CARIBBEAN CREAM LIMITED

Financial Statements

28 February 2014

Chartered Accountants
James Allen and Company

CARIBBEAN CREAM LIMITED

28 February 2014

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James Allen & Company
Chartered Accountants

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To the Members of
CARIBBEAN CREAM LIMITED

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Caribbean Cream Limited set out on pages 1 to 26, which comprise of the statement of financial position as at 28 February 2014, 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.

Auditors' 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 of financial statments that give a true and fair view 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 Caribbean Cream Limited as at 28 February 2014, and of the financial performance and cash flows of the Company for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Jamaican Companies Act.

To the Members of

CARIBBEAN CREAM LIMITED

INDEPENDENT AUDITORS' REPORT

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 therewith and give the information required by the Jamaican Companies Act, in the manner so required.

James Allen

CHARTERED ACCOUNTANTS

29 May 2014
KINGSTON, JAMAICA

CARIBBEAN CREAM LIMITED

Statement of Comprehensive Income

Year ended 28 February 2014

	Note	2014 $		2013 $
Sales	2(b)	855,568,026		675,707,956
Cost of sales	3(a)	(653,085,762)		(545,624,516)
Gross profit		202,482,264		130,083,440
Other income		1,136,047		3,507,418
		203,618,311		133,590,858
Administrative costs	3(b)	(122,549,959)		(76,750,496)
Leasehold improvement written off	7	-	*	(17,197,673)
Distribution costs	3(c)	(26,938,622)		(22,422,945)
		(149,488,581)		(116,371,114)
Operating profit		54,129,730		17,219,744
Finance costs	4	(18,368,557)		(13,157,420)
Profit before taxation	5	35,761,173		4,062,324
Taxation	6	(684,060)		(7,319,247)
Profit/(loss) after taxation		**35,077,113**		**(3,256,923)**
Other Comprehensive Income:				
Revaluation surplus	14	-		38,763,385
Total Comprehensive Income		**35,077,113**		**35,506,462**
Earnings per stock unit	8	**$0.10**		**($0.01)**

*Leasehold Improvement written off in the previous year has been reclassified from Other Comprehensive Income to Profit or Loss

The accompanying notes on pages 5 to 26 form an integral part of these financial statements.

CARIBBEAN CREAM LIMITED

Statement of Financial Position

28 February 2014

	Note	2014 $	2013 $
ASSETS			
Non-current assets			
Property, plant and equipment	9	368,664,901	224,218,933
Current assets			
Inventories	10	66,158,455	67,648,918
Receivables	11	30,720,489	22,446,767
Cash and bank	12	6,441,419	12,341,810
		103,320,363	102,437,495
Total assets		**471,985,264**	**326,656,428**
EQUITY AND LIABILITIES			
Equity			
Share capital	13	111,411,290	42,275,013
Revaluation reserve	14	47,669,736	44,700,752
Retained earnings		70,925,012	28,909,452
Total Equity		**230,006,038**	**115,885,217**
Non-current liabilities			
Bank Loans	15	113,148,870	73,995,883
Deferred tax liability	16	-	9,907,431
		113,148,870	83,903,314
Current liabilities			
Payables	17	85,291,221	100,462,426
Bank Overdraft	18	11,546,087	1,624,610
Directors' current account	19	5,595,209	3,128,197
Current portion of bank loans	15	21,822,832	9,970,761
Taxation payable		4,575,007	11,681,903
		128,830,356	126,867,897
Total liabilities		**241,979,226**	**210,771,211**
Total equity and liabilities		**471,985,264**	**326,656,428**

The financial statements have been approved for issue by the Board of Directors on 27 May 2014 and signed on its behalf by:

Carol Clarke Webster ....Director

C Clarke ....Director

The accompanying notes on pages 5 to 26 form an integral part of these financial statements.

