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## INDEPENDENT AUDITORS' REPORT

To the Members of  
MONTEGO BAY ICE COMPANY LIMITED

### **Report on the Financial Statements**

We have audited the separate financial statements of Montego Bay Ice Company Limited (the company) and the consolidated financial statements of the company and its subsidiaries (the group), set out on pages 3 to 27, which comprise the company's and group's statements of financial position as at December 31, 2015, the company's and group's statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements 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.



## INDEPENDENT AUDITORS' REPORT

To the Members of  
MONTEGO BAY ICE COMPANY LIMITED

### **Report on the Financial Statements, continued**

#### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the company and group as at December 31, 2015, and of the company's and group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Jamaican Companies Act.

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

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

A handwritten signature of the KPMG firm in blue ink, appearing as 'KPMG' in a stylized, cursive-like font.

Chartered Accountants  
Montego Bay, Jamaica

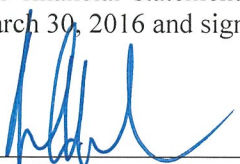
March 30, 2016

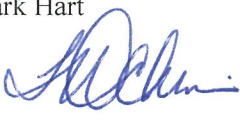
MONTEGO BAY ICE COMPANY LIMITED

Statements of Financial Position  
December 31, 2015

		Company		Group	
	Notes	2015	2014	2015	2014
CURRENT ASSETS					
Cash and cash equivalents	3	743,083	1,335,238	48,441,656	57,764,316
Investments	4	28,979,546	26,247,439	28,979,546	26,247,439
Accounts receivable	5	3,466,310	2,776,574	3,499,042	3,049,361
Due from subsidiary	20(b)	8,923,946	-	-	-
Taxation recoverable		479,026	478,585	479,305	478,864
Total current assets		42,591,911	30,837,836	81,399,549	87,539,980
CURRENT LIABILITIES					
Bank overdraft (unsecured)		-	-	-	287,322
Accounts payable	6	2,099,467	3,635,408	7,289,515	5,492,132
Taxation payable		-	-	116,400	1,591,961
Dividends unclaimed		576,032	575,588	576,032	575,588
Total current liabilities		2,675,499	4,210,996	7,981,947	7,947,003
Net current assets		39,916,412	26,626,840	73,417,602	79,592,977
NON-CURRENT ASSETS					
Interest in subsidiaries	7	40,001	40,001	-	-
Investment properties	8	34,096,490	34,631,705	83,851,544	84,683,794
Property, plant and equipment	9	-	-	1,791,772	2,239,715
Deferred tax asset	10	-	-	212,071	180,684
Total non-current assets		34,136,491	34,671,706	85,855,387	87,104,193
Total assets less current liabilities		\$74,052,903	61,298,546	159,272,989	166,697,170
EQUITY					
Share capital	11(a)	1,242,302	1,242,302	1,242,302	1,242,302
Reserves	11(b)	72,810,601	33,861,421	129,610,715	121,577,109
Equity attributable to owners of the company		74,052,903	35,103,723	130,853,017	122,819,411
Non-controlling interests	12	-	-	28,419,972	43,877,759
Total equity		74,052,903	35,103,723	159,272,989	166,697,170
NON-CURRENT LIABILITY					
Due to subsidiary	20(a)	-	26,194,823	-	-
Total equity and non-current liability		\$74,052,903	61,298,546	159,272,989	166,697,170

The financial statements on pages 3 to 27 were approved for issue by the Board of Directors on March 30, 2016 and signed on its behalf by:

  
\_\_\_\_\_  
Mark Hart Director

  
\_\_\_\_\_  
Theresa Chin Director

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

MONTEGO BAY ICE COMPANY LIMITEDStatement of Profit or Loss and Other Comprehensive Income  
Year ended December 31, 2015

		<u>Company</u>		<u>Group</u>	
	<u>Notes</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Gross operating revenue	13	1,662,185	1,747,486	23,920,538	21,228,522
Administrative and other expenses	14	( 6,534,506)	(8,484,137)	(13,565,402)	(17,154,703)
Operating (loss)/ profit		( 4,872,321)	(6,736,651)	10,355,136	4,073,819
Dividend income	19	40,000,000	-	-	-
Other income		-	750,000	-	750,000
		35,127,679	(5,986,651)	10,355,136	4,823,819
Finance income	15	3,822,101	3,829,614	6,151,364	7,612,092
Profit/(loss) before taxation		38,949,780	(2,157,037)	16,506,500	12,435,911
Taxation	16	-	-	( 3,930,081)	( 2,838,896)
Profit/(loss) for the year		<u>\$38,949,780</u>	<u>(2,157,037)</u>	<u>12,576,419</u>	<u>9,597,015</u>
Attributable to:					
Owners of the company		38,949,780	(2,157,037)	8,034,206	5,678,998
Non-controlling interests		-	-	4,542,213	3,918,017
		<u>\$38,949,780</u>	<u>(2,157,037)</u>	<u>12,576,419</u>	<u>9,597,015</u>

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

MONTEGO BAY ICE COMPANY LIMITEDCompany Statement of Changes in Equity  
Year ended December 31, 2015

