

CARIBBEAN CREAM LIMITED

28 February 2013

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James Allen & Company

Chartered Accountants

12 Kingslyn Avenue, Kingston 10,
Tel: 968-3116, 968-3120 (fax).
Email: jamesallenandcompany@yahoo.com

2013 July 9

CARIBBEAN CREAM LIMITED **KINGSTON**

AUDITORS' REPORT

We have audited the accompanying financial statements of Caribbean Cream Limited set out on pages 1 to 17, which comprise of the statement of financial position as at 28 February 2013, and the statement of comprehensive income and statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements gives a true and fair view of the financial position of the Company as of 28 February 2013, and of the financial performance and cash flows of the Company for the year then ended, so far as concerns the members of the Company, in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Jamaica Companies Act.

Report on Other Legal and Regulatory Requirements.

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 kept, so far as appears from our examination of those records, and the accompanying financial statements are in agreement and give the information required by the Act, in the manner so required.

A handwritten signature in cursive script, appearing to read "James A. M. A.", is written in black ink.

CHARTERED ACCOUNTANTS
KINGSTON, JAMAICA

CARIBBEAN CREAM LIMITED

Statement of Comprehensive Income

Year ended 28 February 2013

	Note	<u>2013</u> \$	<u>2012</u> \$
Sales	3	675,707,956	431,022,556
Cost of sales		<u>(545,624,516)</u>	<u>(321,288,792)</u>
Gross profit		130,083,440	109,733,764
Other income		<u>3,507,418</u>	<u>4,185,397</u>
		<u>133,590,858</u>	<u>113,919,161</u>
Administrative costs	4a	(75,867,818)	(61,903,067)
Distribution costs	4b	<u>(23,305,623)</u>	<u>(11,632,884)</u>
		<u>(99,173,441)</u>	<u>(73,535,951)</u>
Operating profit		34,417,417	40,383,210
Finance costs	5	<u>(13,157,420)</u>	<u>(9,190,188)</u>
Profit before taxation	6	21,259,997	31,193,022
Taxation (charge)/credit	7	<u>(7,319,247)</u>	<u>168,633</u>
Profit after taxation		<u>13,940,750</u>	<u>31,361,655</u>
Other Comprehensive Income:			
Leasehold improvement written off	8	(17,197,673)	-
Revaluation surplus	9a	<u>38,763,385</u>	<u>-</u>
Total Comprehensive Income		<u>35,506,462</u>	<u>31,361,655</u>

The accompanying notes on pages 5 to 17 form an integral part of these financial statements.

CARIBBEAN CREAM LIMITED

Statement of Financial Position

28 February 2013

	Note	<u>2013</u> \$	<u>2012</u> \$
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment	9	224,218,933	118,228,644
<i>Current assets</i>			
Inventories	10	67,648,918	13,291,218
Receivables	11	22,446,767	12,300,338
Cash and cash equivalents	12	12,341,810	173,900
		<u>102,437,495</u>	<u>25,765,456</u>
Total assets		<u>326,656,428</u>	<u>143,994,100</u>
EQUITY AND LIABILITIES			
<i>Equity</i>			
Share capital	13	42,275,013	8,275,013
Revaluation reserve		44,700,752	5,937,367
Retained earnings		28,909,452	32,166,375
Total Equity		<u>115,885,217</u>	<u>46,378,755</u>
<i>Non-current liabilities</i>			
Borrowings	14	73,995,883	44,641,220
Deferred tax liability	15	9,907,431	6,447,374
		<u>83,903,314</u>	<u>51,088,594</u>
<i>Current liabilities</i>			
Payables	16	100,462,426	29,144,745
Directors' current account		3,128,197	-
Current portion of borrowings and overdraft	14	11,595,371	7,469,891
Taxation payable		11,681,903	9,912,115
		<u>126,867,897</u>	<u>46,526,751</u>
Total liabilities		<u>210,771,211</u>	<u>97,615,345</u>
Total equity and liabilities		<u>326,656,428</u>	<u>143,994,100</u>

The financial statements have been approved for issue by the Board of Directors on July 9, 2013 and signed on its behalf by:

Carol Clarke Webster Director

C. Clarke Director

The accompanying notes on pages 5 to 17 form an integral part of these financial statements.

