financial statements from which they were derived and the audit reports thereon, where applicable.

Yours respectfully,



CHARTERED ACCOUNTANTS
KINGSTON, JAMAICA

CARIBBEAN CREAM LIMITED
ADDENDUM TO PROSPECTUS ISSUED 16 April 2013

This addendum (the "Addendum") is issued further to the prospectus of the Company dated 16 April 2013 (the "Prospectus").

The Addendum contains audited financial information for the year ended 29 February 2012, and is intended to clarify and supplement the audited Financial Information set out on page 65 of the Prospectus, as follows:

1. Audited Accounting Policies and Procedures for the year ended 29 February 2012.

Liquidity risk – Current and non-current years incorrectly stated as 2011 and 2010 now corrected to reflect 2012 and 2011. All such adjustments to the audited financial Information presented in the Prospectus are highlighted for ease of reference.

CARIBBEAN CREAM LIMITED

Year ended 29 February 2012

Accounting policies (Cont'd)**v) Liquidity risk**

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At present the company's current liabilities exceed its current assets.

	Current		Non-current	Total
	2012	2012	2012	
	1-12 months	1 - 5 years	5 years and over	
	\$	\$	\$	\$
Long-term loan	6,960,100	21,817,099	22,824,121	51,601,320
Trade and other payables	29,144,745	-	-	29,144,745
	<u>36,104,845</u>	<u>21,817,099</u>	<u>22,824,121</u>	<u>80,746,065</u>

	Current		Non-current	Total
	2011	2011	2011	
	1-12 months	1 - 5 years	5 years and over	
	\$	\$	\$	\$
Long-term loan	3,981,699	13,745,180	25,073,131	42,800,010
Director's current account	1,329,038	-	-	1,329,038
Trade and other payables	32,014,394	-	-	32,014,394
	<u>37,325,131</u>	<u>13,745,180</u>	<u>25,073,131</u>	<u>76,143,442</u>

CARIBBEAN CREAM LIMITED
ADDENDUM TO PROSPECTUS DATED APRIL 16th 2013

Section 11 Auditor's Report and Historical Financial Information

In relation to Note 13 of the Company's Audited Financial Statements for the year ended February 29, 2012:

During the year ended February 28 2009 the lone shareholder injected additional capital from his personal resources to purchase raw materials for the manufacture of ice cream and also certain items of fixed assets. This was done to shore up the capital base of the company as it was at the time considered to be undercapitalized. The shareholder did not see it prudent at the time to issue any more shares for his equity contribution because he was at the time the sole shareholder and there was no longer a requirement under the Companies acts to have more than one issued share. The shareholder did not want the amount to be a debt repayable to him by the entity as the intention was to increase the capital base.

In relation to Note 15 of the Company's Audited Financial Statements for the year ended February 29, 2012:

Early in 2012 Scoops Un-limited Limited sold to Caribbean Cream Limited, certain items of equipment and the property located at 3 South Road which was then being leased by Caribbean Cream Limited. Mix-making equipment was included in the items of equipment acquired by Caribbean Cream Limited. Prior to this acquisition Scoops Un-limited Limited, owned the mix-making equipment and sold ice cream mix to Caribbean Cream for use in its operations.

After the mix-making equipment was sold to Caribbean Cream Limited, that Company began manufacturing mix for sale. Scoops Un-Limited Limited is one of Caribbean Cream Limited customers purchasing mix product on commercial terms.



Carol Clarke Webster
Director



Christopher Clarke
Director

CARIBBEAN CREAM LIMITED

ADDENDUM TO PROSPECTUS DATED APRIL 16th , 2013

This addendum (the "Addendum") is issued further to the Prospectus of the Company dated April 16th , 2013 (the "Prospectus").

The Addendum contains unaudited financial information for the nine months ended 30 November 2012 and is intended to clarify and supplement the unaudited financial information set out in Section 11 of the Prospectus as follows:

1. The unaudited Statement of Cash Flows for the nine month period ended November 30, 2012 omitted comparative information for the nine month period ended November 30, 2011.
2. The unaudited Statement of Cash Flows for the nine month period ended November 30, 2012 did not contain comparative financial data for the corresponding nine month period ended November 30 2011.
3. The unaudited Statement of Changes in Equity omitted the comparative data for the corresponding period ended November 30, 2011.
4. Notes 4 to note 11 of the unaudited financial statements for the nine months ended November 30, 2012 excluded the data for the comparative period ended November 30, 2011

The information provided herein is supplementary to the Unaudited financial statements included in the Prospectus and has been included at the request of the Jamaica Stock Exchange