	Share <u>capital</u>	<u>Reserves</u>		Retained <u>earnings</u>	<u>Total</u>
		<u>Share premium</u>	<u>Capital</u>		
Balances at December 31, 2013	1,242,302	19,229,822	3,290,053	13,498,739	37,260,916
Total comprehensive loss for the year	-	-	-	( 2,157,037)	( 2,157,037)
Transaction with owners:					
Preference shares dividends paid	-	-	-	( 156)	( 156)
Transfer of gain on disposal of property, plant and equipment	<u>-</u>	<u>-</u>	<u>750,000</u>	<u>( 750,000)</u>	<u>-</u>
Balances at December 31, 2014	1,242,302	19,229,822	4,040,053	10,591,546	35,103,723
Total comprehensive income for the year	-	-	-	38,949,780	38,949,780
Transaction with owners:					
Preference shares dividends paid	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 600)</u>	<u>( 600)</u>
Balances at December 31, 2015	<u>\$1,242,302</u>	<u>19,229,822</u>	<u>4,040,053</u>	<u>49,540,726</u>	<u>74,052,903</u>

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

MONTEGO BAY ICE COMPANY LIMITED

Group Statement of Changes in Equity  
Year ended December 31, 2015

		<u>Reserves</u>				<u>Non-</u> <u>controlling</u>	<u>Total</u>
	<u>Share capital</u>	<u>Share premium</u>	<u>Capital</u>	<u>Retained earnings</u>	<u>Total</u>	<u>interest</u>	<u>equity</u>
Balances at December 31, 2013	1,242,302	19,229,822	3,290,053	93,378,392	117,140,569	39,959,742	157,100,311
Total comprehensive income for the year	-	-	-	5,678,998	5,678,998	3,918,017	9,597,015
Preference shares dividends paid	-	-	-	( 156)	( 156)	-	( 156)
Transfer of gain on disposal of property, plant and equipment	-	-	750,000	( 750,000)	-	-	-
Balance at December 31, 2014	1,242,302	19,229,822	4,040,053	98,307,234	122,819,411	43,877,759	166,697,170
Total comprehensive income for the year	-	-	-	8,034,206	8,034,206	4,542,213	12,576,419
Preference shares dividends paid	-	-	-	( 600)	( 600)	-	( 600)
Transaction with owners:							
Dividends paid (note 19)	-	-	-	-	-	(20,000,000)	(20,000,000)
Balance at December 31, 2015	<u>\$1,242,302</u>	<u>19,229,822</u>	<u>4,040,053</u>	<u>106,340,840</u>	<u>130,853,017</u>	<u>28,419,972</u>	<u>159,272,989</u>

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

MONTEGO BAY ICE COMPANY LIMITEDCompany Statement of Cash Flows  
Year ended December 31, 2015

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit/(loss) for the year		38,949,780	(2,157,037)
Adjustments for:			
Interest income	15	( 1,414,472)	(1,450,355)
Dividend income	19	(40,000,000)	-
Gain on disposal of property, plant and equipment		-	( 750,000)
Depreciation	8	<u>535,215</u>	<u>576,586</u>
		( 1,929,477)	(3,780,806)
(Increase)/decrease in current assets:			
Accounts receivable		( 689,736)	( 771,551)
Due to subsidiary		( 8,923,946)	-
Increase/(decrease) in current liabilities:			
Accounts payable		( 1,535,941)	1,043,287
Dividends unclaimed		<u>444</u>	<u>-</u>
Cash used by operations		(13,078,656)	(3,509,070)
Tax paid		( 441)	( 192)
Net cash used by operating activities		<u>(13,079,097)</u>	<u>(3,509,262)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		1,414,472	1,443,229
Investments		( 2,732,107)	(1,932,644)
Proceeds from disposal of investment properties		<u>-</u>	<u>750,000</u>
Net cash (used)/provided by investing activities		<u>( 1,317,635)</u>	<u>260,585</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid		( 600)	( 156)
Due from subsidiary		(26,194,823)	3,634,734
Dividends received		<u>40,000,000</u>	<u>-</u>
Net cash provided by financing activities		<u>13,804,577</u>	<u>3,634,578</u>
Net (decrease)/ increase in cash and cash equivalents		( 592,155)	385,901
Cash and cash equivalents at beginning of the year		<u>1,335,238</u>	<u>949,337</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		<u>\$ 743,083</u>	<u>1,335,238</u>

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

MONTEGO BAY ICE COMPANY LIMITEDGroup Statement of Cash Flows  
Year ended December 31, 2015

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the year		12,576,419	9,597,015
Adjustments for:			
Interest income	15	( 1,505,111)	( 1,606,095)
Gain on disposal of investment properties		-	( 750,000)
Write off of investment properties		34,576	-
Depreciation	8,9	1,382,941	1,548,365
Taxation	16(a)	<u>3,930,081</u>	<u>2,838,896</u>
		16,418,906	11,628,181
Increase in current asset:			
Accounts receivable		( 449,681)	( 1,019,697)
Increase in current liabilities:			
Accounts payable		1,797,383	1,333,637
Dividends unclaimed		<u>444</u>	<u>-</u>
Cash provided by operations		17,767,052	11,942,121
Tax paid		( 5,437,470)	( 2,189,148)
Net cash provided by operating activities		<u>12,329,582</u>	<u>9,752,973</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		1,505,111	1,598,969
Investments		( 2,732,107)	( 1,932,644)
Additions to investment properties	8	( 137,324)	( 1,171,283)
Proceeds from investments properties		<u>-</u>	<u>750,000</u>
Net cash used by investing activities		<u>1,364,320</u>	<u>( 754,958)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid		(20,000,600)	( 156)
Bank overdraft		( 287,322)	<u>287,322</u>
Net cash (used)/provided by financing activities		<u>(20,287,922)</u>	<u>287,166</u>
Net (decrease)/increase in cash and cash equivalents		( 9,322,660)	9,285,181
Cash and cash equivalents at beginning of the year		<u>57,764,316</u>	<u>48,479,135</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		<u>\$48,441,656</u>	<u>57,764,316</u>