CARIBBEAN CREAM LIMITED

Statement of Changes in Equity

Year ended 28 February 2014

	Share capital	Revaluation reserve	Retained earnings	Total
	$	$	$	$
Balance as at 28 February 2012	8,275,013	5,937,367	32,166,375	46,378,755
Issue of shares	34,000,000	-	-	34,000,000
Revaluation surplus	-	38,763,385	-	38,763,385
Net loss	-	-	(3,256,923)	(3,256,923)
Balance at 28 February 2013	**42,275,013**	**44,700,752**	**28,909,452**	**115,885,217**
Issue of shares net of transaction cost	69,136,277	-	-	69,136,277
Net profit	-	-	35,077,113	35,077,113
Reversal of deferred taxation	-	2,968,984	6,938,447	9,907,431
Balance at 28 February 2014	**111,411,290**	**47,669,736**	**70,925,012**	**230,006,038**

The accompanying notes on pages 5 to 26 form an integral part of these financial statements.

CARIBBEAN CREAM LIMITED

Statement of Cash Flows

Year ended 28 February 2014

	2014 $	2013 $
Operating activities		
Profit/(loss) after taxation	35,077,113	(3,256,923)
Adjustments for:		
Deferred tax	-	3,460,057
Loss on sale of fixed asset	955,000	-
Leasehold improvement written off (Note 7)	-	17,197,673
Depreciation (Note 9)	24,134,312	22,672,839
	60,166,425	40,073,646
Changes in working capital:		
Receivables	(8,273,723)	(10,146,429)
Inventories	1,490,464	(54,357,700)
Payables	(15,171,206)	71,317,681
Taxation	(7,106,896)	1,769,788
	(29,061,362)	8,583,340
Net cash generated from operating activities	31,105,064	48,656,986
Investing activity		
Proceeds from sale of fixed assets	800,000	-
Purchase of property, plant and equipment	(170,335,280)	(107,097,416)
Net cash used in investing activity	(169,535,280)	(107,097,416)
Financing activities		
Increase in share capital	69,136,277	34,000,000
Repayment of bank loans	(12,994,942)	(10,134,676)
Proceeds from bank loans	64,000,000	42,500,000
Directors' current account	2,467,012	3,128,197
Net cash generated from financing activities	122,608,347	69,493,521
(Decrease)/Increase in cash and cash equivalents	(15,821,868)	11,053,091
Cash and cash equivalents at the start of year	10,717,200	(335,891)
Cash and cash equivalents at the end of year	**(5,104,668)**	**10,717,200**
REPRESENTED BY:		
Bank overdraft	(11,546,087)	(1,624,610)
Cash and bank	6,441,419	12,341,810
Cash and cash equivalents at the end of year	**(5,104,668)**	**10,717,200**

The accompanying notes on pages 5 to 26 form an integral part of these financial statements.

CARIBBEAN CREAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FEBRUARY 28, 2014

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 activities of the Company are the manufacture and sale of ice cream under the 'Kremi' brand and the importation and distribution of certain types of frozen novelties.

The Company's shares were listed on the Junior Market of the Jamaica Stock Exchange (JSE) on 17 May 2013.

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 applied in the preparation of these financial statements are set out below. These policies have been consistently applied over the years presented, unless otherwise stated.

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 certain classes of 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 , interpretations and amendments to published standards effective in the current year.

Certain new standards, interpretations and amendments to existing standards that have been published, became effective during the current financial year. The Directors have assessed the relevance of all such new standards, interpretations and amendments and have put into effect the following, which are immediately relevant to its operations.

- **Amendment to IAS 1, 'Presentation of Financial Statements'** (effective for annual periods beginning on or after 1 July 2012), regarding other comprehensive income. The main change resulting from this amendment is a requirement for entities to group items presented in 'other comprehensive income'(OCI) on the basis of whether they are potentially reclassifiable to profit and loss subsequently (reclassification adjustments).

CARIBBEAN CREAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FEBRUARY 28, 2014

2. Accounting policies (continued)

a. Basis of preparation (continued)

Standards , interpretations and amendments to published standards effective in the current year. (continued)

- **IFRS 13, Fair Value Measurement** (effective for annual periods beginning on or after 1 January 2013). This standard explains how to measure fair value for financial reporting. It defines fair value and sets out in a single IFRS a framework for measuring fair value, also requiring disclosures about fair value measurements. This standard applies to those standards that require or permit fair value measurements or disclosures about fair value measurements except in specified circumstances. The adoption of this standard has resulted in expanded disclosures in the financial statements.

There are no other standards, interpretations or amendments to existing standards that are effective that would be expected to have a significant impact on the Company.

Standards , interpretations and amendments to published standards that are not yet effective.

