

**CARIBBEAN CREAM LIMITED**  
**UN-AUDITED FINANCIAL STATEMENTS**  
**May 31, 2013**

**CARIBBEAN CREAM LIMITED**

**DIRECTORS' REPORT**

We are pleased to present the unaudited Interim Financial Report for the three months ended May 31, 2013.

The results for 1<sup>st</sup> quarter ended May 2013 show overall sales revenue increased by 48% year over year while profits increased by 23% from \$7.9 million to \$9.7 million for the same period.

These positive results were achieved despite significant rises in raw material prices as for our main ingredients, milk, sugar, corn syrup and palm oil, all being paid for at higher than planned exchange rates. The company absorbed some of these costs reducing the impact on customers and consumers.

The final design for the new cold room has been completed and the equipment has been ordered. We expect to have it installed for the Christmas season, which is our busiest time of the year. The new cold room will enable increased capacity, while decreasing our energy costs per unit of Ice Cream produced. This has the added advantage of increasing the quality of our product by shortening the freezing time.

C. Clarke-----Director

Carl Clarke White-----Director

**CARIBBEAN CREAM LIMITED**  
**FINANCIAL STATEMENTS**  
**May 31, 2013**

**INDEX**

	<b><u>PAGE</u></b>
Profit and Loss Account	1
Balance Sheet	2
Statement of changes in financial position	3
Statement of changes in equity	4
Notes to the financial statements	5-10
Detailed production costs	11
Detailed operating expenses	12

**CARIBBEAN CREAM LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**Three months ended May 31, 2013**

	<u>Note</u>	<u>Un-audited</u> <u>May 2013</u>	<u>Un-audited</u> <u>May 2012</u>	<u>Audited Feb</u> <u>2013</u>
		\$	\$	\$
TURNOVER	3	210,635,697	141,406,664	675,707,956
DIRECT EXPENSES		<u>(167,707,236)</u>	<u>(106,077,138)</u>	<u>(545,624,516)</u>
GROSS PROFIT		42,928,461	35,329,526	130,083,440
OTHER INCOME		222,405	895,445	3,507,418
ADMINISTRATIVE AND OTHER EXPENSES				
Administration and general		(24,378,076)	(21,316,398)	(75,867,818)
Selling and distribution		(5,446,257)	(4,457,777)	(23,305,623)
Finance and policy		(3,636,264)	(2,605,800)	(13,157,420)
		<u>(33,460,597)</u>	<u>(28,379,975)</u>	<u>(112,330,861)</u>
PROFIT FOR THE PERIOD		9,690,269	7,844,996	21,259,997
TAXATION	4	<u>2,012,345</u>	<u>(2,446,228)</u>	<u>(6,796,995)</u>
NET PROFIT AFTER TAXATION		<u>11,702,614</u>	<u>5,398,768</u>	<u>14,463,002</u>
Earnings per share		<u>\$0.03</u>	<u>5,398,768□</u>	<u>\$0.09</u>

□ At May 31, 2012 the company had only one share in issue. Accordingly the EPS for that period would appear very high. If a notional number of shares equivalent to that as at May 2013 was used in the calculation the EPS would have been \$0.014.

The accompanying notes form an integral part of these financial statements

**CARIBBEAN CREAM LIMITED**  
**STATEMENT OF FINANCIAL POSITION**

**May 31, 2013**

	<u>Note</u>	<u>Un-audited</u> <u>May 2013</u> \$	<u>Un-audited</u> <u>May 2012</u> \$	<u>Audited Feb.</u> <u>2013</u> \$
<b><u>ASSETS:</u></b>				
Property, plant and equipment	5	222,774,505	123,490,929	224,218,933
Current Assets				
Inventories	7	43,492,141	11,341,238	67,648,918
Trade and other receivables	8	22,544,279	18,817,893	22,446,767
Cash and bank	6	65,176,089	11,500,298	12,341,810
		131,212,509	41,659,429	102,437,495
		353,987,014	165,150,358	326,656,428
<b><u>EQUITY AND LIABILITIES</u></b>				
Current Liabilities				
Trade payable	9	64,325,055	38,828,617	100,462,426
Directors' current account		-	-	3,128,197
Current portion borrowings and overdraft		8,352,120	10,235,816	11,595,371
Taxation	4	2,984,621	10,065,284	11,159,651
		75,661,796	59,129,717	126,345,645
Non-current liabilities -				
Bank loans	10	73,183,772	46,132,186	73,995,883
Deferred taxation	4	7,895,086	8,110,931	9,907,431
		81,078,858	54,243,117	83,903,314
Equity				
Revenue and other reserves		85,835,070	43,502,511	74,132,456
Share Capital	11	111,411,290	8,275,013	42,275,013
		197,246,360	51,777,524	116,407,469
		353,987,014	165,150,358	326,656,428