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

## MONTEGO BAY ICE COMPANY LIMITED

### Notes to the Financial Statements

December 31, 2015

#### 1. The company

Montego Bay Ice Company Limited (the company) is incorporated and domiciled in Jamaica. The company is listed on the Jamaica Stock Exchange and its registered office and principal place of business is located at 2 Creek Street, Montego Bay, St. James.

The principal activities of the company and its subsidiaries (the group) (note 8) are the rental of properties and cold storage facilities.

#### 2. Basis of preparation and significant accounting policies

##### (a) Statement of compliance:

The financial statements as at and for the year ended December 31, 2015 (the reporting date) are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board, and comply, in all materials respects, with the provisions of the Jamaican Companies Act.

##### **New and amended standards and interpretations issued but not yet effective the year:**

During the year, certain new standards, interpretations and amendments to existing standards became effective. The adoption of those standards and amendments to standards did not result in changes to amounts recognised or disclosed in the financial statements.

##### **New and amended standards and interpretations issued but not yet effective:**

At the date of authorisation of the financial statements, certain new and amended standards and interpretations have been issued which are not yet effective at the reporting date and which the group has not early-adopted. The group has assessed the relevance of all such new standards, amendments and interpretations with respect to its operations and has determined that the following may be relevant to the group:

- *Improvements to IFRS, 2012-2014 cycle*, contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2016. The main amendments applicable to the Group are as follows:
  - IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* has been amended to clarify that if an entity changes the method of disposal of an asset or disposal group – i.e. reclassifies an asset or disposal group from held-for-distribution to owners to held-for-sale or vice versa without any time lag, then the change in classification is considered a continuation of the original plan of disposal and the entity continues to apply held-for-distribution or held-for-sale accounting. At the time of the change in method, the entity measures the carrying amount of the asset or disposal group and recognises any write-down (impairment loss) or subsequent increase in the fair value less costs to sell/distribute the asset or disposal group. If an entity determines that an asset or disposal group no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution accounting in the same way as it would cease held-for-sale accounting.

## MONTEGO BAY ICE COMPANY LIMITED

### Notes to the Financial Statements

December 31, 2015

#### 2. Basis of preparation and significant accounting policies (cont'd)

##### (a) Statement of compliance (cont'd):

##### **New and amended standards and interpretations issued but not yet effective (cont'd):**

- *Improvements to IFRS, 2012-2014 cycle (cont'd)*
  - IFRS 7 has also been amended to clarify that the additional disclosures required by *Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)* are not specifically required for inclusion in condensed interim financial statements for all interim periods; however, they are required if the general requirements of IAS 34, *Interim Financial Reporting*, require their inclusion.
- Amendments to IAS 27, *Equity Method in Separate Financial Statements*, effective for accounting periods beginning on or after January 1, 2016 and can be early adopted. The amendments allow the use of the equity method in separate financial statements, and apply to the accounting for subsidiaries, associates, and also joint ventures.
- Amendments to IFRS 10, *Consolidated Financial Statements*, and IAS 28, *Investments in Associates and Joint Ventures*, in respect of Sale or Contribution of Assets between an Investor and its Associate or Joint venture, are effective for annual reporting periods beginning on or after January 1, 2016. The amendments require that when a parent loses control of a subsidiary in a transaction with an associate or joint venture, the full gain be recognized when the assets transferred meet the definition of a 'business' under IFRS 3, *Business Combinations*.
- Amendments to IAS 16 and IAS 38 are effective for annual reporting periods beginning on or after January 1, 2016. The amendments to IAS 16 *Property, plant and equipment* explicitly states that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset. The new amendments to IAS 38 *Intangible Assets* introduce a rebuttable presumption that the use of revenue based amortisation methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are highly correlated or when the intangible asset is expressed as a measure of revenue.
- IFRS 15 *Revenue From Contracts With Customers*, effective for accounting periods beginning on or after January 1, 2018, replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services*. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties.

The company will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance.

MONTEGO BAY ICE COMPANY LIMITED

Notes to the Financial Statements

December 31, 2015

2. Basis of preparation and significant accounting policies (cont'd)

(a) Statement of compliance (cont'd):

**New and amended standards and interpretations issued but not yet effective (cont'd):**

- *IFRS 15 Revenue From Contracts With Customers (cont'd)*

There will be new qualitative and quantitative disclosure requirements to describe the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

- *IAS 1 Presentation of Financial Statements*, effective for accounting periods beginning on or after January 1, 2016, has been amended to clarify or state the following:
  - specific single disclosures that are not material do not have to be presented even if they are a minimum requirement of a standard.
  - the order of notes to the financial statements is not prescribed.
  - line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Line items can be aggregated if they are not material.
  - specific criteria is now provided for presenting subtotals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirement for the statement of profit or loss and OCI.
  - the presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method follows IAS 1 approach of splitting items that may, or that will never, be reclassified to profit or loss.
- *IFRS 9 Financial Instruments*, which is effective for accounting periods beginning on or after January 1, 2018, replaces the existing guidance in *IAS 39 Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised..