The Company's management has concluded that the following standard which was published but not yet effective is relevant to its operations and may impact the Company's accounting policies and financial disclosures.

- **IFRS 9, Financial Instruments**, This standard addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in OCI rather than the income statement, unless this creates an accounting mismatch. While adoption of IFRS 9 is mandatory from 1 January 2015, early adoption is permitted for financial assets without adopting the requirements for financial liabilities. The Company is considering the implications of the standard, the impact on the Company and the timing of its adoption by the Company.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Company.

Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Company makes estimates and assumptions that affect the reported amounts and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

CARIBBEAN CREAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FEBRUARY 28, 2014

2. Accounting policies (continued)

a. Basis of preparation (continued)

Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

(i) **Depreciable assets**

Estimates of the useful life and the residual value of property, plant and equipment are required in order to apply an adequate rate of transforming the economic benefits embodied in these assets in the relevant periods. The company applies a variety of methods in an effort to arrive at these estimates from which actual results may vary. Actual variations in useful lives and residual values are reflected in profit or loss through impairment or adjusted depreciation provisions.

No impairment charge was recorded in the current or prior year.

(ii) **Fair value estimation**

A number of assets and liabilities included in the Company's financial statements require measurement at, and/or disclosure of, at fair value.

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. Market price is used to determine fair value where an active market (such as a recognized stock exchange) exists as it is the best evidence of the fair value of a financial instrument.

The fair value measurement of the Company's financial and non financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique are utilized.

The standard requires disclosure of fair value measurements by level using the following fair value measurement hierarchy:

(i)	Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
(ii)	Level 2	Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
(iii)	Level 3	Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair values of financial instruments that are not traded in an active market are deemed to be determined as follows:

(i) The face value, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are estimated to approximate their fair values. These financial assets and liabilities include cash and bank balances, receivables, payables and bank overdraft.

(ii) The carrying value of long term liabilities approximate their fair values, as these loans are carried at amortised cost reflecting their contractual obligations and the interest rates are reflective of current market rates for similar transactions.

CARIBBEAN CREAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FEBRUARY 28, 2014

2. Accounting policies (continued)

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 - On the receipt basis.

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.

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.

CARIBBEAN CREAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FEBRUARY 28, 2014

2. Accounting policies (continued)

d. Property, plant and equipment

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

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 instruments

Financial Instruments carried on the statement of financial position include cash and bank balances, receivables, long-term loans 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

FEBRUARY 28, 2014

2. Accounting policies (continued)

h. Taxation

Taxation on the profit or loss for the year comprises current and deferred tax charges.

(i) Current taxation

Current tax charges are based on taxable profit for the year, which differs from the reported profit before tax because it excludes items that are tax 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 have been enacted at the date of the statement of financial position.

(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 differences can be controlled and it is probable that the differences 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 substantively 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.

At the end of the financial year, the deferred tax balance was reversed because the Company's shares were listed on the Junior market of the JSE, effective 17 May 2013.

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 and at bank net of bank overdraft.

k. Bank loans

Bank loans are stated initially at cost, being the fair value of consideration received net of transaction cost associated with the bank loans. After initial recognition, bank loans 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 bank loans.

CARIBBEAN CREAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FEBRUARY 28, 2014

2. Accounting policies (continued)

l. Comparative figures

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

m. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer who is the Chief Operating Decision Maker (CODM). For the purpose of these financial statements, the CODM considers all the Company's business activities to fall under a single reportable segment.

n. Payables and accruals

Payables for trade and other accounts payable, which are normally settled on 30 to 90 day terms, are recorded at original invoice amount or an amount representing the fair value of the consideration to be paid in the future for goods or services received by the statement of financial position date. Amounts accrued for certain expenses are based on estimates and are included in payables.

o. Employee benefits

Employee benefits are all forms of consideration given by the Company in exchange for service rendered by employees. These include current or short -term benefits such as salaries, bonuses, NIS contributions, annual leave, and non-monetary benefits such as medical care and termination benefits.

