The background is a vibrant blue collage of various ice cream items, including cones, bars, and scoops, rendered in a lighter blue, semi-transparent style. Scattered throughout are several 3D block letters in different colors: a green 'R' near the top center, a pink 'R' to the right of the 'OUR BRAND' section, a green 'E' to the left of the 'OUR BRAND' section, an orange 'M' at the bottom right, and a green '1' at the bottom center.

## OUR VISION

THE #1 ICE CREAM COMPANY  
IN THE CARIBBEAN.

## OUR BRAND

Kremi Ice Cream, manufactured by Caribbean Cream Limited, was born out of a family of the island's leading producers of premium ice cream. Boasting bold, tropical, Jamaican flavours like Rum and Raisin, Grapenut, Orange-Pineapple, Stout and Coffee Rum Cream, our ice cream is produced locally at the highest quality to meet international standards. Propelled by our commitment to innovation, we have rebranded and expanded our facilities in order to meet the growing demand. Our consumers have been attracted to our bold new packaging and the same great, high quality Kremi taste!

# ANNUAL '18 REPORT

**04**

Notice of Annual  
General Meeting

**06**

Chairman's  
Message

**08**

Directors' Report

**11**

Management  
Discussion and  
Analysis

**20**

Corporate  
Governance

**22**

Board of Directors

**24**

Senior  
Management  
Team

**26**

Shareholdings

**28**

Independent  
Auditors' Report

**34**

Statement of  
Financial Position

**35**

Statement of  
Profit or Loss  
and Other  
Comprehensive  
Income

**36**

Statement of  
Changes in Equity

**37**

Statement of  
Cash Flows

**35**

Notes to the  
Financial  
Statements

Expanding our Capacity for Greater Sweetness



## Our Products



### BULK ICE CREAM

Perfect for 'fudgies' (mobile vendors), parties, schools or large events and available in both 3 and 1.5 gallon boxes with 20 flavours including: Grapenut, Cherry Pineapple, Choco Swag, Coffee Rum Cream, Rum & Raisin and Stout.



### ICE CREAM TUBS

Conveniently packaged for the entire family to enjoy at home! Our wide range of flavours are available in supermarkets and convenience stores islandwide.





## ICE CREAM CAKES

Ideal for an individual treat or an on-the-go snack! These delicious treats are available in individual 265g packaging or in cases of 12s.



## FROZEN NOVELTIES

We also distribute a wide range of Frozen Novelties. These are sweet treats irresistible to both children and adults alike.

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2018 Annual General Meeting of CARIBBEAN CREAM LIMITED will be held at the Knutsford Court Hotel, 16 Chelsea Avenue, Kingston 5, New Kingston on Tuesday, September 25, 2018 at 10 a.m. for the purpose of transacting the following business:

1. To receive the Audited Accounts for the year ended February 28, 2018 together with the reports of the Directors and Auditors thereon,

The Company is asked to consider, and if thought fit, pass the following resolution:

**Resolution No. 1**

"That the Audited Accounts for the year ended February 28, 2018, together with the reports of the Directors and Auditors thereon, be and are hereby adopted."

2. To elect Directors.

- (i) The Directors retiring by rotation in accordance with Regulation 105 of the Company's Articles of Incorporation are Mr. Michael Vacciana and Mrs. Carol Clarke Webster, who being eligible for re-election, offer themselves for re-election.

The Company is being asked to consider and, if thought fit, pass the following resolutions:

**Resolution No. 2**

"That the Directors, retiring by rotation, be re-elected by a Single Resolution."

**Resolution No. 3**

"That Mr. Michael Vacciana and Mrs. Carol Clarke Webster be and are hereby re-elected as Directors of the Company."

3. To ratify interim dividends

The Company is asked to consider and, if thought fit, to pass the following resolution:

**Resolution No. 4**

"That the interim dividend of six (6) cents paid on September 22, 2017 be and is hereby ratified and declared final for 2017."

4. To approve the remuneration of the Directors.

The Company is asked to consider and, if thought fit, to pass the following resolution:

**Resolution No. 5**

"That the amount shown in the Audited Accounts of the Company for the year ended February 28, 2018 as fees of the Directors for their services as Directors, be and are hereby approved."

5. To appoint Auditors and to authorize the Directors to fix the remuneration of the Auditors.

The Company is asked to consider and, if thought fit, pass the following resolution:

**Resolution No. 6**

"That the remuneration of the Auditors, KPMG, Chartered Accountants, who have signified their willingness to continue in office, be such as may be agreed between the Directors of the Company and the Auditors."

Dated May 31, 2018  
By Order of the Board



Denise Douglas  
Company Secretary  
Registered Office  
3 South Road  
Kingston 10

**NOTE:**

1. A member entitled to attend and vote at the meeting may appoint a proxy, who need not be a member, to attend and so on a poll, vote on his/her behalf. A suitable form of proxy is enclosed. Forms of Proxy must be lodged with the Registrar of The Company, Jamaica Central Securities Depository, 40 Harbour Street, Kingston not less than 48 hours before the time of the meeting.
2. A corporate shareholder may (instead of appointing a proxy) appoint a representative in accordance with Regulation 75 of the Company's Articles of Incorporation. A copy of Regulation 75 is set out on the enclosed detachable proxy form.



# CHAIRMAN'S MESSAGE



In this the fifth year since we were listed on the Junior Stock Exchange, the revenue of Caribbean Cream Limited (CCL) reached an all-time high of J\$1.37 billion in sales. This was achieved amid challenges brought on by heavy rainfall, which hampered sales for a part of the year.

The demand for our products has focused our attention on increasing capacity, standardising the manufacturing and quality of our products across local and foreign markets and strengthening the effectiveness of our distribution network.

In this regard, we invested in new equipment during the period, aimed at increasing our production capacity and in keeping with our plans to offer a wider variety of products to the market. Our expansion plans also saw the company adding cold storage capacity, while introducing another shift to meet heightened production. In addition, we have engaged a team of consultants to assist us to obtain HAACP certification.

In keeping with our strategies to widen our distribution network, we continued our shop branding and freezer placement initiatives

islandwide, while we also concentrated on strengthening relationships with our customers and consumers through various sales programmes.

As we work towards achieving even better performance, we are constantly evaluating the effectiveness of our distributors, wholesalers and resellers to ensure that our products are always available to our customers.

Overall, it was a good year of growth and development and we continue to expand our capacity for an even more productive and profitable year ahead.

A handwritten signature in black ink that reads "Carol Clarke-Webster". The signature is written in a cursive, flowing style.

Carol Clarke-Webster  
Chairman

# DIRECTORS' REPORT

The Directors are pleased to present their report for the financial year ended February 28, 2018. The following are highlights of the Audited Financial statements:

	Year ended Feb 2018 \$'000	Year ended Feb 2017 \$'000 (Restated)
<b>Revenue</b>	1,373,279	1,213,549
<b>Gross Profit</b>	420,325	461,837
<b>Net Profit after tax</b>	89,759	176,185
<b>Net Current Assets</b>	185,967	250,846
<b>Accumulated profits</b>	526,080	459,035
<b>Earnings per stock unit</b>	\$0.24	\$0.47

The Directors as at February 28, 2018 were as follows:

Christopher Clarke	Wayne Wray
Carol Clarke-Webster	Mark McKenzie
Matthew Clarke	Michael Vacciana

In accordance with Regulation 105 of the Company's Articles of Incorporation, Directors Carol Clarke Webster and Michael Vacciana will retire by rotation and, being eligible, offer themselves for re-election.

## Dividend

A dividend of \$0.06 per share was paid on September 22, 2017 to shareholders registered at the close of business on September 8, 2017.

## Auditors

The company auditors, KPMG, Chartered Accountants, have indicated a willingness to continue in office pursuant with the provisions of Section 154(2) of the Companies Act.