Management is evaluating the impact, if any, that the foregoing standards and amendments to standards may have on its financial statements when they are adopted.

## MONTEGO BAY ICE COMPANY LIMITED

### Notes to the Financial Statements

December 31, 2015

#### 2. Basis of preparation and significant accounting policies (cont'd)

##### (b) Basis of measurement and functional currency:

The financial statements are prepared on the historical cost basis and are presented in Jamaica dollars (\$), which is the functional currency of the group.

##### (c) Going concern:

The preparation of the financial statements in conformity with IFRS assumes that the company will continue in operational existence for the foreseeable future. This means, in part, that the statements of financial position and profit or loss and other comprehensive income assume no intention or necessity to liquidate or curtail the scale of operations. This is commonly referred to as the going concern basis. Management is of the opinion that the preparation of financial statements on the going concern basis remains appropriate.

##### (d) Use of estimates and judgements:

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended. Actual amounts could differ from those estimates.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year relate to residual value and expected useful life of investment properties.

The residual value and the expected useful life of an asset are reviewed at least at each financial year-end and if expectations differ from previous estimates, the change is accounted for. The useful life of an asset is defined in terms of the asset's expected utility to the company and the group.

The significant accounting policies below conform in all material respects with IFRS.

##### (e) Basis of consolidation:

A "subsidiary" is an entity controlled by the company. Control exists when the company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The consolidated financial statements comprise the financial results of the company and its subsidiaries from the date on which control commences until the date on which control ceases.

The company and its subsidiaries are collectively referred to as the "group".

All significant inter-company transactions are eliminated in preparing the consolidated financial statements.

## MONTEGO BAY ICE COMPANY LIMITED

### Notes to the Financial Statements

December 31, 2015

#### 2. Basis of preparation and significant accounting policies (cont'd)

(f) Cash and cash equivalents:

Cash and cash equivalents comprise cash, bank balances and short-term deposits with maturity within three months, or less, from the date of acquisition. For the purpose of the statement of cash flows, bank overdraft, if any, is presented as a financing activity.

(g) Investments:

Investments are classified as loans and receivables. Loans and receivables are those that have a fixed or determinable payment and which are not quoted in an active market.

Loans and receivables are initially measured at cost and subsequently at amortised cost, calculated on the effective interest rate method, less impairment losses.

Investments are recognised/derecognised on the trade date.

(h) Accounts receivable:

Trade and other receivables are stated at amortised cost, less impairment losses.

(i) Accounts payable:

Trade and other payables are stated at amortised cost.

(j) Interest in subsidiaries:

Interest in subsidiaries is stated at cost, less impairment losses.

(k) Investment properties:

Investment properties are held either to earn rental income or for capital appreciation, or both. They are measured at cost, less accumulated depreciation and impairment losses.

(l) Property, plant and equipment:

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses. Cost includes expenditures that are attributable to the acquisition of the asset. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item, if it is probable that the future economic benefit embodied within the part will flow to the group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(m) Depreciation:

Property, plant and equipment and investment properties, with the exception of freehold land on which no depreciation is provided, are depreciated on the reducing-balance basis, at annual rates to write down the assets to their estimated residual values over their expected useful lives.

MONTEGO BAY ICE COMPANY LIMITED

Notes to the Financial Statements

December 31, 2015

2. Basis of preparation and significant accounting policies (cont'd)

(m) Depreciation (cont'd):

The depreciation rates are as follows:

Buildings	2 ½ -5%
Plant, machinery and vehicle	5-20%
Office furniture and equipment	10%

The depreciation methods, useful lives and residual values are re-assessed at each reporting date.

(n) Foreign currencies:

Transactions in foreign currencies are converted at the rates of exchange ruling on the dates of those transactions. Foreign currency balances at the reporting date are translated at the rates of exchange ruling on that date. Gains and losses arising from fluctuations in exchange rates are included in profit or loss.

For the purpose of the statement of cash flows, all foreign currency gains and losses are recognized in profit or loss and treated as cash items and included in the cash flows along with movement in the relevant balances.

(o) Related parties:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24, *Related Party Disclosures* as the “reporting entity” that is, the group).

(a) A person or a close member of that person’s family is related to the group if that person:

- (i) has control or joint control over the group;
- (ii) has significant influence over the group; or
- (iii) is a member of the key management personnel of the group or of a parent of the group.

(b) An entity is related to the group if any of the following conditions applies:

- (i) The entity and the group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

MONTEGO BAY ICE COMPANY LIMITED

Notes to the Financial Statements

December 31, 2015

2. Basis of preparation and significant accounting policies (cont'd)

(o) Related parties (cont'd):

(b) An entity is related to the group if any of the following conditions applies (cont'd):

- (v) The entity is a post-employment benefit plan established for the benefit of employees of either the group or an entity related to the group.
- (vi) The entity is controlled, or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the group or is a member of the key management personnel of the group (or of a parent of the company).
- (viii) The entity or any member of a group of which it is a part, provides key management personnel services to the group or to the parent of the group.