Employee benefits that are earned as a result of past or current service are recognized in the following manner: short-term employee benefits are recognized as a liability, net of payments made, and charged as an expense. The expected cost of vacation leave that accumulates is recognized when the employee becomes entitled to leave.

p. Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

q. Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

CARIBBEAN CREAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

February 28, 2014

3(a) Cost of sales

	2014	2013
	$	$
Prime Cost		
Purchases of raw materials	502,376,097	439,906,664
Changes in inventory of raw materials	(4,885,069)	(24,991,207)
Cost of raw materials consumed	497,491,028	414,915,457
Direct labour	53,681,719	44,818,571
Prime cost	551,172,747	459,734,028
Production overheads:		
Packaging	4,287,427	3,385,904
Electricity	63,054,958	42,809,229
Water	5,129,790	3,805,031
Depreciation	20,738,207	19,145,943
Cold room expenses	3,741,147	6,772,346
Plant and equipment- rental	4,439,756	5,680,588
Repairs and maintenance	12,110,021	11,631,970
	113,501,306	93,231,011
Manufacturing cost	664,674,053	552,965,039
Changes in inventory of finished goods	(11,588,291)	(7,340,523)
Cost of sales	**653,085,762**	**545,624,516**

CARIBBEAN CREAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

February 28, 2014

3(b) Administrative costs

	2014	2013
	$	$
Salaries and related expenses	44,416,617	27,900,285
Directors' emoluments	8,319,781	6,842,352
Audit fees	900,000	750,000
Accounting fees	12,466,118	7,706,980
Printing and Stationery	2,506,617	1,444,887
Telephone	1,257,226	738,851
Legal and professional fees	6,530,671	6,385,152
Repairs and maintenance	6,104,811	3,674,140
Rent	5,955,488	2,114,787
Security expenses	11,615,786	7,329,113
General office expenses	1,385,494	1,024,114
Cleaning and sanitation	6,148,666	3,178,052
General insurance	4,894,913	2,802,817
Property taxes	308,281	150,219
Secretarial fees	581,000	72,500
Bad debt	756,756	26,711
Provision for doubtful debts	1,243,701	-
Donations and subscriptions	777,503	155,838
Miscellaneous	737,890	310,166
Postage and courier	1,291,533	882,678
Loss on disposal of fixed asset	955,000	-
Depreciation	3,396,107	3,260,854
	122,549,959	76,750,496

3(c) Distribution costs

	2014	2013
	$	$
Travelling and entertainment	1,697,424	1,544,621
Advertising and promotion	6,096,251	3,026,986
Licenses and permits	255,418	130,060
Transportation and delivery	6,328,350	7,907,582
Motor vehicle expenses	12,561,179	9,813,696
	26,938,622	22,422,945

4 Finance costs

	2014	2013
	$	$
Interest expenses:		
- Bank loans	13,668,027	9,027,713
- Commitment fees	2,045,947	1,740,840
- Bank charges and overdraft interest	4,005,575	2,299,287
	19,719,549	13,067,840
- Net foreign exchange transaction (gain)/loss	(1,350,992)	89,580
	18,368,557	13,157,420

CARIBBEAN CREAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

February 28, 2014

5 Profit before taxation

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

	2014	2013
	$	$
Directors' remuneration:		
fees	1,174,781	-
management remuneration	7,145,000	6,842,352
Auditors' remuneration	900,000	750,000
Depreciation on property, plant and equipment (Note 9)	24,134,312	22,672,839
Staff costs (Note 22)	98,098,336	72,718,856

6 Taxation

	2014	2013
	$	$
(a) Company profit tax @ 25%/28.75%	678,851	3,859,190
Deferred tax charge (Note16)	-	3,460,057
	678,851	**7,319,247**

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

	2014	2013
	$	$
Profit before taxation	35,761,173	4,062,324
Tax calculated at 25%/28.75%	8,940,293	1,167,918
Expenses not deductible for tax purposes	815,164	5,669,448
Net effect of other charges and allowances	(6,471,971)	481,881
Remission of income taxes*	(2,599,426)	-
Taxation charge	**684,060**	**7,319,247**

Effective 17 May 2013, the Company's shares were issued on the Junior Market of the JSE. Consequently, the company is entitled to a remission of income taxes for ten years in the proportion set out below, provided the following conditions are met:

(i) the Company remains listed for at least 15 years and is not suspended from the JSE for any breaches of the rules of the JSE

(ii) the subscribed participating voting share capital of the Company does not exceed $500million

(iii) the Company has at least 50 participating voting shareholders

Years 1 to 5 (17 May 2013 - 16 May 2018) - 100%

Years 6 to 10 (17 May 2018 - 16 May 2023) - 50%

* Since the Company was listed on the JSE 17 May 2013, two and half months after the start of the Company's financial year, income taxes were calculated on operating profits for the entire year followed by a remission of the equivalent of nine and a half months of the tax calculated.