CARIBBEAN CREAM LIMITED

Statement of Changes in Equity

Year ended 28 February 2013

	Share capital	Revaluation reserve	Retained earnings	Total
	\$	\$	\$	\$
Balance as at 28 February 2011	8,275,013	8,906,051	804,720	17,985,784
Deferred taxation		(2,968,684)		(2,968,684)
Net profit	-	-	31,361,655	31,361,655
Balance at 29 February 2012	8,275,013	5,937,367	32,166,375	46,378,755
Issue of shares	34,000,000			34,000,000
Net profit	-	-	13,940,750	13,940,750
Revaluation surplus	-	38,763,385	-	38,763,385
Leasedhold Improvement written off	-	-	(17,197,673)	(17,197,673)
Balance at 29 February 2013	42,275,013	44,700,752	28,909,452	115,885,217

The accompanying notes on pages 5 to 17 form an integral part of these financial statements.

CARIBBEAN CREAM LIMITED

Statement of Cash Flows

Year ended 28 February 2013

	Note	<u>2013</u>	<u>2012</u>
		£	£
Operating activities			
Cash generated from operations	17	44,046,380	33,264,338
Interest paid	5	(13,067,840)	(9,181,609)
Taxation paid		<u>(2,089,402)</u>	<u>(759,942)</u>
Net cash generated from operating activities		<u>28,889,138</u>	<u>23,322,787</u>
Investing activity			
Purchase of property, plant and equipment	9	(107,097,416)	(34,923,979)
Increase in share capital		<u>34,000,000</u>	<u>-</u>
Net cash used in investing activity		<u>(73,097,416)</u>	<u>(34,923,979)</u>
Financing activities			
Repayment of long term borrowings		(10,134,676)	(3,981,699)
Proceeds from long term borrowings		42,500,000	12,783,009
Intercompany balances		19,767,848	2,140,161
Directors' current account		<u>3,128,197</u>	<u>(1,329,038)</u>
Net cash generated from financing activities		<u>55,261,369</u>	<u>9,612,433</u>
Increase/(decrease)in cash and cash equivalents		11,053,091	(1,988,759)
Cash and cash equivalents at the start of year		<u>(335,891)</u>	<u>1,652,868</u>
Cash and cash equivalents at the end of year	12	<u>10,717,200</u>	<u>(335,891)</u>
REPRESENTED BY:			
Bank overdraft	14	(1,624,610)	(509,791)
Cash and cash equivalents		<u>12,341,810</u>	<u>173,900</u>
		<u>10,717,200</u>	<u>(335,891)</u>

The accompanying notes on pages 5 to 17 form an integral part of these financial statements.

CARIBBEAN CREAM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2013

1. Identification

Caribbean Cream Limited ('the Company') is incorporated in Jamaica under the Companies Act and its registered office is located at 3 South Road, Kingston 10. The principal activity of the Company is the sale of ice cream and other novelties.

These financial statements are expressed in Jamaican Dollars, unless otherwise stated, which is also the Company's functional currency.

2. Accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below:

a. Basis of preparation

The financial statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS) and have been prepared under the historical cost convention except for property, plant and equipment which are carried at valuation.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Standards and interpretations adopted with no effect on financial statements

IAS 12 (Revised) 'Income Taxes'. This amendment requires an entity to measure deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment provides a practical solution to recovery through use or through sale when the asset is measured using the fair value model, by introducing a presumption that the recovery of the carrying value amount will normally be through sale. On adoption at its effective date, the standard is not expected to have any impact on the company's financial statements. This is effective for annual periods beginning on or after January 1, 2012.