(c) A related party transaction involves transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

(p) Preference share capital:

Preference share capital is classified as equity, as it is non-redeemable. Dividends on preference share capital are recognised as distributions within equity.

(q) Revenue recognition:

Rental income from investment properties is accrued and recognised in profit or loss on the straight-line basis over the term of the lease agreement.

(r) Finance costs and interest income:

Finance costs comprise interest on bank overdraft, other interest and foreign exchange losses.

Interest expense and interest income on funds invested are recognised in profit or loss as they accrue, using the effective yield method.

(s) Taxation:

Income tax on the results for the year comprises current and deferred tax. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised directly to equity, in which case it is recognised in other comprehensive income.

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

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the reporting date.

## MONTEGO BAY ICE COMPANY LIMITED

### Notes to the Financial Statements

December 31, 2015

#### 2. Basis of preparation and significant accounting policies (cont'd)

##### (s) Taxation (cont'd):

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realised.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

##### (t) Impairment:

The carrying amounts of the group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset and that the loss event has an impact on the future cash flows of the asset that can be estimated. Objective evidence that financial assets are impaired can include default or delinquency by a customer or counterparty or indicators that the customer or counterparty will enter bankruptcy.

##### (i) Calculation of recoverable amount:

The recoverable amount of the group's receivables is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

##### (ii) Reversals of impairment:

An impairment loss in respect of receivables is reversed, if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed, if there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss is reversed in profit or loss.

MONTEGO BAY ICE COMPANY LIMITED

## Notes to the Financial Statements

December 31, 20153. Cash and cash equivalents

	<u>Company</u>		<u>Group</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Cash	20,000	20,000	20,000	20,000
Bank accounts	723,083	1,315,238	11,324,268	1,315,238
Certificates of deposit	-	-	<u>37,097,388</u>	<u>56,429,078</u>
	<u>\$743,083</u>	<u>1,335,238</u>	<u>48,441,656</u>	<u>57,764,316</u>

Certificates of deposit comprise foreign currency deposits of US\$309,801 (2014: US\$494,471) for the group.

4. Investments

Investments consist of corporate bonds with face value of US\$242,219 (2014: US\$230,000) for the company and group, classified as loans and receivables and carried at amortised cost.

5. Accounts receivable

Accounts receivable comprise other receivables and prepayments for the company and the group. No impairment loss was recognised during the year.

6. Accounts payable

Accounts payable comprise other payables for the company and the group.

7. Interest in subsidiaries

Interest in subsidiaries comprises unquoted shares, as follows:

	<u>2015</u>	<u>2014</u>	<u>% held</u>	<u>Main activity</u>
Montego Cold Storage Limited, at cost	<u>40,000</u>	<u>40,000</u>	66 <sup>2</sup> / <sub>3</sub>	Cold storage and property rental
Deans Valley Ice Company Limited, at cost	160	160	100	Dormant
Less: Provision for impairment	( <u>159</u> )	( <u>159</u> )		
	<u>1</u>	<u>1</u>		
	<u>\$40,001</u>	<u>40,001</u>		

**MONTEGO BAY ICE COMPANY LIMITED**Notes to the Financial Statements  
December 31, 20158. Investment properties**Company**

	<u>Freehold land and buildings</u>	<u>Plant and machinery</u>	<u>Office furniture and equipment</u>	<u>Total</u>
Cost:				
December 31, 2013	48,088,031	22,987,581	1,749,106	72,824,718
Disposals	-	( 50,000)	-	( 50,000)
Reclassified from assets held for sale	<u>-</u>	<u>3,102,961</u>	<u>-</u>	<u>3,102,961</u>
December 31, 2014 and 2015	<u>48,088,031</u>	<u>26,040,542</u>	<u>1,749,106</u>	<u>75,877,679</u>
Depreciation:				
December 31, 2013	15,388,371	21,795,388	1,396,542	38,580,301
Eliminated on disposal	-	( 50,000)	-	( 50,000)
Reclassified from assets held for sale	-	2,139,087	-	2,139,087
Charge for the year	<u>325,733</u>	<u>215,597</u>	<u>35,256</u>	<u>576,586</u>
December 31, 2014	15,714,104	24,100,072	1,431,798	41,245,974
Charge for the year	<u>309,447</u>	<u>194,037</u>	<u>31,731</u>	<u>535,215</u>
December 31, 2015	<u>16,023,551</u>	<u>24,294,109</u>	<u>1,463,529</u>	<u>41,781,189</u>
Net book values:				
December 31, 2015	<u>\$32,064,480</u>	<u>1,746,433</u>	<u>285,577</u>	<u>34,096,490</u>
December 31, 2014	<u>\$32,373,927</u>	<u>1,940,470</u>	<u>317,308</u>	<u>34,631,705</u>