The Directors wish to place on record their appreciation and recognition of the dedicated efforts and hard work given by the officers and staff of the company.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS



Carol Clarke-Webster  
Chairman

# MD & A

MANAGEMENT DISCUSSION AND ANALYSIS



# SEVEN YEAR FINANCIAL REVIEW



	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>STATEMENT OF PROFIT OR LOSS</b>							
Revenue	1,373,279	1,213,549	1,134,933	1,012,861	855,568	675,708	431,023
Gross Profit *	420,325	461,837	453,640	279,248	205,930	130,083	109,734
GP Margin	31%	38%	40%	28%	24%	19.3%	25.5%
Net Profit/(Loss) after tax *	89,759	176,185	167,190	60,214	38,525	(3,257)	31,362
NP Margin	7%	15%	15%	6%	5%	-0.5%	7%
Earnings per stock unit *	\$0.24	\$0.47	\$0.44	\$0.16	\$0.10	(\$0.01)	-
<b>STATEMENT OF FINANCIAL POSITION</b>							
Property, plant and equipment *	514,628	401,245	337,191	353,274	324,443	224,219	118,229
Net Current Assets/(Liabilities)	185,967	250,846	178,240	18,555	(25,510)	(24,430)	(20,761)
Total Borrowings	81,645	101,830	125,456	150,237	134,972	85,591	52,111
Number of shares	378,568	378,568	378,568	378,568	378,568	302,854	1
Stockholder's equity *	637,491	570,446	413,189	245,999	185,784	115,885	46,379
Dividend payment	22,714	18,928	-	-	-	-	-

The \* denotes items with restated values. The company changed its accounting policy from the revaluation method to the cost method for certain classes of machinery and equipment included in property, plant and equipment.

## COMPANY PROFILE AND OVERVIEW

CCL is incorporated and has been domiciled in Jamaica since 2006. 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 unwavering pursuit and # 1 goal remains to realise a consistent delivery of high quality, affordable ice cream in the Caribbean.

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

## MANAGEMENT'S RESPONSIBILITY

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

In preparing the financial statements, CCL's management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of, unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

CCL's management is also responsible for the other information, which comprises the information included in the annual report.

## FINANCIAL PERFORMANCE OVERVIEW

### GENERAL OVERVIEW

CCL continues to be profitable, realising a net profit of approximately \$90 million, increasing its property, plant and equipment to \$514 million, maintaining its liquidity in the \$170 million region and ensuring that its shareholders are rewarded by the distribution of dividend totaling \$22.7 million.

Revenue continues to grow in spite of increased costs of key raw materials. The company strategically held prices to gain further inroads into the market for most of the year.

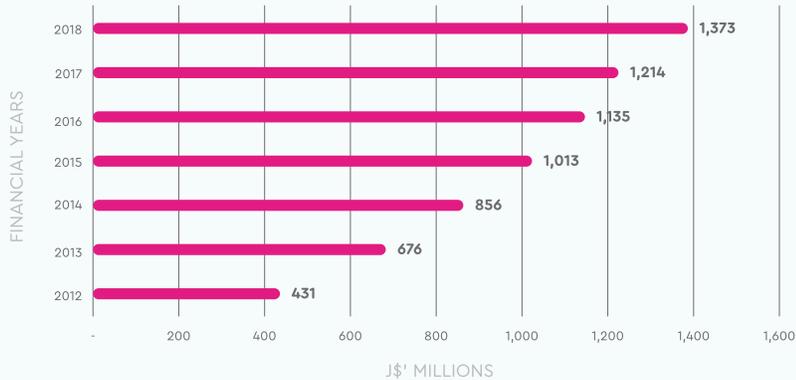
The company continues to invest in capital equipment to modernise the plant, therefore, positioning CCL to become HACCP compliant, thereby making way for more growth from both the domestic and the export markets.

When compared to last year, the results for the financial year are below expectations. However, the team is confident that our goals for the upcoming financial year are achievable.

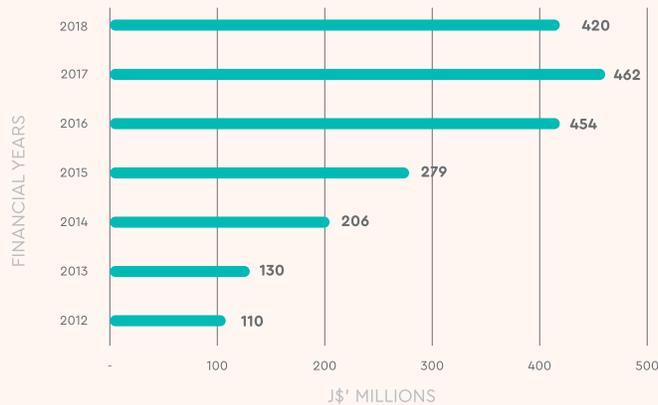
### STATEMENT OF PROFIT OR LOSS

During the year, the company increased revenue to \$1.37 billion, up by \$160 million or 13% compared to last year. Sales were hindered somewhat by the unusual climatic conditions that the country faced within the period under review. Notwithstanding, the company experienced sales growth through the continued expansion of its customer base.

## SALES REVENUE



## GROSS PROFIT



The company faced increased costs on major raw materials, utilities, and staffing. Staffing cost grew as a result of the change of our production shift system to meet increased market demand. As a result, cost of operating revenue for the year was \$953 million, up by \$201 million or 27%. Gross profit was \$420 million.

## NET PROFIT



The Company reported a net profit of \$89.8 million for the financial year, ended February 28, 2018. This was \$86 million or 49% below last year. The earnings per share were \$0.24.

### Operating Expenses

Total operating expenses for the year were \$336.9 million or 15% above last year.

- (1) Administrative costs totalled \$275 million and were above last year by \$43 million or 18%:
  - a. Salaries and wages increased by \$14 million or 12% and included a new management position with responsibility for driving sales.
  - b. Utility costs increased by \$6.1 million or 39%. The key expense was additional storage space for finished products.
  - c. Repairs and maintenance increased by \$8.5 million or 90% to meet industry compliance standards.
  - d. Cleaning and sanitation costs increased by \$5.7 million or 24%.
- (5) Marketing, sales and distribution costs were \$46.6 million, a decrease of \$1.1 million or 2.4%.
- (6) Finance costs totalled \$15.3 million which was above last year by \$1.9 million or 14%.

### STATEMENT OF FINANCIAL POSITION

Total assets less current liabilities were \$700.6 million, an increase of \$48.5 million or 7% over last year. Property, plant and equipment for the year amounted to \$514.6 million where the Company increased its capital expenditure by \$167 million. The company changed its accounting policy from the revaluation method to the cost method for certain classes of machinery and equipment included in property, plant and equipment.

## NET CURRENT ASSETS



Net current assets totalling \$186 million were below last year by \$65 million as a result of lower inventory held at the year end. Cash and cash equivalents totalling \$175 million includes both fixed deposits and bank balances.

## RISK MANAGEMENT AND INTERNAL CONTROLS

The main goal of CCL is to ensure that the outcome of risk taking activities maximises shareholders' returns.

The Audit Committee is established by the Board to provide oversight of this function.

The risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities. Management standards and procedures aim to develop a disciplined and controlled environment in which all employees understand their roles and obligations.

## RISK OVERVIEW

### *Financial risk management*

The company has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk, which include interest rate risk and currency risk.

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

### **Credit Risk**

Credit risk relates to financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally on trade and other receivables, as well as cash and cash equivalents. There is no significant

concentration of credit risk and the maximum exposure to credit risk is represented by the carrying amount of each financial asset.

### **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's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid resources to meet its financial liabilities when due. This must be done under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. Liquidity risk may result from an inability to sell a financial asset at, or close to, its fair value.

### **Currency Risk**

Currency risk is the risk that the value or cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The company is exposed to currency risk on transactions that are denominated in a currency other than its functional currency. The main currencies giving rise to this risk are the United States dollar (US\$) and the Canadian dollar (CDN\$).

The company ensures that the risk is kept to an acceptable level by monitoring its risk exposure and by maintaining funds in US\$ as a hedge against adverse fluctuations in exchange rates.

### **Interest Rate Risk**

Interest rate risk is the risk that the value or cash flows of a financial instrument will fluctuate due to changes in market interest rate.

The company minimises interest rate risk by investing mainly in fixed rate instruments and contracting liabilities at fixed rates, where possible. The company's interest rate risk arises mainly from bank loans.

### *Other Risks – Quality, Environment and Safety*

The company is committed to maintaining a safe and healthy environment for our employees, customers and other stakeholders, while protecting the environment of the communities in which we do business. We continue to ensure that all production waste is disposed of in a manner compliant to regulations set forth by the Ministry of Health and NEPA. We also ensure that all employees are trained in the requisite Good Manufacturing Practices.