CARIBBEAN CREAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

February 28, 2014

7 Leasehold Improvements written off

In the prior year, the net book value of Leasehold Improvements has been reclassified to profit and loss because, the property on which the improvements were carried out was acquired by the Company and the cost of the improvements reflected in the purchase price.

8 Earnings per share

The EPS is computed by dividing the profit for the year by the weighted average number of shares in issue for the year of 362,794,444 (2013 - 300,096,155)

The weighted average number of shares for the current year reflects the 75,713,623 shares which were issued as part of the Initial Public Offer (IPO) which was closed on 10 May 2013.

CARIBBEAN CREAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FEBRUARY 28, 2014

9 Property, plant and equipment

	Buildings	Leasehold Improvements	Computer Equipment	Machinery & Equipment	Motor Vehicles	Construction in progress	Security system	Total
	$	$	$	$	$		$	$
At cost/valuation								
1 March 2013	109,053,554	6,565,601	5,453,737	122,461,361	16,340,943	-	1,287,204	261,162,400
Disposal	-			(1,950,000)	-	-		(1,950,000)
Additions	-	865,149	4,829,348	18,286,548	-	146,303,535	50,700	170,335,280
28 February 2014	109,053,554	7,430,750	10,283,085	138,797,909	16,340,943	146,303,535	1,337,904	429,547,680
Accumulated depreciation								
1 March 2013	12,839,339	656,560	3,651,241	14,155,879	5,174,191	-	466,257	36,943,467
Depreciation transfer	-	-	-	(195,000)	-		-	(195,000)
Depreciation charge	5,452,678	743,075	1,913,908	13,879,791	2,042,618	-	102,244	24,134,312
28 February 2014	18,292,017	1,399,635	5,565,149	27,840,670	7,216,809	-	568,501	60,882,779
Net book value 2014	**90,761,537**	**6,031,115**	**4,717,936**	**110,957,239**	**9,124,134**	**146,303,535**	**769,404**	**368,664,901**
Net book value 2013	**96,214,215**	**5,909,041**	**1,802,496**	**108,305,482**	**11,166,752**	**-**	**820,947**	**224,218,933**

Machinery & Equipment are level 2 fair values (note 2a(ii))

CARIBBEAN CREAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FEBRUARY 28, 2014

9 Property, plant and equipment

(Continued)

	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
28 February 2013	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	6,509,289	656,560	1,121,061	12,246,136	2,042,619	97,174	22,672,839
28 February 2013	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**

Machinery & Equipment are level 2 fair values (note 2a(ii))

In the prior year the Company acquired a factory building located at #3 South Road. The machinery and equipment was revalued by independent valuators Delano Reid and Associates Limited. The surplus arising from the revaluation was credited to other comprehensive income. Fair value is determined by reference to market based evidence. This means that valuations performed by the valuer are based on active market prices, adjusted for any difference in the nature, location or condition of the specific equipment. All other property, plant and equipment are stated at cost.

CARIBBEAN CREAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

February 28, 2014

10 Inventories

	2014	2013
	$	$
Goods in transit	4,036,283	22,000,106
Raw materials and consumables	33,844,206	28,959,137
Finished goods	28,277,966	16,689,675
	66,158,455	**67,648,918**

11 Receivables

	2014	2013
	$	$
Trade receivables	20,012,432	18,294,259
Less: provision for doubtful debts	(1,243,701)	-
	18,768,731	18,294,259
Deposit and prepayments	11,632,008	3,989,376
Other receivables	319,750	163,132
	30,720,489	**22,446,767**

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.

	2014	2013
	$	$
0 - 30 days	17,456,271	9,074,087
31 - 60 days	815,243	7,786,048
61 - 90 days	497,217	748,406
Over 90 days	1,243,701	685,718
	20,012,432	**18,294,259**

During the year $756,756 (2013- 26,711) was written off to profit and loss after repeated attempts were made to collect long outstanding amounts.