**MONTEGO BAY ICE COMPANY LIMITED**

Notes to the Financial Statements  
December 31, 2015

8. Investment properties (cont'd)

**Group**

	Freehold land and buildings	Plant, machinery and motor vehicle	Office furniture and equipment	Total
Cost:				
December 31, 2013	108,475,139	24,936,497	2,829,052	136,240,688
Additions	-	-	1,171,283	1,171,283
Disposals	-	( 50,000)	-	( 50,000)
Reclassified from assets held for sale	-	3,102,961	-	3,102,961
December 31, 2014	108,475,139	27,989,458	4,000,335	140,464,932
Additions	137,324			137,324
Write-off	( 54,861)	-	-	( 54,861)
December 31, 2015	108,557,602	27,989,458	4,000,335	140,547,395
Depreciation:				
December 31, 2013	27,359,115	23,250,528	2,093,972	52,703,615
Reclassified from assets held for sale	-	2,139,087	-	2,139,087
Eliminated on disposals	-	( 50,000)	-	( 50,000)
Charge for the year	551,951	264,974	171,511	988,436
December 31, 2014	27,911,066	25,604,589	2,265,483	55,781,138
Write-off adjustment	( 20,285)	-	-	( 20,285)
Charge for the year	524,355	238,477	167,029	934,998
December 31, 2015	28,420,273	25,843,066	2,432,512	56,695,851
Net book values:				
December 31, 2015	\$ 80,137,329	2,146,392	1,567,823	83,851,544
December 31, 2014	\$ 80,564,073	2,384,869	1,734,852	84,683,794

Freehold land and buildings include land at cost of \$26,185,000 (2014: \$26,185,000) for the company and \$70,077,000 (2014: \$70,077,000) for the group.

At December 31, 2015, the fair value of investment properties amounted to \$38,070,901 (2014: \$38,070,901) for the company and \$136,770,901 (2014: \$136,770,901) for the group, as determined by the directors, having regard to market conditions for similar properties in comparable locations and categories as the investment properties.

During the year, investment properties generated income and incurred expenses as follows:

	Company		Group	
	2015	2014	2015	2014
	\$	\$	\$	\$
Income earned from properties	1,662,185	1,747,486	23,920,538	21,228,522
Expenses incurred by properties	-	-	(1,475,815)	(2,293,651)

**MONTEGO BAY ICE COMPANY LIMITED**

Notes to the Financial Statements

December 31, 2015

9. Property, plant and equipment

**Group**

	Plant, machinery and vehicle
Cost:	
December 31, 2013, 2014 and 2015	<u>7,620,470</u>
Depreciation:	
December 31, 2013	4,820,826
Charge for the year	<u>559,929</u>
December 31, 2014	5,380,755
Charge for the year	<u>447,943</u>
December 31, 2015	<u>5,828,698</u>
Net book values:	
December 31, 2015	<u>\$1,791,772</u>
December 31, 2014	<u>\$2,239,715</u>

10. Deferred tax asset

Deferred tax asset is attributable to the following:

**Group**

	<u>2013</u>	Recognised in income [note 16(a)]	<u>2014</u>	Recognised in income [note 16(a)]	<u>2015</u>
Property, plant and equipment	(59,234)	( 8,270)	( 67,504)	13,501	( 54,003)
Investment properties	76,421	171,767	248,188	16,874	265,062
Unrealised foreign exchange losses	-	-	-	1,012	1,012
Accounts receivable	( 4,706)	<u>4,706</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$12,481</u>	<u>168,203</u>	<u>180,684</u>	<u>31,387</u>	<u>212,071</u>

11. Share capital and reserves

	<u>Company and Group</u> <u>2015</u>	<u>2014</u>
(a) Share capital:		
(i) Authorised:		
52,500,000 ordinary shares at no par value		
5,000 6% cumulative non-redeemable preference shares at no par value		
(ii) Stated capital:		
Issued and fully paid:		
6,161,510 ordinary stock units	1,232,302	1,232,302
5,000 6% cumulative non-redeemable preference shares	<u>10,000</u>	<u>10,000</u>
	<u>\$1,242,302</u>	<u>1,242,302</u>

MONTEGO BAY ICE COMPANY LIMITED

## Notes to the Financial Statements

December 31, 201511. Share capital and reserves (cont'd)

## (b) Reserves comprise:

	<u>Company</u>		<u>Group</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Share premium	19,229,822	19,229,822	19,229,822	19,229,822
Capital:				
Realised gains on disposal of property, plant and equipment	4,040,053	4,040,053	4,040,053	4,040,053
Revenue:				
Retained earnings	<u>49,540,726</u>	<u>10,591,546</u>	<u>106,340,840</u>	<u>98,307,234</u>
	<u>\$72,810,601</u>	<u>33,861,421</u>	<u>129,610,715</u>	<u>121,577,109</u>

12. Non-controlling interest

Non-controlling interest (NCI) represents 33 1/3 holding in the subsidiary, Montego Cold Storage Limited and is made up as follows:

	<u>2015</u>	<u>2014</u>
Current assets	47,731,305	56,701,865
Non-current assets	51,758,897	78,667,311
Current liabilities	(14,230,284)	( 3,735,897)
Net assets	<u>85,259,918</u>	<u>131,633,279</u>
Net assets attributable to non-current investments	<u>\$28,419,972</u>	<u>43,877,759</u>

13. Gross operating revenue

Gross operating revenue represents income from the rental of properties and cold storage facilities.