IFRS 7 (Revised), 'Financial Instrument - Disclosures'. The amendment was intended to simplify the disclosures and provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

CARIBBEAN CREAM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2013

2. Accounting policies (cont'd)

a. Basis of preparation cont'd

Standards and interpretations in issue not yet effective

At the date of authorisation of these financial statements, the following Standards and interpretations were in issue but not effective for the financial period being reported on:

- **IFRS 7 'Financial Instrument - Disclosures'**. The amendments to IFRS 7 requires entity to disclose information about rights to offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The amendments are effective for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods.
- **IFRS 9 'Financial Instruments'**. This standard will become effective 1 January 2015 and introduces new requirements for classifying and measuring financial assets. The standard also requires additional disclosures about investments in equity instruments designated at fair value and their treatment through other comprehensive income.
- **IFRS 13 'Fair Value Measurement'**. This standard establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standard. Management has not yet assessed the impact of this IFRS on the financial statements on adoption at its effective date.
- **IAS 1 (Revised), 'presentation of financial statements'**. This amendment require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. This is effective for annual periods beginning on or after July 1, 2012.

b. Revenue recognition

Sales are recognized upon delivery of products and customer acceptance, if any or performance of services, net of taxes and discounts.

Other income earned by the Company are recognized on the following basis:-

- Interest income - As it accrues unless collectability is in doubt.
- Rental income - As it accrues unless collectability is in doubt.

c. Foreign currency transaction

Foreign currency transactions are accounted for at the exchange rate prevailing at the date of the transactions. At the statement of financial position date, monetary assets and liabilities are translated at year-end exchange rates.

CARIBBEAN CREAM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2013

2. Accounting policies (cont'd)

c. Foreign currency transaction cont'd

Exchange differences resulting from the settlement of transactions at rates different from those at the dates of the transactions, and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognized in the statement of comprehensive income.

Exchange differences on non-monetary financial assets are a component of the change in their fair value. Depending on the classification of a non-monetary financial asset, exchange differences are recognized in the statement of comprehensive income.

d. Property, plant and equipment

All property, plant and equipment are stated at historical cost/revaluation less depreciation.

Land is not depreciated. Depreciation on other assets is provided on the straight line basis at annual rates estimated to write off the cost of the assets over their expected useful lives. A full year's depreciation is charged in the year of purchase and no depreciation charged in the year of disposal.

The annual rates are as follows:

	%
Buildings	5
Leasehold improvement	10
Computer equipment	25
Motor vehicles	12½
Security systems	10
Machinery and equipment	10

Property, plant and equipment are reviewed periodically for impairment; where the carrying amount of an asset is greater than its recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. Repairs and renewals are charged to the statement of comprehensive income when the expenditure is incurred.

e. Inventories

Inventories are stated at the lower of cost and net realizable value; such costs being determined on a first-in first-out (FIFO) basis. Net realizable value is the estimated selling price in the ordinary course of business less applicable selling expenses.

f. Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation and reliable estimates of the amount of the obligation can be made.

g. Financial instrument

Financial Instruments carried on the statement of financial position include cash and bank balances, short-term deposits, receivables, long-term loans, related company balances and payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

CARIBBEAN CREAM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2013

2. Accounting policies (cont'd)

h. Taxation

Taxation on the profit or loss for the year comprises current and deferred tax. Current and deferred taxes are recognized as income tax expense or benefit in the statement of comprehensive income. Where they relate to items recorded in shareholders' equity, they are also charged or credited to shareholders' equity.

(i) Current taxation

Current tax is the expected taxation payable on the taxable income for the year, using tax rates enacted at the statement of financial position date, and any adjustment to tax payable and tax losses in respect of previous years.

(ii) Deferred income taxes

Deferred tax liabilities are recognized for temporary differences between the carrying amounts of assets and liabilities in the financial statements and their amounts as measured for tax purposes, which result in taxable amounts in future periods. Deferred tax is provided on temporary differences, except where the timing of reversal of the temporary difference can be controlled and it is probable that the difference will reverse in the foreseeable future. Deferred tax assets are recognized for temporary differences which will result in deductible amounts in future periods, but only to the extent where it is probable that sufficient taxable profits will be available against which these differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realized or the liability will be settled based on enacted rates.