On behalf of the board:

C. Clarke-----Director

Carole Le Wehde-----Director

The accompanying notes form an integral part of these financial statements



**CARIBBEAN CREAM LIMITED****STATEMENT OF CHANGES IN FINANCIAL POSITION****Three months ended May 31, 2013**

	<u>Un-audited</u> <u>May 2013</u>	<u>Un-audited</u> <u>May 2012</u>	<u>Audited Feb</u> <u>2013</u>
	\$	\$	
Cash Flows From Operating Activities:-			
Net income	9,690,269	7,828,017	21,259,997
Adjust for non-cash items-			
Loss on sale of fixed assets	937,125	-	-
Depreciation	4,553,268	3,021,533	22,672,839
	<u>15,180,662</u>	<u>10,849,550</u>	<u>43,932,836</u>
Changes In Working Capital:-			
Inventories	24,156,776	1,949,980	(54,357,700)
Trade and other receivables	(97,512)	(6,517,555)	(10,146,429)
Trade payable	(36,137,371)	9,683,870	71,317,681
Directors' current account	(3,128,197)	-	3,128,197
Taxation paid	(8,175,030)	(612,522)	(2,089,402)
	<u>(23,381,334)</u>	<u>4,503,773</u>	<u>7,852,347</u>
Net Cash Provided By Operations	<u>(8,200,672)</u>	<u>15,353,323</u>	<u>51,785,183</u>
Cash Flows From Financing Activities:-			
Issue of shares	69,136,277	-	34,000,000
Long term borrowings	-	-	42,500,000
Proceeds from sale of fixed assets	800,000	-	-
	<u>69,936,277</u>	<u>-</u>	<u>76,500,000</u>
Cash Flows From Investing Activities:			
Repay loans	(2,430,752)	(1,425,564)	(10,134,676)
Acquisition of fixed assets	(4,845,965)	(8,283,816)	(107,097,416)
	<u>(7,276,717)</u>	<u>(9,709,380)</u>	<u>(117,232,092)</u>
Movement in cash and equivalent	54,458,888	5,643,943	11,053,091
Cash And Equivalent at Beginning	<u>10,717,200</u>	<u>(335,891)</u>	<u>(335,891)</u>
Cash and cash equivalent at end	<u>65,176,089</u>	<u>5,308,052</u>	<u>10,717,200</u>
Represented by:			
Bank overdraft	-	(6,192,246)	(1,624,610)
Cash at bank and in hand	65,176,089	11,500,298	12,341,810
	<u>65,179,089</u>	<u>5,308,052</u>	<u>10,717,200</u>

**CARIBBEAN CREAM LIMITED****STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY****May 31, 2013**

	<b>Ordinary Shares</b>	<b>Retained earnings</b>	<b>Revaluation Reserves</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
At March 01, 2011	8,275,013	804,720	8,906,051	17,985,784
Changes during the year	-	31,193,022	(2,968,684)	28,224,338
Income tax		(9,922,812)	-	(9,922,812)
Deferred tax		10,091,445	-	10,091,445
At February 29, 2012	8,275,013	32,166,375	5,937,367	46,378,756
Changes during the period	-	7,844,996	-	7,844,996
Income tax	-	(782,671)	-	(782,671)
Deferred tax	-	(1,663,557)	-	(1,663,557)
At May 31, 2012	8,275,013	37,565,143	5,937,367	51,777,524
Changes during the period	34,000,000	13,431,980	38,763,385	86,195,365
Income tax		(2,554,267)	-	(2,554,267)
Deferred tax		(1,813,479)	-	(1,813,479)
Leasehold improvement written off		(17,197,673)		(17,197,673)
At 29 February 2013	42,275,013	29,431,704	44,700,752	116,407,469
Changes during the year	69,136,277	9,690,269	-	78,826,546
Deferred tax	-	2,012,345	-	2,012,345
At May 31, 2013	111,411,290	41,134,318	44,700,752	197,246,360

**CARIBBEAN CREAM LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**May 31, 2013**

**1. Identification:**

The company was incorporated and commenced trading in August 2006. Its main business is the manufacture and sale of ice cream under the “Kremi” brand. It also imports and distributes certain types of frozen novelties.