# CORPORATE AND SOCIAL RESPONSIBILITY



We continue to follow our passion of giving back to the community by establishing relationships with our basic and primary schools. The "Treat Ah School" programme focuses on Early Childhood Education. The benefit to the children, apart from the obvious ice cream treat, is that Kremi creates the environment for fostering a sense of care, unity and togetherness and being a part of their foundation in that no matter how small they are, their dreams and aspirations are attainable once they keep focused.

Additionally, the company continues its social responsibility by investing and supporting our football team within the Business House Five-a-Side competition. This competition, which is a well-recognised event, fosters camaraderie among the Kreml staff and is comprised of representatives from different departments. This also provides an opportunity for the team members to display leadership skills and take responsibility for representing the company in the wider community.





## FUTURE OUTLOOK

In spite of the many challenges faced by the company in the last financial year, we give thanks for the achievements that were made. As we 'bounce back' for the upcoming financial year, we are even more determined and committed to achieving the goals that will help us to be the #1 ice cream company in the Caribbean, by the grace of God.

In the upcoming year, our objectives are to:

- Continue the drive to increase the overall sales volume.
- Continue capital investment.
- Develop new products.
- Meet HACCP compliance standards.
- Continue to achieve operational efficiencies.
- Train and develop our team.

We are grateful to everyone who has helped us to achieve our past successes and those who will be there with us in future endeavours.

# CORPORATE GOVERNANCE

The Board of Directors of Caribbean Cream Limited is responsible for the Company's system of corporate governance and ultimately accountable for the Company's activities, strategy, risk management and financial performance. The Board has the authority, and is accountable to shareholders, for ensuring that the Company is appropriately managed and achieves the strategic objectives it sets.

## Board of Directors' Composition

As of February 28, 2018, the Board of Directors is comprised of 5 non-executive directors and 1 executive director, who are qualified, objective, committed and possess diverse skill sets and the background to effectively serve on the various committees of the board. The names of the directors and their qualifications are set out in the Directors' Profile section of this report. The definitions of these directors are:

- **A non-executive director** is a member of the board of directors who does not engage in the day to day management but may be involved in policymaking and planning exercises.
- **An executive director** is a member of the board of directors who is heavily involved in the day to day management of the company.

The Board and its Committees –

1. **Carol Clarke-Webster – Chairman**
2. **Christopher Clarke**
3. **Matthew Clarke**
4. **Mark McKenzie**
5. **Michael Vacciana**
6. **Wayne Wray**

## Audit Committee

The Audit Committee is an operating committee of the company's board of directors. It maintains direct communication with the company's financial controller. Its role includes the oversight of financial reporting, the monitoring of accounting policies, the oversight of any external auditors, regulatory compliance, and the discussion of risk management policies with management.

The Audit Committee consists of 4 directors:

**Wayne Wray – Non-Executive Chairman**  
**Christopher Clarke – Executive Director/CEO/MD**  
**Mark McKenzie – Non-Executive Director**  
**Michael Vacciana – Non-Executive Director**

## Compensation Committee

The Compensation Committee is a sub-committee of the company's board of directors. It is mainly responsible for setting the compensation level of senior management. It also assists in providing oversight for all matters relating to compensation for all other staff and

will make recommendations as are necessary to ensure that compensation is fair and equitable at all levels of the organization. In addition, the Committee shall ensure that compensation levels are competitive within the industry and environment, in order to allow the company to attract and retain qualified, experienced and proficient persons.

The Compensation Committee consists of 3 directors:  
**Mark McKenzie – Non-Executive Chairman**  
**Carol Clarke-Webster – Non-Executive Director**  
**Wayne Wray – Non-Executive Director**

The Members of the Committee and their attendance at the respective meetings for the 2018 financial year is reflected in the table below:

	Annual General Meeting	Board of Directors' Meeting	Audit Committee Meeting	Compensation Committee Meeting
Number of meetings for the year	1	5	5	3
Christopher Clarke	1	5	5	3
Matthew Clarke	1	5	1	-
Carol Clarke-Webster	1	3	-	1
Mark McKenzie	1	5	5	3
Michael Vacciana	1	5	2	-
Wayne Wray	1	5	5	3

# BOARD OF DIRECTORS



**1**

**Mrs. Carol  
Clarke-Webster**  
Chairman



**2**

**Mr. Christopher Clarke**  
Managing Director & Chief  
Executive Officer



**3**

**Dr. Matthew  
Clarke**  
Director



4

**Mr. Mark McKenzie**  
Non-Executive  
Director



5

**Mr. Michael Vacciana**  
Non-Executive  
Director



6

**Mr. Wayne Wray**  
Non-Executive  
Director &  
Mentor





5.

6.

## SENIOR MANAGEMENT

- 1** **Karen M. Williams**  
FINANCIAL CONTROLLER
- 2** **Dean Clarke**  
CHIEF SALES AND  
DISTRIBUTION OFFICER
- 3** **Fay Williams**  
HUMAN RESOURCE  
MANAGER
- 4** **Christopher Clarke**  
MANAGING DIRECTOR &  
CHIEF EXECUTIVE OFFICER
- 5** **David Radlein**  
CHIEF MARKETING OFFICER
- 6** **Stephen Lloyd**  
CHIEF OPERATIONS OFFICER

## LIST OF TOP TEN (10) LARGEST SHAREHOLDERS AS AT FEBRUARY 28, 2018

Shareholder	Units
Scoops Un-Limited Limited	121,535,449
Matthew G. Clarke	60,055,425
Carol Webster/Christopher Clarke	58,521,764
Christopher A. Clarke	35,133,399
Resource In Motion Limited	32,479,583
Mayberry West Indies Limited	8,235,001
Everton J. Smith	8,228,705
JI Limited	5,000,000
Mayberry Investment Retirement Scheme	2,331,436
JNBS Pension Trustees Nominees Limited	2,073,664

## SHAREHOLDINGS OF DIRECTORS, OFFICERS AND CONNECTED PARTIES AS AT FEBRUARY 28, 2018

Director	Shareholdings	Connected Parties	Shareholdings
Carol Webster	58,521,764	Christopher Clarke	
		Scoops Un-Limited Limited	121,535,449
Matthew G. Clarke	60,055,425	Scoops Un-Limited Limited	121,535,449
Christopher A. Clarke	30,133,399		
Christopher A. Clarke	5,000,000	Kamoy S. Clarke (joint holder)	
		Scoops Un-Limited Limited	121,535,449
Mark McKenzie	1,287,558	—	
Wayne Wray	200,000		
	1,043,249	Christine Randle	
	6,835	Craig A. Singh	
Michael Vacciana	0	Ryan McCalla	

## SHAREHOLDINGS OF SENIOR MANAGERS AND CONNECTED PARTIES AS AT FEBRUARY 28, 2018

Senior Manager	Shareholdings	Connected Parties	Shareholdings
David Radlein	100,000	Catherine Radlein	
Karen Williams	80,855	Vyris Williams	



# AUDITED FINANCIAL STATEMENTS



KPMG  
Chartered Accountants  
P.O. Box 76  
6 Duke Street  
Kingston  
Jamaica, W.I.  
+1 (876) 922 6640  
firmmail@kpmg.com.jm

## INDEPENDENT AUDITORS' REPORT

To the Members of  
CARIBBEAN CREAM LIMITED

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Caribbean Cream Limited (“the company”), set out on pages 34 to 59, which comprise the statement of financial position as at February 28, 2018, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at February 28, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

#### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG, a Jamaican partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.

R. Tarun Handa  
Cynthia L. Lawrence  
Rajan Trehan  
Norman O. Rainford  
Nigel R. Chambers

W. Gihan C. de Mel  
Nyssa A. Johnson  
Wilbert A. Spence  
Rochelle N. Stephenson



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
CARIBBEAN CREAM LIMITED

**Report on the Audit of the Financial Statements (continued)**

**Key Audit Matter**

Key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

*Carrying amount of trade receivables*

<i>Key Audit Matter</i>	<i>How the matter was addressed in our audit</i>
<p>The carrying value of the company's trade receivables may not be recoverable due to changes in the business and economic environment in which specific customers operate. There is judgment involved in determining the levels of allowance for impairment on these balances, because of the uncertainty involved in estimating the timing and amount of future collections.</p>	<p>Our audit procedures in response to this matter, included:</p> <ul style="list-style-type: none"><li>• Testing the company's recording and ageing of trade receivables.</li><li>• Testing subsequent receipts for selected customer accounts.</li><li>• Evaluating the adequacy of the allowance for impairment recognized in respect of the company's trade receivables by assessing management's assumptions used and re-performing the calculation.</li></ul>



## INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
CARIBBEAN CREAM LIMITED

### **Report on the Audit of the Financial Statements (continued)**

#### *Other information*

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

#### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS 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.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.



## INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
CARIBBEAN CREAM LIMITED

### **Report on the Audit of the Financial Statements (continued)**

#### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditors' report. This description, which is located at pages 5 to 6, forms part of our auditors' report.

### **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.

The engagement partner on the audit resulting in this independent auditors' report is Wilbert Spence.

Chartered Accountants  
Kingston, Jamaica

April 26, 2018



## INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
CARIBBEAN CREAM LIMITED

### Appendix to the Independent Auditors' report

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



## INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
CARIBBEAN CREAM LIMITED

### **Appendix to the Independent Auditors' report (continued)**

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## CARIBBEAN CREAM LIMITED

### Statement of Financial Position February 28, 2018

(Expressed in Jamaica dollar unless otherwise stated)

	Notes	2018	Restated*	
			2017	2016
<b>NON-CURRENT ASSET</b>				
Property, plant and equipment	3	514,627,524	401,244,654	337,191,495
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	4	174,734,550	176,182,137	152,523,086
Trade and other receivables	5	65,956,407	52,683,102	46,963,856
Inventories	6	92,709,122	161,221,320	73,343,031
Total current assets		333,400,079	390,086,559	272,829,973
<b>CURRENT LIABILITIES</b>				
Trade and other payables	7	128,891,940	119,054,700	71,376,204
Current portion of long-term loans	8	18,541,270	20,185,504	23,214,227
Total current liabilities		147,433,210	139,240,204	94,590,431
Net current assets		185,966,869	250,846,355	178,239,542
Total assets less current liabilities		700,594,393	652,091,009	515,431,037
<b>NON-CURRENT LIABILITY</b>				
Long-term loans	8	63,103,262	81,644,979	102,242,047
<b>EQUITY</b>				
Share capital	9	111,411,290	111,411,290	111,411,290
Accumulated profits		526,079,841	459,034,740	301,777,700
Total equity		637,491,131	570,446,030	413,188,990
Total non-current liability and equity		700,594,393	652,091,009	515,431,037

The financial statements on pages 7 to 32 were approved for issue by the Board of Directors on April 26, 2018 and signed on its behalf by:



Carol Clarke Webster

Director



Christopher Clarke

Director

\* See note 19 The accompanying notes form an integral part of the financial statements.

## CARIBBEAN CREAM LIMITED

### Statement of Profit or Loss and Other Comprehensive Income Year ended February 28, 2018

*(Expressed in Jamaica dollar unless otherwise stated)*

	<u>Notes</u>	<u>2018</u>	<u>Restated*</u> <u>2017</u>
Gross operating revenue	10	1,373,279,233	1,213,548,844
Cost of operating revenue	11	<u>(952,953,996)</u>	<u>(751,712,342)</u>
Gross profit		420,325,237	461,836,502
Other income		<u>2,247,921</u>	<u>2,299,345</u>
		422,573,158	464,135,847
Administrative, selling and distribution expenses:			
Administrative		(275,031,285)	(231,789,269)
Selling and distribution		<u>(46,643,441)</u>	<u>(47,777,103)</u>
	11	<u>(321,674,726)</u>	<u>(279,566,372)</u>
Operating profit before finance costs and taxation		100,898,432	184,569,475
Finance income - interest		4,123,161	5,025,616
Finance costs, net	12	<u>(15,262,405)</u>	<u>(13,409,645)</u>
Profit, being total comprehensive income for the year		<u>89,759,188</u>	<u>176,185,446</u>
Earnings per stock unit	14	<u>0.24</u>	<u>0.47</u>

\* See note 19 The accompanying notes form an integral part of the financial statements.

## CARIBBEAN CREAM LIMITED

### Statement of Changes in Equity Year ended February 28, 2018

*(Expressed in Jamaica dollar unless otherwise stated)*

	Share capital (Note 9)	Revaluation reserve (Note 19)	Accumulated profits	Total
Balances as at February 29, 2016:				
As previously reported	111,411,290	34,480,236	291,433,628	437,325,154
Prior year adjustment (note 19)	-	(34,480,236)	10,344,072	(24,136,164)
Balances as at February 29, 2016, as restated	<u>111,411,290</u>	<u>-</u>	<u>301,777,700</u>	<u>413,188,990</u>
Total comprehensive income:				
Profit, being total comprehensive income for the year, as previously stated	-	-	172,737,422	172,737,422
Prior year adjustment (note 19)	-	-	3,448,024	3,448,024
Profit for the year, as restated	<u>-</u>	<u>-</u>	<u>176,185,446</u>	<u>176,185,446</u>
Transactions with owners:				
Dividend distribution (note 17)	-	-	(18,928,406)	(18,928,406)
Balances as at February 28, 2017, as restated	<u>111,411,290</u>	<u>-</u>	<u>459,034,740</u>	<u>570,446,030</u>
Total comprehensive income:				
Profit, being total comprehensive income for the year	-	-	89,759,188	89,759,188
Transactions with owners:				
Dividend distribution (note 17)	-	-	(22,714,087)	(22,714,087)
Balances as at February 28, 2018	<u><u>111,411,290</u></u>	<u><u>-</u></u>	<u><u>526,079,841</u></u>	<u><u>637,491,131</u></u>

\* See note 19 The accompanying notes form an integral part of the financial statements.

## CARIBBEAN CREAM LIMITED

### Statement of Cash Flows Year ended February 28, 2018

(Expressed in Jamaica dollar unless otherwise stated)

	Notes	2018	Restated* 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the year		89,759,188	176,185,446*
Adjustments for:			
Depreciation	3	53,940,302	45,067,649*
Interest expense	12	10,390,648	11,480,042
Interest income		(4,123,161)	(5,025,616)
Gain on disposal of property, plant and equipment		-	(1,400,943)
Operating profit before changes in working capital		<u>149,966,977</u>	<u>226,306,578</u>
Trade and other receivables		(13,155,139)	(5,657,763)
Inventories		68,512,198	(87,878,289)
Trade and other payables		9,837,240	47,678,496
Interest paid		(10,390,648)	(11,480,041)
Interest received		4,004,995	4,964,133
Net cash provided by operating activities		<u>208,775,623</u>	<u>173,933,114</u>
<b>CASH FLOWS USED BY INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment	3	(167,323,172)	(112,136,732)
Proceeds from sale of property, plant and equipment		-	4,416,867
Net cash used by investing activities		<u>(167,323,172)</u>	<u>(107,719,865)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of bank loans		(20,185,951)	(23,625,792)
Dividend distribution	17	(22,714,087)	(18,928,406)
Net cash used by financing activities		<u>(42,900,038)</u>	<u>(42,554,198)</u>
Net (decrease)/increase in cash and cash equivalents		(1,447,587)	23,659,051
Cash and cash equivalents at beginning of the year		<u>176,182,137</u>	<u>152,523,086</u>
Cash and cash equivalents at end of the year		<u><u>174,734,550</u></u>	<u><u>176,182,137</u></u>
Comprised of:			
Cash and bank balances	4	44,834,688	61,971,101
Fixed deposits	4	129,899,862	114,211,036
		<u>174,734,550</u>	<u>176,182,137</u>

\* See note 19 The accompanying notes form an integral part of the financial statements.

## **CARIBBEAN CREAM LIMITED**

### Notes to the Financial Statements Year ended February 28, 2018

*(Expressed in Jamaica dollar unless otherwise stated)*

#### 1. Identification

Caribbean Cream Limited (the company) which is incorporated and domiciled in Jamaica is a listed company on the Junior Market of the Jamaica Stock Exchange (JSE). The company's registered office is located at 3 South Road, Kingston 10, Jamaica.

At the reporting date, Scoops Unlimited Limited, a company incorporated and domiciled in Jamaica, and its directors controlled the company by virtue of their direct holding of 78% of the issued shares of the company.

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.

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

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

The financial statements as at and for the year ended February 28, 2018 (the reporting date) are prepared in accordance with International Financial Reporting Standards (IFRS) and comply with the provisions of the Jamaican Companies Act.