Current and deferred tax assets and liabilities are offset when they arise from the same taxable entity and relate to the same Tax Authority and when the legal right of offset exists.

i. Trade receivables

Trade receivables are carried at anticipated realizable value. Provisions are made for doubtful receivables based on a review of all outstanding amounts at the year end.

j. Cash and cash equivalents

For the purpose of the statement of cash flows; cash and cash equivalents comprise cash in hand, deposits held on call with banks net of bank overdrafts. In the statement of financial position, bank overdrafts are included in borrowings in current liabilities.

k. 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 the proceeds and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings.

l. Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

CARIBBEAN CREAM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2013

3 Sales

This represents the invoice value of goods sold to customers, and is stated net of General Consumption Tax.

4 Expense by nature

(a) Administrative expense

	<u>2013</u>	<u>2012</u>
	\$	\$
Staff costs	27,900,285	28,704,739
Directors' fee	6,842,352	3,153,299
Audit fee	750,000	650,000
Legal, professional and accounting fees	14,164,632	6,298,136
General office expenses, printing and stationery	2,469,001	1,965,102
Rates, taxes, telephone and electricity	915,781	1,729,543
Repairs and maintenance, cleaning and sanitation	6,852,192	6,263,277
Rent	2,114,787	333,760
Security expenses	7,329,113	5,618,598
Donation and subscriptions	155,838	5,000
Insurance	2,802,817	1,265,875
Miscellaneous	310,166	-
Depreciation	3,260,854	5,915,738
	<u>75,867,818</u>	<u>61,903,067</u>

(b) Distribution costs

	<u>2013</u>	<u>2012</u>
	\$	\$
Travelling and entertainment	1,544,621	1,068,589
Advertising and promotion	3,026,966	2,290,900
Licenses and permits	130,060	151,039
Discount	20	4,125
Provision for bad and doubtful debts	-	50,938
Transportation and delivery	8,790,260	2,976,047
Motor vehicle expenses	9,813,696	5,091,246
	<u>23,305,623</u>	<u>11,632,884</u>

5 Finance costs

	<u>2013</u>	<u>2012</u>
	\$	\$
Interest expenses:		
- Bank borrowings	9,027,713	6,989,212
- Cash shortage	(12,700)	-
- Commitment fees	1,740,840	-
- Bank charges and overdraft interest	2,311,987	2,192,397
	<u>13,067,840</u>	<u>9,181,609</u>
- Net foreign exchange transaction loss	89,580	8,579
	<u>13,157,420</u>	<u>9,190,188</u>

CARIBBEAN CREAM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2013

6 Profit before taxation

The following items have been charged in arriving at profit before taxation:

	<u>2013</u>	<u>2012</u>
	\$	\$
Directors' remuneration	6,842,352	3,153,299
Direct labour	44,818,571	30,838,146
Manufacturing cost (excluding labour)	475,814,216	272,071,461
Distribution costs	23,305,623	11,632,884
Auditors' remuneration	750,000	650,000
Depreciation on property, plant and equipment (Note 9)	22,672,839	12,086,131
Staff costs (Note 21)	<u>27,900,285</u>	<u>28,704,739</u>

7 Taxation

	<u>2013</u>	<u>2012</u>
	\$	\$
(a) Company profit tax @ 30%/33 1/3%	3,859,190	9,922,812
Deferred tax charge/(credit) (Note15)	<u>3,460,057</u>	<u>(10,091,445)</u>
	<u>7,319,247</u>	<u>(168,633)</u>

(b) Reconciliation of applicable tax (credit)/charge to effective tax charge.

	<u>2013</u>	<u>2012</u>
	\$	\$
Profit before taxation	<u>21,259,997</u>	<u>31,193,022</u>
Tax calculated at 30%/33 1/3%	6,377,999	10,397,674
Expenses not deductible for tax purposes	725,117	18,646
Net effect of other charges and allowances	<u>216,131</u>	<u>(10,584,953)</u>
Taxation (credit)/charge	<u>7,319,247</u>	<u>(168,633)</u>

8 Leasehold Improvements written off

The net book value of Leasehold Improvements has been written off to other comprehensive income . The property on which the improvements were done was acquired by the company during the year.