C. Clarke
DIRECTOR

Cawthra Webster
DIRECTOR

CARIBBEAN CREAM LIMITED

UNAUDITED STATEMENT OF CASH FLOWS

Nine months ended November 30, 2012

	<u>November</u> <u>2012</u>	<u>November</u> <u>2011</u>	<u>Yr. to Feb</u> <u>2012</u>
	\$	\$	\$
Cash Flows From Operating Activities:-			
Net income	40,769,518	13,211,928	31,193,022
Adjust for non-cash items-			
Surplus on revaluation	(21,017,133)	-	-
Depreciation	10,257,254	9,064,598	12,086,131
	<u>30,009,639</u>	<u>22,276,526</u>	<u>43,279,153</u>
Changes In Working Capital:-			
Inventories	(48,754,774)	(10,248,231)	(7,440,820)
Trade and other receivables	(6,565,044)	(9,789,796)	(6,745,794)
Trade payable	53,689,650	14,216,772	(5,009,810)
Related company	-	-	2,140,161
Due from director	-	(1,329,038)	(1,329,038)
Taxation paid	(2,120,405)	(1,559,876)	(759,942)
	<u>(3,750,573)</u>	<u>(8,710,169)</u>	<u>(19,145,243)</u>
Net Cash Provided By Operations	<u>26,259,066</u>	<u>13,566,358</u>	<u>24,133,910</u>
Cash Flows From Financing Activities:-			
Issue of shares	34,000,000	-	-
Bank loans	42,500,000	-	12,783,009
	<u>76,500,000</u>	<u>-</u>	<u>12,783,009</u>
Cash Flows From Investing Activities:			
Repay loans	(6,265,381)	(3,078,261)	(3,981,699)
Acquisition of fixed assets	(100,545,425)	(24,921,704)	(34,923,979)
	<u>(106,810,806)</u>	<u>(27,999,565)</u>	<u>(38,905,678)</u>
Movement in cash and equivalent	<u>(4,051,740)</u>	<u>(14,433,608)</u>	<u>(1,988,759)</u>
Cash and equivalent at beginning	<u>(335,891)</u>	<u>1,652,868</u>	<u>1,652,868</u>
Cash and cash equivalent at end	<u>(4,387,631)</u>	<u>(12,780,740)</u>	<u>(335,891)</u>

CARIBBEAN CREAM LIMITED

UNAUDITED STATEMENT OF CHANGES IN EQUITY

November 30, 2012

	Ordinary Shares	Accumulated Profits/(Deficit)	Revaluation Reserves	Total
	\$	\$		\$
At March 01, 2010	8,275,013	6,667,954	-	14,942,967
Changes during the year	-	7,170,242	8,906,051	16,076,292
Income tax		(714,377)	-	(714,377)
Deferred tax		(12,319,098)	-	(12,319,098)
At February 28, 2011	8,275,013	804,720	8,906,051	17,985,784
Changes during the period	-	13,211,928	-	13,211,928
Income tax		(927,691)	-	(927,691)
Deferred tax		-	-	-
At 30 November 2011	8,275,013	13,088,957	8,906,051	30,270,021
Changes during the period	-	20,932,799	(2,968,684)	17,964,115
Income tax		(8,978,142)	-	(8,978,142)
Deferred tax		7,122,761	-	7,122,761
At 29 February 2012	8,275,013	32,166,375	5,937,367	46,378,755
Changes during the year	34,000,000	40,769,518	-	74,769,518
Income tax	-	-	-	-
Deferred tax	-	(17,098,995)	-	(17,098,995)
At 30 November 2012	42,275,013	55,836,898	5,937,367	104,049,278

CARIBBEAN CREAM LIMITED

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

November 30, 2012

4. Taxation:

Taxation credited/(expensed) in the profit and loss account comprises current and deferred tax charges.

Current tax charges are based on taxable profits for the year, which differ from the profit reported because it makes allowances for items that are taxable or deductible in other years and items that are never taxable or deductible. The company's liability for current tax is calculated at tax rates that are in force at the balance sheet date. Deferred tax is the tax expected to be paid or recovered on differences between carrying amounts of assets and liabilities and the corresponding tax bases. Deferred tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred tax.

Deferred tax is charged or credited in the profit and loss account except where it relates to items dealt with in equity, in which case it is dealt with in equity.