##### **New and amended standards that became effective during the year**

Certain new and amended standards that were in issue came into effect during the current financial year. The adoption of those new standards and amendments did not have any impact on the company's financial statements.

##### **New and amended standards issued that are not yet effective**

At the date of approval of the financial statements, there were certain new standards, and amendments to existing standards which were in issue but were not yet effective and which the company has not early adopted. Those which management considered may be relevant to the company are as follows:

- The company is required to adopt IFRS 9, Financial Instruments, effective March 1, 2018. IFRS 9 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' (ECL) model, which means that a loss event will no longer need to occur before an impairment allowance is recognized.

## **CARIBBEAN CREAM LIMITED**

### Notes to the Financial Statements (Continued) Year ended February 28, 2018

*(Expressed in Jamaica dollar unless otherwise stated)*

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

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

#### **New and amended standards issued that are not yet effective (cont'd)**

- IFRS 9 Financial Instruments (cont'd)

Under IFRS 9, loss allowance will be measured on either of the following basis:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and applies to the company's trade receivables.

The estimated ECLs will be calculated based on actual credit loss experienced over the past five years and the calculated ECL rates will be done separately for corporate and individual customers.

The company expects that the application of IFRS 9's impairment requirements will likely increase impairment losses. The company is in the process of estimating the initial impact on implementation of the standard.

- The company will be required to adopt IFRS 15, Revenue From Contracts With Customers, effective March 1, 2018. IFRS 15 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.

Revenue from the sale of goods is currently recognised when the goods are delivered to the customers, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognised at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under the IFRS 15, revenue will be recognised when a customer has control of goods.

Based on its assessment, the company does not expect the application of IFRS 15 to have a significant impact on its financial statements.

## **CARIBBEAN CREAM LIMITED**

### Notes to the Financial Statements (Continued) Year ended February 28, 2018

*(Expressed in Jamaica dollar unless otherwise stated)*

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

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

#### **New and amended standards issued that are not yet effective (cont'd)**

- The company will adopt IFRS 16, Leases, effective March 1, 2019. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Entities will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short-term leases and for low-value items with value of US\$5,000 or less. Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases.

Early adoption is permitted if IFRS 15, Revenue from Contracts with Customers is also adopted.

The company does not expect the adopting of this standard to have a significant impact on its financial statements as it has no significant basis.

- Other standards

The following amended standards and interpretations are not expected to have a significant impact on the company's financial statement:

- Annual Improvements to IFRSs 2014-2016 cycle amendments to IFRS 1 and IAS 28, effective retrospectively for annual reporting periods beginning on or after January 2018.
- IFRIC 23, Uncertainty Over Income Tax Treatments, is effective for annual reporting periods beginning on or after January 1, 2019.
- IFRIC 22 foreign currency transactions and advance consideration is effective for annual reporting periods beginning on or after January 1, 2018.

##### (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 company.

## **CARIBBEAN CREAM LIMITED**

### Notes to the Financial Statements (Continued) Year ended February 28, 2018

*(Expressed in Jamaica dollar unless otherwise stated)*

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

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

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods if the revision affects both current and future periods.

Judgments 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 are discussed below:

##### (i) Allowance for impairment losses on receivables:

In determining amounts recorded for impairment losses on receivables in the financial statements, management makes judgments regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from receivables, for example, default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows of impaired receivables, as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individual significant receivables with similar characteristics, such as credit risks.

##### (ii) Net realisable value of inventories:

Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the reporting date, to the extent that such events confirm conditions existing at the reporting date.

Estimates of net realisable value also take into consideration the purpose for which the inventory is held.

## **CARIBBEAN CREAM LIMITED**

### Notes to the Financial Statements (Continued) Year ended February 28, 2018

*(Expressed in Jamaica dollar unless otherwise stated)*

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

##### (c) Use of estimates and judgements (cont'd):

##### (iii) Residual value and useful life of property, plant and equipment:

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

##### (d) Segment reporting:

A segment is a distinguishable component of the company that is engaged either in providing products (business segment), or in providing products within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The company's activities are limited to the manufacture and sale of Ice Cream products to Jamaican consumers, operating in a single segment, therefore no additional segment information is provided.

##### (e) Property, plant and equipment:

- (i) Items of property, plant and equipment are measured at cost, less accumulated depreciation and impairment losses. Costs include expenditures that are directly attributable to the acquisition of the assets. 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 benefits embodied within the part will flow to the company and its cost can be reliably measured. The cost of day-to-day servicing of property, plant and equipment is recognised in profit or loss as incurred.

Certain classes of machinery and equipment were stated at their revalued amounts being the fair value at the date of revaluation, less accumulated depreciation and accumulated impairment losses. During the year, management, as directed by the Board of Directors, conducted a review of the company's accounting policies and concluded that all items of property, plant and equipment should be measured at cost, as cost was considered to be a more reliable measurement based on the nature of the items.

The change has been applied retrospectively and relevant prior year financial statements amounts have been restated accordingly (see note 19).

## CARIBBEAN CREAM LIMITED

### Notes to the Financial Statements (Continued) Year ended February 28, 2018

*(Expressed in Jamaica dollar unless otherwise stated)*

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

##### (e) Property, plant and equipment (cont'd):

##### (i) Depreciation:

Depreciation is recognised in profit or loss on the straight-line basis at annual rates estimated to write down the assets to their residual values over their expected useful lives. No depreciation is charged on construction in progress. The depreciation rates are as follows:

Buildings	5%
Leasehold improvements	10%
Motor vehicles	12.5%
Machinery and equipment	10%
Computer equipment	25%
Security systems	10%

Depreciation methods, useful lives and residual values are reassessed annually.

##### (f) Cash and cash equivalents:

Cash and cash equivalents comprise cash, bank balances and fixed deposits with maturity of three months or less from the date of placement. For the purpose of the statement of cash flows, bank overdraft, if any, that is repayable on demand and form an integral part of cash management activities, is included as part of cash and cash equivalents.

##### (g) Trade and other receivables:

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

##### (h) Inventories:

Inventories are measured at the lower of cost, determined principally on a first-in-first-out (FIFO) basis, and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling costs.

##### (i) Trade and other payables:

Trade and other payables are measured at cost.

## **CARIBBEAN CREAM LIMITED**

### Notes to the Financial Statements (Continued) Year ended February 28, 2018

*(Expressed in Jamaica dollar unless otherwise stated)*

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

(j) Borrowings:

Borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost, with any difference between proceeds (net of transaction costs) and redemption value being recognised in profit or loss over the period of the borrowings using the effective interest rate method.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as property, plant and equipment.

(k) Share capital:

Ordinary shares are classified as equity where there is no obligation to transfer cash or other assets. Transaction costs directly attributable to the issue of shares are shown in equity as a deduction from the proceeds of the share issue.

(l) Revenue:

Revenue from sale of goods represents the invoiced value of goods and services, and is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or material associated costs on the possible return of goods.

(m) Taxation:

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

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.

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 assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## **CARIBBEAN CREAM LIMITED**

### Notes to the Financial Statements (Continued) Year ended February 28, 2018

*(Expressed in Jamaica dollar unless otherwise stated)*

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

##### (n) 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” in this case the company).

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

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

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

- (i) The entity and the company 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.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company.
- (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 entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the company or to the parent of the company.

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

## **CARIBBEAN CREAM LIMITED**

### Notes to the Financial Statements (Continued) Year ended February 28, 2018

*(Expressed in Jamaica dollar unless otherwise stated)*

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

(o) Foreign currencies:

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

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

(p) Impairment:

(i) Non-financial assets:

The carrying amounts of non-financial assets are reviewed at each reporting date for indicators of impairment. Such reviews are undertaken on an asset-by-asset basis, except where assets do not generate cash inflows independent of other assets, in which case, the review is undertaken at the cash generating unit level. A cash-generating unit is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. If there are indicators of impairment, a review is undertaken to determine whether the carrying amounts are in excess of their recoverable amounts.

An asset's recoverable amount is determined as the higher of its fair value less costs to sell and its value in use (being the net present value of expected future cash flows of the relevant cash-generating unit). The best evidence of fair value is the value obtained from an active market or from a binding sale agreement. Where neither exists, fair value is based on the best information available to reflect the amount the company could receive for the cash generating unit in an arm's-length transaction. This is often estimated using discounted cash flow techniques. In cases where fair value less costs to sell cannot be estimated, value in use is utilized as the basis to determine the recoverable amount.