12 Cash and bank balances

	2014	2013
	$	$
Bank balances	6,300,421	11,463,105
Cash on hand	140,998	878,705
	6,441,419	**12,341,810**

CARIBBEAN CREAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

February 28, 2014

13 Share capital

	2014	2013
	$	$
Authorised:		
5,100,000,000 ordinary shares of no par value		
Issued and fully paid:		
378,568,115 (2013-302,854,492)ordinary shares net of transaction costs.	**111,411,290**	**42,275,013**

On 10 April 2013, the ordinary shareholders of the Company unanimously passed a resolution in accordance with the Articles of Incorporation to be registered as a public company under section 34 of the Companies Act 2004.

On 17 May 2013 the Company's shares were listed on the Junior Market of the Jamaica Stock Exchange.

75,713,623 new shares were issued in this Initial Public Offer.

14 Revaluation Reserve

	2014	2013
	$	$
Opening balance	44,700,752	5,937,367
Revaluation during the year	-	38,763,385
Deferred taxation reversal 2h (ii)	2,968,984	-
Closing balance	**47,669,736**	**44,700,752**

15 Bank loans

	2014	2013
	$	$
The following loans are with the Bank Of Nova Scotia Jamaica Limited:		
(i) Demand loans -motor vehicles	1,844,642	3,812,064
(ii) Development Bank of Jamaica -cold room construction	64,000,000	-
(iii) Demand loans -equipment	19,123,212	25,907,616
(iv) Mortgage loans -Suthermere Road and South Road	50,003,848	54,246,964
Total bank loans	**134,971,702**	**83,966,644**
Current portion	**(21,822,832)**	**(9,970,761)**
	113,148,870	**73,995,883**

CARIBBEAN CREAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

February 28, 2014

15 Bank loans (Continued)

(i) Loans repayable in monthly installments by 2016 with interest rates ranging from 8.95% to 14.75% per annum

(ii) Repayable in monthly installments by October 2020. Interest rate fixed at 9.5% per annum

(iii) Loans repayable in monthly installments by 2017 with interest rates ranging from 8.95% to 9.95% per annum

(iv) Mortgages repayable in monthly installments by 2027 with interest rates of 15.75% per annum

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

a) First legal mortgage stamped for $35,000,000 over commercial properties located at 2A & 2D Suthermere Road, Kingston, Vols. 1293, 1288 and Folios 575, 348. Stamped collateral to assignment of Sagicor Life Insurance Policies on the life of a Director with face value $36,500,000.

b) First legal mortgage stamped for $50,000,000 over commercial property located at 3 South Road Kingston 10, St. Andrew Vol. 1101 and Folio 714.

c) Second legal mortgage stamped for $4,800,000 over property located at Braemar Avenue Kingston 10, St. Andrew Vol. 1402 and Folio 485, registered in the name of a Director.

d) Peril Insurance over real estate at Suthermere Road and real estate and equipment at South Road.

e) Bills of sale over motor vehicles and equipment owned by the Company.

f) Guarantees by a Director.

CARIBBEAN CREAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

February 28, 2014

16 Deferred Tax Liability

Deferred taxes are calculated on all temporary differences under the liability method using effective tax rate of 25%.
The movement in the net deferred tax liability is as follows:

	2014	2013
	$	$
At beginning of year	9,907,431	6,447,374
Reversal of previous charges to revaluation reserve (Note 2h(ii))	(2,968,984)	-
Reversal of previous charges to retained earnings (Note 2h(ii))	(6,938,447)	-
Deferred tax charge (Note 6)	-	3,460,057
At end of year	-	**9,907,431**

Net deferred tax liability comprise the following items:

	2014	2013
	$	$
Deferred tax liability		
Property, plant and equipment	-	**9,907,431**

17 Payables

	2013	2013
	$	$
Trade payables	64,397,667	57,009,468
Other payables and accruals	19,065,349	16,573,547
Due to related party (Note 19)	1,828,205	26,879,411
	85,291,221	**100,462,426**

18 Bank Overdraft

The Company has a credit facility of $13million to support normal operating requirements and to accommodate short term cash flow needs. The present interest rate is 17.5%. See note 15 for information on securities.