Taxation charge for the year represents:

	<u>November</u> <u>2012</u>	<u>November</u> <u>2011</u>	<u>Yr. to Feb</u> <u>2012</u>
	\$	\$	\$
Current tax	-	927,691	9,922,812
Deferred tax	17,098,995	-	(10,091,455)
	<u>17,098,995</u>	<u>927,691</u>	<u>(168,633)</u>

The tax on the company's income differs from the theoretical tax that would arise using the tax rate as follows:

	<u>November</u> <u>2012</u>	<u>November</u> <u>2011</u>	<u>Yr. to Feb</u> <u>2012</u>
	\$	\$	\$
Net income	<u>40,769,518</u>	<u>13,211,928</u>	<u>31,193,022</u>
Income tax at 33⅓%	13,589,839	4,403,976	10,397,674
Tax effect of non-deductible items	14,250	4,691	18,646

Effect of accelerated capital allowances	3,494,906	(3,480,976)	(10,584,953)
	<u>17,098,995</u>	<u>927,691</u>	<u>(168,633)</u>

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CARIBBEAN CREAM LIMITED

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

November 30, 2012

5. Property, Plant and Equipment:

	Leasehold Improvement	Land and buildings	Machinery and Equipment	Computer System	Motor Vehicle	Security System	Total
	\$		\$	\$	\$	\$	\$
At cost or valuation -							
At 1 March 2012	21,132,227	63,601,009	40,689,451	4,006,641	13,190,943	851,623	143,471,894
Disposal	(21,132,227)	(456,682)					(21,588,909)
Additions	6,710,173	40,456,682	79,457,312	158,089	900,000	164,041	127,846,297
At 30, November 2012	<u>6,710,173</u>	<u>103,601,009</u>	<u>120,146,763</u>	<u>4,164,730</u>	<u>14,090,943</u>	<u>1,015,664</u>	<u>249,729,282</u>
Accumulated depreciation							
At 1 March 2012	3,934,554	6,330,050	8,947,811	2,530,180	3,131,572	369,083	25,243,250
Disposal	(3,934,554)	(2422,805)	(8,947,811)				(15,305,167)
Additions	327,050	4,974,510	2,930,443	724,731	1,236,651	63,870	10,257,255
At 30 November 2012	<u>327,050</u>	<u>8,881,755</u>	<u>2,930,443</u>	<u>3,254,911</u>	<u>4,368,223</u>	<u>432,953</u>	<u>20,195,335</u>
NET BOOK VALUE -							
At 30 November 2012	<u>6,383,123</u>	<u>94,719,254</u>	<u>117,216,320</u>	<u>909,819</u>	<u>9,722,720</u>	<u>582,711</u>	<u>229,533,947</u>
At 30 November 2011	<u>18,782,590</u>	<u>59,041,035</u>	<u>20,052,216</u>	<u>1,776,959</u>	<u>11,048,692</u>	<u>546,412</u>	<u>111,247,903</u>
At 29 February 2012	<u>17,197,673</u>	<u>57,270,959</u>	<u>31,741,640</u>	<u>1,476,461</u>	<u>10,059,371</u>	<u>482,540</u>	<u>118,228,644</u>

During the period the company acquired the factory building located at #3 South Road. This building had a market value of 40 million dollars. Simultaneously the amount of improvement previously done to the building whilst it was a leasehold and which was capitalized was written off against revaluation reserves. During the said period to November 30, 2012 the machinery and equipment were revalued by Delano Reid & Associates Ltd. The surplus arising from the revaluation was credited to other comprehensive income.

6. Cash and cash equivalent

	<u>November</u> <u>2012</u> \$	<u>November</u> <u>2011</u> \$	<u>Yr. to Feb</u> <u>2012</u> \$
Local currency chequing account	(6,401,771)	(15,268,876)	(11,634,758)
Local currency savings account	1,798,588	2,348,938	11,003,223
Foreign currency savings account	99,200	-	173,900

Cash in hand

116,352	139,198	121,744
<u>(4,387,631)</u>	<u>(12,780,740)</u>	<u>(335,891)</u>

CARIBBEAN CREAM LIMITED**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS****November 30, 2012****7. Inventory**

	<u>November</u> <u>2012</u> <u>\$</u>	<u>November</u> <u>2011</u> <u>\$</u>	<u>Yr. to Feb</u> <u>2012</u> <u>\$</u>
Raw material	32,235,866	14,788,359	3,942,066
Finished goods	29,810,126	1,310,270	9,349,152
	<u>62,045,992</u>	<u>16,098,629</u>	<u>13,291,218</u>