In assessing the value in use, the relevant future cash flows expected to arise from the continuing use of the assets and from their disposal are discounted to their present value using a market-determined pre-tax discount rate, which reflects current market assessments of the time value of money and asset-specific risks for which the cash flow estimates have not been adjusted.

If the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, an impairment loss is recorded in profit or loss to reflect the assets at the lower amount.

## **CARIBBEAN CREAM LIMITED**

### Notes to the Financial Statements (Continued) Year ended February 28, 2018

*(Expressed in Jamaica dollar unless otherwise stated)*

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

(p) Impairment (cont'd):

(ii) Financial assets:

Financial assets that are measured at amortized cost are assessed for impairment at the end of each reporting period. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and the event has a negative impact on the estimated cash flows of the financial asset and the loss can be reliably estimated.

The amount of the impairment loss recognized is the difference between the carrying amount of the financial asset and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss of a financial asset other than the accounts receivable decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial instrument at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

## CARIBBEAN CREAM LIMITED

### Notes to the Financial Statements (Continued) Year ended February 28, 2018

(Expressed in Jamaica dollar unless otherwise stated)

#### 3. Property, plant and equipment

	Freehold land & buildings	Leasehold improvements	Motor vehicles	Machinery and equipment	Computer equipment	Construction in progress	Security systems	Total
Cost:								
February 29, 2016	111,638,889	7,749,460	16,340,943	335,326,790	12,801,761	7,657,466	1,992,904	493,508,213*
Additions	1,689,156	226,248	-	15,627,539	1,068,670	93,525,119	-	112,136,732
Disposals	-	-	(9,509,130)	-	-	-	-	(9,509,130)
February 28, 2017	113,328,045	7,975,708	6,831,813	350,954,329	13,870,431	101,182,585	1,992,904	596,135,815
Additions	3,742,241	5,124,131	-	50,730,515	1,202,316	106,465,919	58,050	167,323,172
Transfers	-	696,198	-	9,521,158	209,660	(10,427,016)	-	-
Disposals	-	-	(3,681,813)	-	-	-	-	(3,681,813)
February 28, 2018	117,070,286	13,796,037	3,150,000	411,206,002	15,282,407	197,221,488	2,050,954	759,777,174
Depreciation:								
February 29, 2016	27,595,604	2,917,656	11,481,560	103,845,224	9,638,184	-	838,490	156,316,718
Charge for the year	4,825,367	797,571	841,726	36,292,727	2,142,513	-	167,745	45,067,649*
Eliminated on disposals	-	-	(6,493,206)	-	-	-	-	(6,493,206)
February 28, 2017	32,420,971	3,715,227	5,830,080	140,137,951	11,780,697	-	1,006,235	194,891,161
Charge for the year	5,012,479	1,379,603	393,750	45,659,945	1,320,975	-	173,550	53,940,302
Eliminated on disposals	-	-	(3,681,813)	-	-	-	-	(3,681,813)
February 28, 2018	37,433,450	5,094,830	2,542,017	185,797,896	13,101,672	-	1,179,785	245,149,650
Net Book Values:								
February 28, 2018	79,636,836	8,701,207	607,983	225,408,106	2,180,735	197,221,488	871,169	514,627,524
February 28, 2017	80,907,074	4,260,481	1,001,733	210,816,378	2,089,734	101,182,585	986,669	401,244,654*
February 29, 2016	84,043,285	4,831,804	4,859,383	231,481,566	3,163,577	7,657,466	1,154,414	337,191,495*

Freehold land and buildings include land at cost of \$17,800,000 (2017: \$17,800,000).

Certain assets of the company are pledged as securities for bank overdraft and other loans (see note 8).

\*Restated see note 19.

## CARIBBEAN CREAM LIMITED

### Notes to the Financial Statements (Continued) Year ended February 28, 2018

(Expressed in Jamaica dollar unless otherwise stated)

#### 4. Cash and cash equivalents

	2018	2017
Bank balances	44,685,340	61,855,101
Cash in hand	149,348	116,000
	<u>44,834,688</u>	<u>61,971,101</u>
Fixed deposits	<u>129,899,862</u>	<u>114,211,036</u>
	<u><u>174,734,550</u></u>	<u><u>176,182,137</u></u>

#### 5. Trade and other receivables

	2018	2017
Trade receivables (a)	41,507,380	37,315,286
Less provision for impairment losses	<u>(597,951)</u>	<u>(597,951)</u>
	40,909,429	36,717,335
Prepayments and deposits	20,814,057	14,993,086
Other receivables	<u>4,232,921</u>	<u>972,681</u>
	<u><u>65,956,407</u></u>	<u><u>52,683,102</u></u>

Included in trade and other receivables is \$10,489,028 (2017: \$5,483,815) due from a related party in the ordinary course of business (see note 13).

(a) The aging of trade receivables at the reporting date was:

	2018		2017	
	Gross	Impairment	Gross	Impairment
Not past due	-	-	-	-
Past due 30 days	32,921,102	-	35,843,446	-
Past due 60 days	4,652,116	-	609,655	-
Past due 90 days	122,469	-	411,066	146,832
Over 90 days	<u>3,811,693</u>	<u>597,951</u>	<u>451,119</u>	<u>451,119</u>
	<u><u>41,507,380</u></u>	<u><u>597,951</u></u>	<u><u>37,315,286</u></u>	<u><u>597,951</u></u>

## CARIBBEAN CREAM LIMITED

### Notes to the Financial Statements (Continued) Year ended February 28, 2018

(Expressed in Jamaica dollar unless otherwise stated)

#### 5. Trade and other receivables (cont'd)

The movement in the allowance for impairment losses as at the reporting date was:

	<u>2018</u>	<u>2017</u>
Balance at beginning of year	597,951	813,690
Amount written off, net of recoveries	-	(215,739)
	<u>597,951</u>	<u>597,951</u>

#### 6. Inventories

	<u>2018</u>	<u>2017</u>
Raw materials	46,258,594	111,674,126
Finished goods	27,473,086	19,050,102
Goods in transit	18,977,442	30,497,092
	<u>92,709,122</u>	<u>161,221,320</u>

#### 7. Trade and other payables

	<u>2018</u>	<u>2017</u>
Trade payables	24,031,721	79,680,254
Other payables	104,860,219	39,374,446
	<u>128,891,940</u>	<u>119,054,700</u>

Other payables include \$523,150 (2017: \$105,607) payable to a director for vacation leave and Nil (2017: \$82,677) due to a related company (see note 13).

#### 8. Long-term loans

	<u>2018</u>	<u>2017</u>
The following loans are with the Bank of Nova Scotia Jamaica Limited:		
(i) Term loan– cold room construction	43,155,551	58,622,219
(ii) Term loan – equipment	-	1,870,000
(iii) Mortgage loans – Suthermere Road and South Road	38,488,981	41,338,264
	81,644,532	101,830,483
Less current portion	(18,541,270)	(20,185,504)
	<u>63,103,262</u>	<u>81,644,979</u>

## CARIBBEAN CREAM LIMITED

### Notes to the Financial Statements (Continued) Year ended February 28, 2018

*(Expressed in Jamaica dollar unless otherwise stated)*

#### 8. Long-term loans (cont'd)

- (i) This loan is repayable in monthly installments by October 2021 with fixed interest rate of 9.5% per annum.
- (ii) This loan was repayable in monthly installments by 2017 with interest rates ranging from 8.95 to 9.95% per annum and was repaid during the year.
- (iii) The mortgage loan is repayable in monthly installments by 2027 with interest rate at 15.75% per annum.

Bank overdraft and loans from the 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 Sutherland Road, Kingston, Vols. 1293, 1288 and Folios 575, 348.
- (b) Stamped collateral to assignment of Sagicor Life Insurance Policies on the life of a director with face value \$36,500,000.
- (c) 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.
- (d) 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.
- (e) Peril insurance over real estate at Sutherland Road and real estate and equipment at South Road.
- (f) Bills of sale over motor vehicles and equipment owned by the company.
- (g) Guarantees by a director.