**2. Significant Accounting Policies:**

**a) Basis of Preparation**

The Financial Statements are prepared in accordance, and comply with International Financial Reporting Standards (IFRS) and have been prepared under the historical cost convention. The figures are stated in Jamaican dollars unless otherwise mentioned.

**Standards, interpretations and amendments to published standards not yet effective**

At the time of completion of these financial statements there were new standards, amendments and interpretations issued but not effective for the financial year beginning March 1, 2013 and not early adopted.

- IFRS 9, ‘Financial instruments’, effective for annual periods beginning on or after January 1, 2015, specifies how an entity should classify and measure financial assets and liabilities, including some hybrid contracts. The standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged. The standard applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. The standard is not expected to have a significant impact on the Company’s financial position or performance, as it is expected that the company will continue to classify its financial assets and its financial liabilities (both long and short) as being at fair value through profit or loss.
- Amendments to IFRS 10 and IFRS 12 for investment entities, effective for periods beginning on or after January 1, 2014, will result in many investment Company’s and similar entities being exempt from consolidating most of their subsidiaries. Instead, such entities will measure their ‘subsidiaries’ at fair value through profit or loss. The amendments give an exception to entities that meet an ‘investment entity’ definition and which display particular characteristics. Changes have also been made to IFRS 12 to introduce disclosures that an investment entity needs to make. The new standard is not expected to have any impact on the Company’s current consolidation conclusion.



**CARIBBEAN CREAM LIMITED****NOTES TO THE FINANCIAL STATEMENTS****May 31, 2013****b) Property, Plant and Equipment**

Property, plant and equipment are reviewed periodically for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is immediately written down to its carrying amount. Gains or losses on disposals are computed by comparing the proceeds with the carrying amount and are shown in the operating results.

## Depreciation –

Fixed Assets are depreciated on the straight line method at rates expected to write off the assets over their useful lives. The rates used are as under:-

Machinery and Equipment	10%
Furniture and Fixtures	10%
Computer	25%
Leasehold Improvement	10%
Motor vehicles	12½%

**c) Use of Estimates**

The preparation of Financial Statements in conformity with international financial reporting principles requires management to make reasonable estimates and assumption that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of the revenue and expenses during the reporting period. Actual results could differ from those estimates.

**d) Impairment of Non-Current Assets**

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized for the amount by which the carrying value exceeds the recoverable amount, which is the higher of the asset's net selling price and value in use.

**e) Foreign Currency**

Transactions in foreign currencies are translated at the rates of exchange prevailing at the date of transactions. Balances in foreign currencies are converted at the approximate exchange rates prevailing at Balance Sheet date. Gains or losses in exchange are reflected in the Profit and Loss Account.

**f) Cash and Cash Equivalents**

For the purpose of the statement of cash flows, cash and cash equivalent include cash on deposit, at bank and in hand and is shown net of bank overdrafts.

CARIBBEAN CREAM LIMITEDNOTES TO THE FINANCIAL STATEMENTSMay 31, 2013**g) Fair Values of Financial Instruments**

The amounts included in the Financial Statements for cash and bank balances (inclusive of bank overdraft), receivables and payables reflect their approximate fair values because of the short-term maturity of those instruments.

**h) Financial Risks**

The company's activities expose it to a variety of financial risks, including the effects of changes in debt market prices, foreign currency exchange rates and interest rates. Management seeks to minimize potential adverse effects on the financial performance of the company by applying procedures to identify, evaluate and manage these risks, based on guidelines set by the board of directors

**3. Turnover:**

Turnover represents the invoiced value of goods and services.

**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>Un-audited</u> <u>May 2013</u>	<u>Un-audited</u> <u>May 2012</u>	<u>Audited Feb.</u> <u>2013</u>
	\$	\$	\$
Current tax	-	782,671	3,336,938
Deferred tax	(2,012,345)	1,663,557	3,460,057
	<u>(2,012,345)</u>	<u>2,446,228</u>	<u>6,796,995</u>

**CARIBBEAN CREAM LIMITED****NOTES TO THE FINANCIAL STATEMENTS****May 31, 2013**

The company did not make a provision for income tax because having listed on the Junior Stock Exchange it intends to utilize the provisions under the Acts whereby it will be taxed at zero rate for the first five years after listing.