MONTEGO BAY ICE COMPANY LIMITED

Notes to the Financial Statements

December 31, 2015

14. Expenses by nature

	<u>Company</u>		<u>Group</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Audit and accounting fees	1,092,800	1,008,200	2,242,800	2,108,200
Bank charges	75,476	65,116	118,675	83,552
Depreciation:				
Property, plant and equipment	535,215	576,586	983,158	1,136,515
Investment properties	-	-	399,783	411,850
Donations	-	-	20,000	102,500
Directors' fees	52,000	58,500	166,250	58,500
Electricity	468,870	549,118	468,870	549,118
Insurance	474,291	487,191	1,037,749	1,055,008
Legal and professional fees	461,500	734,625	461,500	734,625
Minimum business tax charge	60,000	60,000	120,000	120,000
Motor vehicle expense	-	-	449,061	573,018
Office expenses	354,666	116,104	354,666	116,104
Printing and stationery	5,000	8,206	5,000	8,206
Penalties and interest	-	-	4,150	-
Professional fees	-	-	438,240	474,000
Property tax	391,000	393,535	802,000	734,165
Rates and taxes	25,623	26,971	25,623	26,971
Registration fees	-	-	219,717	138,258
Repairs and maintenance	83,145	74,337	756,960	2,367,988
Safety and protection	1,488,352	1,490,310	1,488,352	1,490,310
Secretarial fees	444,241	187,000	444,241	187,000
Sundries	-	-	200	-
Staff costs:				
Salaries	-	1,865,075	1,848,000	3,713,075
Statutory contributions	-	82,536	188,080	265,013
Staff welfare	-	11,798	-	11,798
Health insurance	-	105,048	-	105,048
Stamps and telegram	2,987	2,000	2,987	2,000
Stock exchange listing fee	286,447	311,302	286,447	311,302
Travel and entertainment	3,150	3,100	3,150	3,100
Telephone	<u>229,743</u>	<u>267,479</u>	<u>229,743</u>	<u>267,479</u>
Total administrative and other expenses	<u>\$6,534,506</u>	<u>8,484,137</u>	<u>13,565,402</u>	<u>17,154,703</u>

15. Finance income

	<u>Company</u>		<u>Group</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Interest income	1,414,472	1,450,355	1,505,111	1,606,095
Foreign exchange gains	<u>2,407,629</u>	<u>2,379,259</u>	<u>4,646,253</u>	<u>6,005,997</u>
	<u>\$3,822,101</u>	<u>3,829,614</u>	<u>6,151,364</u>	<u>7,612,092</u>

MONTEGO BAY ICE COMPANY LIMITED

## Notes to the Financial Statements

December 31, 201516. Taxation

	<u>Company</u>		<u>Group</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
(a) Income tax expense:				
Current tax @ 25%	-	-	3,961,468	3,007,099
Deferred taxation:				
Origination and reversal of temporary differences (note 10)	<u>-</u>	<u>-</u>	<u>( 31,387)</u>	<u>( 168,203)</u>
Taxation expense recognised in profit or loss	<u>\$ -</u>	<u>-</u>	<u>3,930,081</u>	<u>2,838,896</u>
(b) Reconciliation of effective tax charge:				
	<u>Company</u>		<u>Group</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Profit/(loss) for the year before taxation	<u>\$38,949,780</u>	<u>(2,157,037)</u>	<u>16,506,500</u>	<u>12,435,911</u>
Computed "expected" tax charge/(credit)	9,737,445	( 539,299)	14,126,625	3,108,978
Tax effect of differences between treatment for financial statement and taxation purposes:				
Depreciation and capital allowances	789	(1,889,184)	101,405	( 2,111,239)
Disallowable (income)/expenses	59,564	( 77,875)	129,368	47,456
Foreign exchange gains	( 260,870)	( 589,724)	( 830,389)	( 1,496,410)
Effect of change in tax rate	-	-	-	254,029
Tax credit	-	-	( 60,000)	( 60,000)
Tax losses	<u>( 9,536,928)</u>	<u>3,096,082</u>	<u>(9,536,928)</u>	<u>3,096,082</u>
Actual taxation charge recognised in profit or loss	<u>\$ -</u>	<u>-</u>	<u>3,930,081</u>	<u>2,838,896</u>

- (c) At December 31, 2015, taxation losses, subject to agreement by the Commissioner, Tax Administration Jamaica, available for relief against future taxable profits, amounted to approximately \$110 million (2014: \$76 million) for the company and group. If unutilised, these can be carried forward indefinitely. However; the amount that can be utilized in any one year is restricted to 50% of the taxable income of that year.
- (d) A deferred tax asset of \$27 million (2014: \$19 million) for the company and group, relating to available tax losses and timing differences, has not been recognised, as the directors and management consider that the financial and operational strategies initiated to utilise the benefits of the tax losses are still in progress.

MONTEGO BAY ICE COMPANY LIMITEDNotes to the Financial Statements  
December 31, 201517. Staff costs

	<u>Company</u>		<u>Group</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Laundry	-	9,275	-	9,275
Staff welfare	-	2,523	-	2,523
Salaries and wages	-	1,865,075	1,848,000	1,865,075
Health insurance	-	105,048	-	105,048
Statutory contributions	-	82,536	188,080	265,013
	<u>\$ -</u>	<u>2,064,457</u>	<u>2,036,080</u>	<u>2,246,934</u>

18. Earnings/(loss) per ordinary stock unit

The earnings/(loss) per ordinary stock unit is calculated by dividing the profit/(loss) for the year attributable to owners by the ordinary stock units in issue during the year.