#### 9. Share capital

	<u>2018</u>	<u>2017</u>
Authorised:		
5,100,000,000 ordinary shares of no par value		
Issued and fully paid:		
378,568,115 ordinary shares of no par value	<u>111,411,290</u>	<u>111,411,290</u>

#### 10. Gross operating revenue

Gross operating revenue represents the invoiced value of sales, after deduction of returns, discounts allowed, and General Consumption Tax.

## CARIBBEAN CREAM LIMITED

### Notes to the Financial Statements (Continued) Year ended February 28, 2018

(Expressed in Jamaica dollar unless otherwise stated)

#### 11. Expenses by nature

	2018	Restated* 2017
<b>Cost of operating revenue:</b>		
Depreciation	39,837,029	32,856,071
Other costs of operating revenue	87,005,382	64,970,271
Raw materials and consumables	623,460,900	488,863,604
Repairs and maintenance	41,656,015	38,519,819
Staff costs (note 16)	84,660,258	67,319,453
Utilities	76,334,412	59,183,124
	<u>952,953,996</u>	<u>751,712,342</u>
	2018	2017
<b>Administrative:</b>		
Audit fees	1,705,000	1,550,000
Cleaning and sanitation	28,957,458	23,288,568
Depreciation	14,103,273	12,211,578
Directors' emoluments		
- Fees	2,580,160	1,770,085
- Management remuneration	11,253,342	9,418,980
Other administrative expenses	26,303,300	22,034,035
Repairs and maintenance	18,048,008	9,476,068
Security	18,460,951	18,355,896
Staff costs (note 16)	131,998,177	118,120,506
Utilities	21,621,616	15,563,553
	<u>275,031,285</u>	<u>231,789,269</u>
	2018	2017
<b>Selling and distribution:</b>		
Advertising and promotion	12,610,470	16,963,127
Licenses and permits	469,710	342,980
Motor vehicle expenses	5,372,023	9,837,815
Subsistence allowance	-	396,320
Travelling and entertainment	2,541,263	279,010
Transportation and delivery	25,649,975	19,957,851
	<u>46,643,441</u>	<u>47,777,103</u>
Total administrative and selling and distribution expenses	<u>321,674,726</u>	<u>279,566,372</u>

\*See note 19

## CARIBBEAN CREAM LIMITED

### Notes to the Financial Statements (Continued) Year ended February 28, 2018

(Expressed in Jamaica dollar unless otherwise stated)

#### 12. Finance costs, net

	2018	2017
Bank and other charges	5,398,370	3,246,271
Interest expense	10,390,648	11,480,042
Net foreign exchange gain	<u>(526,613)</u>	<u>(1,316,668)</u>
	<u>15,262,405</u>	<u>13,409,645</u>

#### 13. Related party balances and transactions

The statements of financial position, and profit or loss and other comprehensive income include balances and transactions arising in the ordinary course of business during the year, with related parties as follows:

	2018	2017
(i) Due to related party, Scoops Unlimited Limited (note 7)	-	82,677
(ii) Due to director (note 7)	523,150	105,607
(iii) Due from related party, Scoops Unlimited Limited (note 5)	10,489,028	5,483,815
(iv) Staff loan, net	319,096	157,681
(v) Sale of ice cream	<u>132,166,160</u>	<u>77,123,475</u>

#### 14. Earnings per share

Earnings per share is computed by dividing the profit for the year by the number of shares of 378,568,115 (2017: 378,568,115) in issue for the year.

#### 15. Taxation

##### (a) Reconciliation of actual tax charge:

	2018	Restated* 2017
Profit before taxation	<u>89,759,188</u>	<u>176,185,446</u>
Computed 'expected' tax at 25% (2017: 25%)	22,439,797	44,046,362
Difference between profit for financial statements and tax reporting purposes on:		
Expenses not deductible for tax purposes	5,887,115	4,617,391
Remission of income taxes [note (b)]	<u>(28,326,912)</u>	<u>(48,663,753)</u>
Actual tax charge	<u>-</u>	<u>-</u>

(b) The company's shares were listed on the Junior Market of the Jamaica Stock Exchange (JSE) on May 17, 2013. Consequently, the company is eligible for remission of income taxes for a period of ten years, provided the following conditions are met:

- (i) The company's shares remain listed for at least 15 years and is not suspended from the JSE for any breaches of its rules.

## CARIBBEAN CREAM LIMITED

### Notes to the Financial Statements (Continued) Year ended February 28, 2018

*(Expressed in Jamaica dollar unless otherwise stated)*

#### 15. Taxation (cont'd)

(b) (Cont'd)

- (ii) The subscribed participating voting share capital of the company does not exceed \$500 million.
- (iii) The company has at least 50 participating voting shareholders.

The remission will apply in the following proportions:

- (a) Years 1 to 5 (May 17, 2013 – May 16, 2018) – 100%
- (b) Years 6 to 10 (May 17, 2018 – May 16, 2023) – 50%

The financial statements have been prepared on the basis that the company will have the full benefit of the tax remissions.

#### 16. Staff costs

	<u>2018</u>	<u>2017</u>
Employer's statutory contributions	17,623,163	14,551,396
Salaries, wages and other staff benefits	<u>199,035,272</u>	<u>170,888,563</u>
	<u>216,658,435</u>	<u>185,439,959</u>
Included in profit or loss as follows:		
Administration	131,998,177	118,120,506
Direct labour	<u>84,660,258</u>	<u>67,319,453</u>
	<u>216,658,435</u>	<u>185,439,959</u>

#### 17. Dividends

During the year, dividends of \$0.06 (2017: \$0.05) per share were declared and paid to the shareholders.

#### 18. Financial risk management

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 company has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk, which include interest rate risk and currency risk. This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

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

## CARIBBEAN CREAM LIMITED

### Notes to the Financial Statements (Continued) Year ended February 28, 2018

*(Expressed in Jamaica dollar unless otherwise stated)*

#### 18. Financial risk management (cont'd)

The risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities. Management standards and procedures aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

##### (a) Credit risk:

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally on trade and other receivables and cash and cash equivalents. There is no significant concentration of credit risk and the maximum exposure to credit risk is represented by the carrying amount of each financial asset.

##### (i) Accounts receivable

The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the company's customer base has less of an influence on credit risk.

A credit policy has been established under which each customer is analysed individually for creditworthiness. Credit is granted to customers on the approval of management. During the credit approval process, the customer is assessed for certain indicators of possible delinquency. In monitoring customer credit risk, customers are grouped according to the ageing of their debt.

The company does not require collateral in respect of trade and other receivables.

The company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The allowances for doubtful debts are based on the ageing of the receivables and the customer's ability to pay.

##### (ii) Cash and cash equivalents

The company limits its exposure to credit risk by maintaining these balances with financial institutions considered to be stable and only with counterparties that are appropriately licensed and regulated. Management does not expect any counterparty to fail to meet its obligations.

There was no change to the company's exposure to credit risk during the year, or the manner in which it measures and manages the risk.

## CARIBBEAN CREAM LIMITED

### Notes to the Financial Statements (Continued) Year ended February 28, 2018

(Expressed in Jamaica dollar unless otherwise stated)

#### 18. Financial risk management (cont'd)

##### (b) 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's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid resources to meet its financial liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. Liquidity risk may result from an inability to sell a financial asset at, or close to, its fair value.

The following are the contractual maturities of financial liabilities measured at amortised cost. The tables show the undiscounted cash flows of non-derivative financial liabilities, including interest payments, based on the earliest date on which the company can be required to pay.

	Carrying amount	Contractual cash flows	2018		
			Less than 1 year	2 to 5 years	over 5 years
Loans	81,644,532	94,374,924	25,623,773	68,749,151	-
Trade and other payables	128,891,940	128,891,940	128,891,940	-	-
	<u>210,536,472</u>	<u>223,266,864</u>	<u>154,515,713</u>	<u>68,749,151</u>	<u>-</u>
	Carrying amount	Contractual cash flows	2017		
			Less than 1 year	2 to 5 years	over 5 years
Loans	101,830,483	119,730,104	29,511,507	90,218,597	-
Trade and other payables	119,054,700	119,054,700	119,054,700	-	-
	<u>220,885,183</u>	<u>238,784,804</u>	<u>148,566,207</u>	<u>90,218,597</u>	<u>-</u>

There was no change to the company's exposure to liquidity risk during the year, or the manner in which it measures and manages the risk.

##### (c) 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 financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while optimising the return on risk.