CARIBBEAN CREAM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2013

9 Property, plant and equipment

	Buildings	Leasehold Improvements	Computer & Equipment	Machinery & Equipment	Motor Vehicles	Security system	Total
	\$	\$	\$	\$	\$	\$	\$
At cost/valuation							
1 March 2012	63,601,009	21,132,227	4,006,641	40,689,451	13,190,943	851,623	143,471,894
Revaluation	-	-	-	31,725,317	-	-	31,725,317
Leasehold improvement written off	-	(21,132,227)	-	-	-	-	(21,132,227)
Additions	45,452,545	6,565,601	1,447,096	50,046,593	3,150,000	435,581	107,097,416
	109,053,554	6,565,601	5,453,737	122,461,361	16,340,943	1,287,204	261,162,400
Accumulated depreciation							
1 March 2012	6,330,050	3,934,554	2,530,180	8,947,811	3,131,572	369,083	25,243,250
Depreciation transfer	-	(3,934,554)	-	-	-	-	(3,934,554)
Revaluation	-	-	-	(7,038,068)	-	-	(7,038,068)
Depreciation charge (Note 6)	6,509,289	656,560	1,121,061	12,246,136	2,042,619	97,174	22,672,839
	12,839,339	656,560	3,651,241	14,155,879	5,174,191	466,257	36,943,467
Net book value 2013	96,214,215	5,909,041	1,802,496	108,305,482	11,166,752	820,947	224,218,933
Net book value 2012	57,270,959	17,197,673	1,476,461	31,741,640	10,059,371	482,540	118,228,644

9a. During the financial year ended February 28, 2013 the company acquired factory building located at #3 South Road. The machinery and equipment was revalued by Delano Reid and Associates Limited. The surplus arising from the revaluation was credited to other comprehensive income.

CARIBBEAN CREAM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2013

10 Inventories

	<u>2013</u>	<u>2012</u>
	\$	\$
Goods in transit	22,000,106	-
Raw materials and consumables	28,959,137	3,942,066
Finished goods	16,689,675	9,349,152
	<u>67,648,918</u>	<u>13,291,218</u>

11 Receivables

	<u>2013</u>	<u>2012</u>
	\$	\$
Trade receivables	18,294,259	10,403,988
Less: provision for doubtful debts	-	(50,938)
	<u>18,294,259</u>	<u>10,353,050</u>
Deposit and prepayments	3,989,376	1,612,095
Other receivables	163,132	335,193
	<u>22,446,767</u>	<u>12,300,338</u>

Ageing analysis of trade receivables

The average credit period on sale of goods is 30 days. The receivables outstanding for 90 days and more are provided for based on collectible procedures carried out by the company. The company's ageing analysis are detailed below.

	<u>2013</u>	<u>2012</u>
	\$	\$
0 - 30 days	9,074,087	10,229,677
31 - 60 days	7,786,048	30,652
61 - 90 days	748,406	80,078
Over 90 days	685,718	12,643
	<u>18,294,259</u>	<u>10,353,050</u>

12 Cash and cash equivalents

	<u>2013</u>	<u>2012</u>
	\$	\$
Cash in hand and at bank	<u>12,341,810</u>	<u>173,900</u>

For the purposes of the cash flow statement, the year-end cash and cash equivalents comprise the following;

	<u>2013</u>	<u>2012</u>
	\$	\$
Cash in hand and at bank	12,341,810	173,900
Bank overdraft (Note 14)	(1,624,610)	(509,791)
	<u>10,717,200</u>	<u>(335,891)</u>

CARIBBEAN CREAM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2013

13 Issued capital	<u>2013</u>	<u>2012</u>
	<u>\$</u>	<u>\$</u>
Authorised:		
5,001,000,000 ordinary shares		
Issued:		
302,854,492 ordinary shares of no par value	<u>42,275,013</u>	<u>8,275,013</u>
14 Borrowings	<u>2013</u>	<u>2012</u>
	<u>\$</u>	<u>\$</u>
Director's account		
Bank overdraft (Note 12)	1,624,610	509,791
Bank borrowings		
- Bank of Nova Scotia Jamaica Limited	<u>9,970,761</u>	<u>6,960,100</u>
	<u>11,595,371</u>	<u>7,469,891</u>
Non-current		
Bank borrowings		
- Bank of Nova Scotia Jamaica Limited	<u>73,995,883</u>	<u>44,641,220</u>
	<u>73,995,883</u>	<u>44,641,220</u>
Total borrowings	<u>85,591,254</u>	<u>52,111,111</u>