	<u>Company</u>		<u>Group</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Profit/(loss) attributable to owners	<u>\$38,949,780</u>	<u>(2,157,037)</u>	<u>8,034,206</u>	<u>5,347,510</u>
Number of stock units in issue	<u>6,161,150</u>	<u>6,161,150</u>	<u>6,161,150</u>	<u>6,161,150</u>
Earnings/(loss) per stock unit	<u>\$ 6.32</u>	<u>( 0.35)</u>	<u>1.30</u>	<u>0.92</u>

19. Dividends

- (i) Preference dividends in arrears at December 31, 2015 amounted \$283 (2014: \$1,327).
- (ii) On December 2, 2015, the Board of Directors of Montego Cold Storage Limited passed a resolution for the payment of dividends amounting to \$60,000,000 to its shareholders out of retained earnings. Dividends of \$40,000,000 was paid to the company.

20. Related party balance and transactions

- (a) In the prior year, the amount due to the subsidiary, Montego Cold Storage Limited, was unsecured and interest-free. The amount repaid during the year.
- (b) Amounts due from subsidiary are unsecured, interest free and repayable on demand.
- (c) During the year, the company and the group had the following transactions at arm's length in the ordinary course of business with related parties:

	<u>Company</u>		<u>Group</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Companies under common control:				
Rental income	-	-	(7,668,226)	(6,566,426)
Short term compensation of key management personnel included in staff costs	<u>-</u>	<u>-</u>	<u>1,848,000</u>	<u>1,848,000</u>

## MONTEGO BAY ICE COMPANY LIMITED

### Notes to the Financial Statements

December 31, 2015

#### 21. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

The group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk

This note presents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk, and the group's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the group's risk management framework.

##### (a) Credit risk:

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from accounts receivable, investments and cash and cash equivalents.

Accounts receivable:

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The group did not have any trade receivables as at the reporting period.

Investment securities and cash and cash equivalents:

The group limits its exposure to credit risk by only investing, where possible, with financial institutions that are appropriately licensed and regulated and by obtaining sufficient collateral as a means of mitigating the risk of financial loss from defaults. There is a 100% concentration of credit risk in investment securities and a significant concentration in cash and cash equivalents.

##### (b) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The group generally ensures availability of sufficient cash on demand to meet operational expenses. The contractual cash outflow for the group's financial liabilities is represented by their carrying amounts and requires settlement within 12 months of the reporting date.

There were no changes to the group's approach to managing liquidity risk during the year.

## MONTEGO BAY ICE COMPANY LIMITED

### Notes to the Financial Statements

December 31, 2015

#### 21. Financial instruments (cont'd)

##### (c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the group'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 parameters, while optimising the return on risk.

There were no changes to the group's approach to managing market risk during the year.

##### (i) Foreign currency risk:

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

The group is exposed to foreign currency risk on transactions that are denominated in a currency other than its functional currency, primarily the United States dollar (US\$).

At December 31, 2015, foreign currency assets aggregated US\$250,071 (2014: \$231,501) for the company and US\$563,147 (2014: US\$724,471) for the group. The group has no foreign currency denominated liability.

Exchange rates for the Jamaica dollars in terms of the US\$ were:

December 31, 2015	\$119.64
December 31, 2014	\$114.12

##### Sensitivity analysis

An 8% (2014: 10%) strengthening of the US\$ against the Jamaica dollar at December 31, 2015, would have increased profit for the year by \$2,393,518 (2014: \$2,641,889) for the company and \$5,358,732 (2014: \$8,267,663) for the group.

A 1% (2014: 1%) weakening of the US\$ against the Jamaica dollar would have reduced profit for the year by \$299,185 [2014: \$(264,189)] for the company and \$673,724 (2014: \$826,766) for the group. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2014.

##### (ii) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The group limits its exposure to changes in interest rates by investing in securities at fixed interest rates for the duration of the term which is generally 90 days or less.

At December 31, 2015, financial assets subject to fixed interest rates aggregated \$29,544,180 (2014: \$26,361,073) for the company and \$66,641,536 (2014: \$82,790,151) for the group.

At December 31, 2015, the company and group had no financial liabilities subject to fixed interest rates.

MONTEGO BAY ICE COMPANY LIMITED

Notes to the Financial Statements

December 31, 2015

21. Financial risk management (cont'd)

(c) Market risk (cont'd):

(ii) Interest rate risk (cont'd):

*Sensitivity analysis*

At the reporting date, the group only had fixed rate financial assets and liabilities carried at amortised cost. Therefore, changes in market interest rates will neither affect the cash flows nor the carrying amount of the instruments.

(d) Capital management:

It is the Board's policy to maintain a strong capital base so as to sustain future development of the business. The Board of Directors monitors the return on capital, which the company defines as total equity, comprising share capital, capital reserves and retained earnings. Neither the company nor its subsidiary, is subject to externally imposed capital requirements. There was no change in how the company manages capital during the year.

- (e) Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument. The group has no financial instruments that are carried at fair value. The carrying value of the group's financial instruments approximates their fair value, due to their short-term nature, except for related party balances.

The fair value of related party balances could not be determined as the balances are interest-free, however, they are assumed to approximate carrying value due to the right to effect set-off of the balances.