##### (i) Currency risk:

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

## CARIBBEAN CREAM LIMITED

### Notes to the Financial Statements (Continued) Year ended February 28, 2018

(Expressed in Jamaica dollar unless otherwise stated)

#### 18. Financial risk management (cont'd)

##### (c) Market risk (cont'd):

##### (i) Currency risk (cont'd):

The company is exposed to currency risk on transactions that are denominated in a currency other than its functional currency. The main currencies giving rise to this risk are the United States dollar (US\$) and the Canadian dollar (CDN\$).

The company ensures that the risk is kept to an acceptable level by monitoring its risk exposure and by maintaining funds in US\$ as a hedge against adverse fluctuations in exchange rates.

Exposure to currency risk:

The company's exposure to foreign currency risk at the reporting date was as follows:

	2018			2017		
	J\$ Equivalent	US\$	CDN\$	J\$ Equivalent	US\$	CDN\$
Financial assets	46,562,974	285,716	103,010	83,132,617	486,366	216,536
Financial liabilities	(8,181,574)	(216,764)	(63,842)	(37,406,978)	(22,925)	(352,465)
Net assets/(liabilities)	<u>38,381,400</u>	<u>68,952</u>	<u>39,168</u>	<u>45,725,639</u>	<u>463,441</u>	<u>(135,929)</u>

Exchange rates in terms of the Jamaica dollar as at the reporting date were US\$1: J\$126.14 (2017: US\$1: J\$127.82) and CDN\$1: J\$97.19 (2017: CDN\$1: J\$96.82).

Sensitivity analysis:

A 4% (2017: 6%) weakening of the US\$ and CDN\$ against the J\$ would increase profit for the year by \$1,535,256 (2017: \$2,764,543).

A 2% (2017: 1%) strengthening of the US\$ and CDN\$ against the J\$ would decrease profit for the year by \$767,628 (2017: \$460,757).

The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is done on the same basis as for 2017.

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

Interest rate risk is the risk that the value or cash flows of a financial instrument will fluctuate due to changes in market interest rate.

## CARIBBEAN CREAM LIMITED

### Notes to the Financial Statements (Continued) Year ended February 28, 2018

*(Expressed in Jamaica dollar unless otherwise stated)*

#### 18. Financial risk management (cont'd)

##### (c) Market risk (cont'd):

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

The company minimises interest rate risk by investing mainly in fixed rate instruments and contracting liabilities at fixed rates, where possible. The company's interest rate risk arises mainly from bank loans.

At the reporting date, the interest profile of the company's interest-bearing financial instruments was:

	Carrying amount	
	2018	2017
Fixed rate:		
Financial assets	151,403,972	171,596,837
Financial liabilities	<u>(81,644,532)</u>	<u>(101,830,483)</u>
	<u>69,759,440</u>	<u>69,766,354</u>

Fair value sensitivity analysis for financial instruments:

The company does not account for any financial instrument at fair value, therefore a change in interest rates at the reporting date would not affect the carrying value of the company's financial instruments.

Cash flow sensitivity analysis for financial instruments:

The company does not have any significant cash flow exposure to changes in rates because the majority of the loans and cash and cash equivalents are at fixed rates of interest and those at variable rates are insignificant.

##### (d) Capital management:

The Board seeks to maintain a strong capital base so as to maintain stakeholders' confidence. The company defines capital as total equity. There were no changes in the company's approach to capital management during the year.

The company is not subject to any externally-imposed capital requirements, except as shown in note 15(b).

##### (e) Fair values

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 company has no financial instrument that is carried at fair value and where fair value of financial instruments approximates carrying value, no fair value computation is done.

The carrying values reflected in the financial statements for cash and cash equivalent, trade and other receivables, and trade and other payables are assumed to approximate fair value due to their relatively short-term nature.

The fair value of long-term loans is assumed to approximate carrying value as the loans bear interest at market rates and all other conditions are at market terms.

## CARIBBEAN CREAM LIMITED

### Notes to the Financial Statements (Continued) Year ended February 28, 2018

(Expressed in Jamaica dollar unless otherwise stated)

#### 19. Prior year adjustment

As indicated in note 2(e)(i), the company changed its accounting policy from the revaluation method to the cost method for certain classes of machinery and equipment included in property, plant and equipment. The change in accounting policy was applied retrospectively. The effects of the adjustments are detailed below:

##### (a) Effects on the statement of financial position:

	Impact of change in accounting policy		
	As previously reported	Adjustments	As restated
<b>February 28, 2016</b>			
Property, plant and equipment	361,327,659	(24,136,164)	337,191,495
Current assets	272,829,973	-	272,829,973
Current liabilities	(94,590,431)	-	( 94,590,431)
	<u>539,567,201</u>	<u>(24,136,164)</u>	<u>515,431,037</u>
Non-current liability	(102,242,047)	-	(102,242,047)
Accumulated profits	(291,433,628)	(10,344,072)	(301,777,700)
Revaluation reserve	(34,480,236)	34,480,236	-
Share capital	(111,411,290)	-	(111,411,290)
	<u>(539,567,201)</u>	<u>24,136,164</u>	<u>(515,431,037)</u>
<b>February 28, 2017</b>			
Property, plant and equipment	421,932,794	(20,688,140)	401,244,654
Current assets	390,086,559	-	390,086,559
Current liabilities	(139,240,204)	-	(139,240,204)
	<u>672,779,149</u>	<u>(20,688,140)</u>	<u>652,091,009</u>
Non-current liability	( 81,644,979)	-	( 81,644,979)
Accumulated profits	(445,242,644)	(13,792,096)	(459,034,740)
Revaluation reserve	( 34,480,236)	34,480,236	-
Share capital	(111,411,290)	-	(111,411,290)
	<u>(672,779,149)</u>	<u>20,688,140</u>	<u>(652,091,009)</u>

##### (b) Effects on the statement of profit or loss and other comprehensive income:

	As previously reported	Adjustments	As restated
<b>February 28, 2017</b>			
Gross operating revenue	1,213,548,844	-	1,213,548,844
Cost of operating revenue	(755,160,366)	3,448,024	( 751,712,342)
Administrative, selling and distribution expenses	(279,566,372)	-	( 279,566,372)
Others	(6,084,684)	-	( 6,084,684)
Total comprehensive income for the year	<u>172,737,422</u>	<u>3,448,024</u>	<u>176,185,446</u>

##### (c) Effect on statement of cash flow for the year ended February 28, 2017:

There was no effect on the statement of cash flows for the year, except for the restatement of profit for the year and depreciation charge.







# FORM OF PROXY

CARIBBEAN CREAM LIMITED

3 South Road

Kingston 10, Jamaica (West Indies)

I/We \_\_\_\_\_ of \_\_\_\_\_

in the Parish of \_\_\_\_\_ being Member/members of the above named company

hereby appoint \_\_\_\_\_ of \_\_\_\_\_ or failing him/

her \_\_\_\_\_ of \_\_\_\_\_ as my/our proxy to vote for me/us and on my/

our behalf at the Annual General Meeting of the Company to be held at the Knutsford Court Hotel, 16 Chelsea Avenue, Kingston 5, New Kingston on Tuesday, September 25, 2018 at 10 a.m. and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2018

Signature \_\_\_\_\_

Notes:

1. An instrument appointing a proxy, shall, unless the contrary is stated thereon be valid as well for any adjournment of the meeting as for the meeting to which it relates and need not be witnessed.
2. If the appointer is a corporation, this form must be under its common seal or under the hand of an officer or attorney duly authorized in writing.
3. In the case of joint holders, the vote of the senior will be accepted to the exclusion of the votes of others, seniority being determined by the order in which the names appear on the register.
4. To be valid, this form must be received by the Registrar of the Company at the address given below not less than 48 hours before the time fixed for holding the meeting or adjourned meeting.
5. The proxy form should bear stamp duty of One Hundred dollars (\$100.00) which may be in the form of adhesive stamp duly cancelled by the person signing the proxy form.

REGISTRAR AND TRANSFER AGENTS

Jamaica Central Securities Depository Limited  
40 Harbour Street, Kingston





Caribbean Cream Ltd.  
3 South Road, Kingston 10, Jamaica W.I.  
Tel. (876) 906-1127 • Fax: (876) 906-1128  
Website: [www.caribcream.com](http://www.caribcream.com)  
Email: [info@kremija.com](mailto:info@kremija.com)