19 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

	2014	2013
	$	$
(i) Sale of ice cream mix	54,575,754	67,466,263
Purchase of raw material	(34,825,298)	(37,398,980)
Equipment rental	(774,500)	(3,848,158)
(ii) Year end balance with related party is as follows:		
Scoops Unlimited Limited	1,828,205	26,879,411
(iii) Directors' current account	**5,595,209**	**3,128,197**

The Directors' current account principally represent monies advanced to the Company to assist with working capital.

CARIBBEAN CREAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

February 28, 2014

20 Capital commitments

Capital expenditure committed but not contracted for at February 28, 2014 amounted to $8.5million (2013:$nil).

21 Post statement of financial position events

Based on discussion with the directors and documents examined, there are no significant events that have occurred after the date of the Statement of Financial Position that would have any material impact on these financial statements.

22 Staff cost

Total direct, administrative and distribution expenses:

	2014	2013
	$	$
(a) Salaries, and other staff benefits		
Direct labour	53,681,719	44,818,571
Salaries, wages and staff benefits	36,947,720	22,496,964
Employer's statutory contribution	7,468,897	5,403,321
	98,098,336	**72,718,856**
(b) The average number of persons employed during the year:	**64**	**54**

23 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 review 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.

24 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, judgment 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

February 28, 2014

25 Financial risk management

The Company's activities expose it to a variety of financial risks in respect of its financial instruments: market risk (currency, interest rate and price risk), credit risk and liquidity risk. This note presents information about the Company's exposure to each of the above risks as well as its objectives, policies and processes for measuring and managing risk.

The Directors have overall responsibility for the establishment and oversight of the Company's risk management framework. They are responsible for developing and monitoring the Company's risk management policies and through training to develop standards and procedures and a disciplined and constructive control environment in which all employees understand their roles and obligations.

a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while optimizing returns.

i. Foreign Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to foreign currency risk due to fluctuations in exchange rates on transactions and balances that are denominated in currencies other than the Jamaican dollar. Foreign currency bank accounts are maintained at levels which will meet foreign currency obligations and management also has access to purchase foreign currencies at market or close to market rates thereby reducing or mitigating the Company's exposure to sudden exchange rate fluctuations.

At Statement of Financial Position date, the Company had net foreign currency liabilities of US$196,734 (2013- US $139,383) which were subject to foreign exchange rate changes as follows:

Concentrations of currency risks

	2014 US$	2013 US$
Financial Assets		
Cash equivalents	22,561	27,464
Financial Liabilities		
Payables	(219,295)	(166,847)
Total net liabilities	(196,734)	(139,383)

A significant portion of the Company's purchases are made using United States (US) dollars. The Company hedges against movement in the United States dollar principally by holding cash resources in that currency and prompt payment of foreign currency bills as they become due.

The exchange rate applicable at statement of financial position date is J$108.34 to 1 US$1 (2013- J$97.11 to US$1). In accordance with accounting policies applied consistently, exchange gains and losses are recognized in the income statement when incurred (see note 2 (c)).

ii. Foreign currency sensitivity analysis

Due to the nature of the Company's operations and the very short term nature of balances denominated in currencies other than the Jamaican dollar, in the opinion of management there should be no material impact on the results of the Company's operations as a result of changes in foreign currency rates as sudden changes are promptly adjusted in the selling prices of the Company's imported products.

A 10% (2013-10%) weakening of the Jamaican dollar, with all other variables remaining constant, in particular interest rates, would result in a loss of approximately $2.1 million (2013- $1.3 million) if all outstanding foreign liabilities are settled at the depreciated rate of the Jamaican dollar.

CARIBBEAN CREAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

February 28, 2014

25 Financial risk management (continued)

a) Market risk (continued)

iii. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's cash and bank balances are subject to interest rate risk. However, the Company attempts to manage this risk by monitoring its interest-bearing instruments closely and procuring the most advantageous rates under contracts with interest rates that are fixed for the duration of the term of the contract, where possible. When utilized, bank overdrafts are subject to interest rates, which may be varied by appropriate notice by the financial institution granting the facility.

Due to the fact that interest earned from the Company's interest-earning bank accounts is immaterial, management is of the opinion there would be no material impact on the results of the Company's operations as a result of fluctuations in interest rates on these accounts.