**5. Property, Plant and Equipment:**

	Leasehold Improvement	Freehold buildings	Machinery and Equipment	Computer System	Motor Vehicle	Security System	Total
	\$		\$	\$	\$	\$	\$
At cost or valuation -							
At 28 Feb 2013	6,565,601	109,053,554	122,461,361	5,453,737	16,340,943	1,287,204	261,162,400
Disposal			(1,950,000)				(1,950,000)
Additions/revaluations			4,845,965				4,845,965
At 31 May 2013	6,565,601	109,053,554	125,357,326	5,453,737	16,340,943	1,287,204	264,058,365
Depreciation-							
At 28 Feb 2013	656,560	12,839,339	14,155,879	3,651,241	5,174,191	466,257	36,943,467
Disposal			(212,875)				(212,875)
Additions	151,929	1,295,013	2,422,404	250,415	412,217	21,290	4,553,268
At 31 May 2013	808,489	14,134,352	6,365,408	3,901,656	5,586,408	487,547	41,283,860
NET BOOK VALUE -							
At 31 May 2013	5,757,112	94,919,202	108,991,918	1,552,081	10,754,535	799,657	222,774,505
At 31 May 2012	16,672,311	56,475,946	38,108,220	1,226,046	10,547,154	461,250	123,490,927



**CARIBBEAN CREAM LIMITED****NOTES TO THE FINANCIAL STATEMENTS****May 31, 2013****6. Bank and cash**

	<u>Un-audited</u> <u>May 2013</u>	<u>Un-audited</u> <u>May 2012</u>	<u>Audited Feb.</u> <u>2013</u>
	\$	\$	\$
Local currency chequing account	374,967	(6,192,246)	-
Local currency savings account	62,108,347	2,797,726	2,969,745
Foreign currency savings account	1,617,268	8,355,992	8,477,622
Cash in hand	1,075,507	346,580	894,443
	<u>65,176,089</u>	<u>5,308,052</u>	<u>12,341,810</u>

**7. Inventory**

	<u>Un-audited</u> <u>May 2013</u>	<u>Un-audited</u> <u>May 2012</u>	<u>Audited</u> <u>Feb. 2013</u>
	\$	\$	\$
Raw material	24,017,132	3,942,817	28,959,137
Goods in transit	4,010,250	-	22,000,106
Finished goods	15,464,759	7,398,421	28,959,137
	<u>43,492,141</u>	<u>11,341,238</u>	<u>67,648,918</u>

**8. Trade and other receivables**

	<u>Un-audited</u> <u>May 2013</u>	<u>Un-audited</u> <u>May 2012</u>	<u>Audited</u> <u>Feb. 2013</u>
	\$	\$	
Trade receivables	18,506,998	12,848,168	18,294,259
Less provision for doubtful debts	-	(50,983)	-
	<u>18,506,998</u>	<u>12,797,185</u>	<u>18,294,259</u>
Deposits and prepayments	2,962,837	5,989,708	3,989,375
Sundry	1,074,445	31,000	163,132
	<u>22,544,279</u>	<u>18,817,893</u>	<u>22,446,767</u>

**9. Trade and other payable**

	<u>Un-audited</u> <u>May 2013</u>	<u>Un-audited</u> <u>May 2012</u>	<u>Audited</u> <u>Feb. 2013</u>
	\$	\$	
Trade payable	33,589,882	18,198,478	57,009,468
Other deductions and accruals	17,875,809	8,755,492	16,573,547
Related company	12,859,364	11,874,647	26,879,411
	<u>64,325,055</u>	<u>38,828,617</u>	<u>100,462,426</u>



**CARIBBEAN CREAM LIMITED****NOTES TO THE FINANCIAL STATEMENTS****May 31, 2013****10. Bank Loans:**

	<b><u>Un-audited</u></b> <b><u>May 2013</u></b>	<b><u>Un-audited</u></b> <b><u>May 2012</u></b>	<b><u>Audited</u></b> <b><u>Feb. 2013</u></b>
	\$	\$	\$
Equipment Loan - #1	1,400,000	2,600,000	1,700,000
Equipment loan – #2	7,806,040	9,784,984	9,235,924
Motor Vehicle Loan – Toyota pickup	377,379	1,054,900	488,421
Motor Vehicle Loan - Hyundai truck	1,090,822	1,796,648	1,311,652
Motor Vehicle Loan - Freightliner truck	2,071,000	2,551,000	1,283,320
Equipment loan #3	14,834,633	-	15,734,633
Mortgage loan – South Road	23,620,193	-	23,879,689
Mortgage loan – Suthermere Road	30,335,826	32,388,224	30,333,005
	<u>81,535,892</u>	<u>50,175,756</u>	<u>83,966,644</u>
Less current portion	<u>(8,352,120)</u>	<u>(4,043,570)</u>	<u>(9,970,761)</u>
	<u>73,183,772</u>	<u>46,132,186</u>	<u>73,995,883</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 Hilux 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 in Kingston and also at #3 South Road also 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.