Bank overdraft and borrowings from Bank of Nova Scotia Jamaica Limited are secured by the following:

- i) First legal mortgage stamped for \$35,000,000 over commercial properties located 2A & 2D Sutherland Road, Kingston, Vols. 1293, 1288 and Folios 575, 348, stamped collateral to assignment of Sagacor Life Insurance Policies; Policy #'s 2318706, 2305648, 2339748, on the life of Christopher Clarke with face value \$35,000,000.
- ii) Peril Insurance in the amount \$49,350,000 over the real estate endorsed in favour of Bank Nova Scotia Limited, to expire September 2013
- iii) Bill of sale over 2009 Toyota Hilux Vigo registered in the name of Caribbean Cream Limited with chassis#MROFZ29G702513912 & engine#1KD6192510: Stamped for \$2,665,000 and Comprehensive insurance to the extent of \$4,100,000 endorsed in favour of the Bank of Nova Scotia Jamaica Limited to expire September 2013
- iv) Bill of sale over 2008 Hyundai HD120 Refrigerated Truck stamped \$3,080,000, registered in the name of Caribbean Cream Limited with chassis#KMFLA19RP8C024196 & engine#D6BR7058546 and Comprehensive insurance to the extent of \$4,400,000 endorsed in favour of the Bank of Nova Scotia Jamaica Limited to expire September 2013
- v) Bill of sale stamped for \$2,791,000 over 2007 Freightliner Ice Cream Truck, engine #1FVACWDDC27HZ14074
- vi) Unlimited guarantee by a director.
- vii) Guarantee limited to \$4,800,000 by a Director.
- viii) Interest rates on all loans ranging from 8.95% -15.75% per annum.
- ix) First legal mortgage stamped \$50,000,000.00, over real estate located at 3 South Road, Kingston 10, registered at volume 1101 folio 714, with an appraised value of \$42,000,000.00.

CARIBBEAN CREAM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2013

15 Deferred Tax Liability

Deferred taxes are calculated on all temporary differences under the liability method using effective tax rate of 33 1/3%.
The movement in the net deferred tax liability is as follows:

	\$	\$
At beginning of year	6,447,374	13,570,135
Charge to revaluation reserve	-	2,968,684
Deferred tax (credit)/charge (Note 7)	3,460,057	(10,091,445)
At end of year	<u>9,907,431</u>	<u>6,447,374</u>

Net deferred tax liability comprise the following items:

	<u>2013</u>	<u>2012</u>
	\$	\$
<u>Deferred tax liability</u>		
Property, plant and equipment	<u>9,907,431</u>	<u>6,447,374</u>

16 Payables

	<u>2013</u>	<u>2012</u>
	\$	\$
Trade payables	57,009,468	14,677,361
Other payables and accruals	16,573,547	7,355,821
Due to related party (Note 18)	26,879,411	7,111,563
	<u>100,462,426</u>	<u>29,144,745</u>

17 Cash generated from operations

Reconciliation of profit before taxation to cash generated from operations:

	\$	\$
Profit before taxation	21,259,997	31,193,022
Adjustments for:		
Depreciation (Note 9)	22,672,839	12,086,131
Interest expense (Note 5)	13,067,840	9,181,609
Changes in working capital:		
- receivables	(10,146,429)	(6,745,794)
- inventories	(54,357,700)	(7,440,820)
- payables	51,549,833	(5,009,810)
Net cash generated from operations	<u>44,046,380</u>	<u>33,264,338</u>

18 Related party transactions and balances

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions.