8. Trade and other receivables

	<u>November</u> <u>2012</u> <u>\$</u>	<u>November</u> <u>2011</u> <u>\$</u>	<u>Yr. to Feb</u> <u>2012</u> <u>\$</u>
Trade receivables	13,680,904	8,813,583	10,403,988
Less provision for doubtful debts	-	-	(50,983)
	<u>13,680,904</u>	<u>8,813,583</u>	<u>10,353,050</u>
Deposits and prepayments	5,103,978	2,466,596	1,612,095
Sundry	80,500	4,064,161	335,193
	<u>18,865,382</u>	<u>15,344,340</u>	<u>12,300,338</u>
	<u>5,103,978</u>	<u>2,466,596</u>	<u>1,612,095</u>

8A. Deposits and prepayments

	<u>November</u> <u>2012</u> <u>\$</u>	<u>November</u> <u>2011</u> <u>\$</u>	<u>Yr. to Feb</u> <u>2012</u> <u>\$</u>
Prepaid insurance	3,803,698	1,788,582	992,495
Rental deposit #5 South Road	680,680	-	-
Rental deposit – Mo Bay depot	129,600	438,014	129,600
Petrol deposit- Manufacturers Credit	400,000	150,000	400,000
Rental deposit Savannah retail outlet	90,000	90,000	90,000
	<u>5,103,978</u>	<u>2,466,596</u>	<u>1,612,095</u>

9. Trade and other payable

	<u>November</u> <u>2012</u> <u>\$</u>	<u>November</u> <u>2011</u> <u>\$</u>	<u>Yr. to Feb</u> <u>2012</u> <u>\$</u>
Trade payable	42,815,718	38,789,243	14,677,361
Other deductions and accruals	7,998,391	5,873,618	7,335,821
Related company	32,020,286	1,568,304	7,111,563
	<u>82,834,395</u>	<u>46,231,165</u>	<u>29,144,745</u>

CARIBBEAN CREAM LIMITED**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS****November 30, 2012****10. Bank Loans:**

	<u>November</u> <u>2012</u> <u>\$</u>	<u>November</u> <u>2011</u> <u>\$</u>	<u>Yr. to Feb</u> <u>2012</u> <u>\$</u>
Equipment Loan - #1	2,000,000	3,200,000	2,900,000
Equipment loan – #2	9,123,600	-	9,992,008
Motor Vehicle Loan – Toyota pickup	721,774	1,332,504	1,165,942
Motor Vehicle Loan - Hyundai truck	1,411,652	2,181,644	1,989,146
Motor Vehicle Loan - Freightliner truck	1,871,000	-	2,791,000
Equipment loan – #3	16,800,000	-	-
Mortgage loan – South Road.	24,269,689	-	-
Mortgage loan – Suthermere Road.	31,638,224	33,007,601	32,763,224
	<u>87,835,939</u>	<u>39,721,749</u>	<u>51,601,320</u>
Less current portion	(8,352,120)	(3,950,099)	(3,981,699)
	<u>79,483,819</u>	<u>35,771,650</u>	<u>47,619,621</u>

The motor vehicle loans are for periods of five years each and are secured by bills of sale over a 2008 Hyundai Truck, a 2005 Freightliner truck and a 2009 Toyota Vigo pickup. The other loans are secured by a charge over certain items of equipment and a fixed and floating charge over all the other assets. The mortgage loans are secured by a first legal mortgage over commercial properties located at 2A and 2D Suthermere Road and 3 South Road in Kingston. The mortgages are for fifteen years and bear variable rates of interest. All other loans are for five years and bear variable interest rates as shown below:-

	<u>November</u> <u>2012</u> <u>%</u>	<u>November</u> <u>2011</u> <u>%</u>	<u>Yr. to Feb</u> <u>2012</u> <u>%</u>
Equipment Loan - #1	9.95%	9.95%	9.95%
Equipment loan – #2	8.95%	-	8.95%
Motor Vehicle Loan – Toyota pickup	14.75%	14.75%	14.75%
Motor Vehicle Loan - Hyundai truck	14.75%	14.75%	14.75%
Motor Vehicle Loan - Freightliner truck	8.95%	-	8.95%
Equipment loan – #3	10.00%	-	-
Mortgage loan – South Road.	13.00%	-	-
Mortgage loan – Suthermere Road.	15.75%	15.75%	15.75%

11. Share Capital

	<u>November</u> <u>2012</u>	<u>November</u> <u>2011</u>	<u>Yr. to Feb</u> <u>2012</u>
The authorized number of ordinary shares is	5,001,000,000	1,000,000	1,000,000
Number of shares issued and fully paid	<u>13,791,688</u>	<u>1</u>	<u>1</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Value of shares issued	<u>42,275,013</u>	<u>8,275,013</u>	<u>8,275,013</u>

During the period the company increased its authorized capital to \$51,000,000 by the creation of 5,000,000,000 shares ranking pari passu with the existing ordinary shares held in the capital of the company.