**11. Share Capital**

	<b><u>Un-audited</u></b> <b><u>May 2013</u></b>	<b><u>Un-audited</u></b> <b><u>May 2012</u></b>	<b><u>Audited Feb.</u></b> <b><u>2013</u></b>
The authorized number of ordinary shares is	5,001,000,000	1,000,000	5,001,000,000
Number of shares issued and fully paid	<u>377,854,492</u>	<u>1</u>	<u>302,854,492</u>
	\$	\$	
Value of shares issued	<u>111,411,290</u>	<u>8,275,013</u>	<u>42,275,013</u>

**CARIBBEAN CREAM LIMITED**  
**DETAILED PRODUCTION COST**  
**Three months ended May 31, 2013**

	<u>Un-audited</u> <u>May 2013</u>	<u>Un-audited</u> <u>May 2012</u>	<u>Audited year</u> <u>ended Feb. 28,</u> <u>2013</u>
	\$	\$	\$
<b>COST OF SALES:</b>			
Opening Stock of raw materials	28,933,273	3,942,066	3,942,066
Purchases of raw materials	125,421,880	81,009,900	439,905,664
Less closing stock of raw materials	(24,017,132)	(3,942,817)	(28,933,273)
	<u>130,338,021</u>	<u>81,009,149</u>	<u>414,914,457</u>
<b>Direct Costs -</b>			
Direct labour	11,418,110	6,772,040	44,819,571
Packaging	724,802	1,530,398	3,385,904
Electricity	14,936,786	8,011,995	42,809,229
Water	1,200,925	582,256	3,805,031
Machinery depreciation	3,948,278	1,812,249	19,145,943
Factory rental	1,021,020	1,977,518	5,680,588
Cold Storage	820,210	645,784	6,772,346
Machinery and equipment repairs	2,074,168	1,785,018	11,631,970
	<u>36,144,299</u>	<u>23,117,258</u>	<u>138,050,582</u>
<b>Production Cost</b>	166,482,320	104,126,407	552,965,039
Opening stock of finished goods	16,689,675	9,349,152	9,349,152
Closing stock of finished goods	(15,464,759)	(7,398,421)	(16,689,675)
	<u>167,707,236</u>	<u>106,077,138</u>	<u>545,624,516</u>

**CARIBBEAN CREAM LIMITED**  
**DETAILED OPERATIONAL EXPENSES**

**Three months ended May 31, 2013**

	<b><u>Un-audited</u></b> <b><u>May 2013</u></b>	<b><u>Un-audited</u></b> <b><u>May 2012</u></b>	<b><u>Audited yr.</u></b> <b><u>ended Feb</u></b> <b><u>28, 2013</u></b>
	\$	\$	\$
<b>ADMINISTRATIVE EXPENSES:</b>			
Salaries and staff costs	7,184,172	8,259,516	27,900,285
Directors fees	2,394,527	1,776,922	6,842,352
Audit and accounting	2,693,818	1,623,720	8,456,980
Printing, postage and stationery	574,158	413,866	1,444,887
Utilities	219,938	1,406,978	738,851
Legal and professional fees	2,513,601	1,445,157	6,385,152
Repairs and maintenance	1,969,794	1,248,012	3,674,140
Rent	569,767	147,258	2,114,787
Security	2,316,189	1,606,200	7,329,113
General office expenses	392,301	409,769	1,024,114
Cleaning & sanitation	993,404	1,027,983	3,178,502
Equipment Rental	112,500	52,870	-
General insurance	1,043,500	445,007	2,802,817
Property tax	402,050	150,219	150,219
Donation & subscription	147,093	93,637	155,838
Depreciation	604,990	1,209,284	3,260,854
Miscellaneous	246,274	-	408,927
	<u>24,378,076</u>	<u>21,316,398</u>	<u>75,867,818</u>
<b>FINANCE AND POLICY</b>			
Finance charges	850,388	444,256	4,129,707
Loan interest	2,785,876	2,161,544	9,027,713
	<u>3,636,264</u>	<u>2,605,800</u>	<u>13,157,420</u>
<b>SELLING AND DISTRIBUTION</b>			
Travel and entertainment	620,603	461,560	1,544,621
Advertising and promotion	384,501	350,740	3,026,966
Licenses and permits	52,250	72,560	130,060
Loss on disposal fixed assets	937,125	-	-
Transportation and delivery	1,383,090	1,101,902	8,790,260
Automobile expenses	2,068,688	2,471,015	9,813,716
	<u>5,446,257</u>	<u>4,457,777</u>	<u>23,305,623</u>