Interest rate sensitivity

The Company's interest rate risk arises from bank loans. The sensitivity of the profit or loss is the effect of the assumed changes in the interest rates on profit before taxation based on floating rate borrowing.

The Company does not have any significant exposure to floating rate bank loans because the majority of the loans carry fixed rates of interest.

iv. Price risk

Price 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 instrument or its issuer or factors affecting all instruments traded in the market.

The Company has not invested in financial instruments that are available for sale and therefore is not exposed to movements in market prices.

b) 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 faces credit risk in respect of its receivables and cash at banks.

i. Cash and bank

Credit risk for cash at bank is managed by maintaining these balances with licensed financial institutions considered to be stable. The maximum credit risk faced by the Company is the total of these balances reflected in the financial statements. No provision for impairment is deemed necessary.

ii. Receivables

Credit risk for receivables is mitigated by stringent credit reviews and approval of limits to customers as well as regular credit evaluation of customers. Appropriate credit checks, references and analyses are undertaken in order to assess customers' credit risk prior to offering new credit or increasing existing credit limits. Many of the customers who are experiencing cash flow difficulties and are exceeding their credit limits are identified and the appropriate actions taken. Key performance indicators are reviewed regularly, including cash collected, average debt collection period, percentage of customers with overdue balances and debts deemed uncollectible. Credit limits for all customers inclusive of payment history and risk profile, are reviewed annually before renewal of credit facilities.

CARIBBEAN CREAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

February 28, 2014

25 **Financial risk management (continued)**

b) Credit risk (continued)

ii. Receivables (continued)

(a) Trade receivables that are past due but not impaired

As at February 28 2014, trade receivables of $18,768,731 (2013- $18,294,259) were past due but not impaired. These relate to independent customers for whom there is no recent history of default.

(b) Trade receivables that are past due and impaired

As at February 28 2014, the Company had trade receivables of $1,243,701 (2013 - nil) that were impaired. The amount of the provision was $1,243,701 (2013 - nil). These receivables were aged over 90 days.

Movements on the provision for impairment of trade receivables are as follows:

	2014	2013
	$	$
Amount provided during the year	1,243,701	-

Concentration of risk - trade receivables
The following table summarises the Company's credit exposure for trade receivables at their carrying amounts, as categorized by the customer sector:

	2014	2013
	$	$
Hotels	2,643,938	1,824,876
Distributors/Retailers	17,368,494	16,469,383
	20,012,432	18,294,259

CARIBBEAN CREAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

February 28, 2014

25 Financial risk management (continued)

a) Market risk (continued)

iii. Total exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was $37,161,908 (2013 - $34,788,577), representing the balances on the Statement of Financial Position for cash and bank and receivables.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk by maintaining an appropriate level of resources in liquid or near liquid form to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's liquidity management process, as carried out within the Company and monitored by the Treasury function, includes:

i. Monitoring future cash flows and liquidity periodically. This incorporates an assessment of expected cash flows.

ii. Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow.

iii. Maintaining committed lines of credit.

iv. Managing the concentration and profile of debt maturities.

The Company also has access to lines of secured credit to facilitate payments to major suppliers according to agreed credit terms should the company at any time have insufficient cash resources to settle its obligations as they fall due.

Undiscounted contractual cash flows of financial liabilities

The Company's financial liabilities comprise long-term loans, payables and accruals, based on contractual undiscounted payments which are due as follows:

	Current	Non-current		
	2014	2014	2014	Total
	1-12 months	1 - 5 years	5 years and over	
	$	$	$	$
Long-term loan	25,606,687	82,120,543	55,791,602	163,518,832
Director's current account	11,546,087	-	-	11,546,087
Trade and other payables	85,291,221	-	-	85,291,221
	122,443,995	82,120,543	55,791,602	260,456,139

	Current	Non-current		
	2013	2013	2013	Total
	1-12 months	1 - 5 years	5 years and over	
	$	$	$	$
Long-term loan	15,458,886	40,723,224	34,930,362	91,112,472
Director's current account	1,624,610	-	-	1,624,610
Trade and other payables	100,462,426	-	-	100,462,426
	117,545,922	40,723,224	34,930,362	193,199,508