The following transactions were carried out with related parties during the financial year

	<u>2013</u>	<u>2012</u>
	\$	\$
Purchases of ice cream mix	67,466,263	104,905,523
Sale of ice cream	37,398,980	-
Equipment rental	3,848,158	1,300,000
Year end balance with related party is as follows:		
Scoops Unlimited Limited	<u>26,879,411</u>	<u>7,111,563</u>

CARIBBEAN CREAM LIMITED

YEAR ENDED FEBRUARY 28, 2013

19 Capital commitments

Capital expenditure committed but not contracted for at February 28, 2013 amounted to \$0, (2012:\$75 million).

20 Post statement of financial position events

Subsequent to the date of the statement of financial position, the Company issued twenty percent (20%) of its ordinary share capital to the public and is now being traded as a public liability company. The issuing of these shares does not require any adjustments to these financial statements.

21 Staff cost

Total administrative and distribution expenses:

	<u>2013</u>	<u>2012</u>
	\$	\$
(a) Salaries, and other staff benefits		
Salaries, wages and staff benefits	22,496,964	23,638,577
Employer's statutory contribution	<u>5,403,321</u>	<u>5,066,162</u>
	<u>27,900,285</u>	<u>28,704,739</u>
(b) The average number of persons employed during the year:	<u>54</u>	<u>61</u>

22 Capital management

The company considers its capital to be its accumulated surplus and reserves. The directors' financial objective is to generate a targeted operating surplus, in order to strengthen and provide for future continuity of the company, taking into account the various competitive risks. The directors regularly reviews the financial position of the company at meetings

There were no changes in the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

23 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction. A market price, where an active market exists, is the best evidence of the fair value of a financial instrument. When market prices are not available for financial assets and liabilities of the company, the fair values are determined using various estimation techniques based on market conditions existing at the statement of financial position date. Generally, judgement is necessarily required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented in these financial statements are not necessarily indicative of the amounts that the company would realise in a current market exchange.

The following methods and assumption have been used:

- (i) The fair value of cash and bank deposits, trade receivables and trade payables are assumed to approximate their carrying amounts because of the short-term maturity of these instruments.
- (ii) The fair value of non-current liabilities approximates the carrying value, as the interest rate reflect market rates of similar instruments.

CARIBBEAN CREAM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED FEBRUARY 28, 2013

24 Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate

i) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. Currently, the Company has limited exposure to market risk.

ii) Foreign exchange risk management

The company undertakes certain transactions denominated in currency other than the Jamaican dollar resulting in exposure to exchange rate fluctuations.

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The carrying amounts of foreign currency denominated monetary assets arising in the ordinary course of business at the reporting date are as follows:

	<u>Assets</u>	
	2013	2012
	\$	\$
Bank account USD	<u>27,464</u>	<u>2,000</u>

iii) 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 company has no significant concentration of risk attached to trade receivables as the company has a diverse customer base, with no significant balances arising from any single economic or business sector, or any single entity or group of entities. Cash and cash equivalents are held with reputable banks.

iv) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rate. The company's interest rate risk arises from long-term borrowings. The company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flow.

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.

CARIBBEAN CREAM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2013

24 Financial risk management (cont'd)

	Current		Non-current	
	<u>2013</u>	<u>2013</u>	<u>2013</u>	<u>Total</u>
	1-12 months \$	1 - 5 years \$	5 years and over \$	\$
Long-term loan	11,595,371	36,430,931	37,564,952	85,591,254
Director's current account	3,128,197	-	-	3,128,197
Trade and other payables	<u>100,462,426</u>	<u>-</u>	<u>-</u>	<u>100,462,426</u>
	<u>115,185,994</u>	<u>36,430,931</u>	<u>37,564,952</u>	<u>189,181,877</u>
	Current <u>2012</u>	<u>2012</u>	Non-current <u>2012</u>	<u>Total</u>
	1-12 months \$	1 - 5 years \$	5 years and over \$	\$
Long-term loan	7,469,891	21,817,099	22,824,121	52,111,111
Director's current account	-	-	-	-
Trade and other payables	<u>29,144,745</u>	<u>-</u>	<u>-</u>	<u>29,144,745</u>
	<u>36,614,636</u>	<u>21,817,099</u>	<u>22,824,121</u>	<u>81,255,856</u>