

CARIBBEAN CREAM LIMITED  
FINANCIAL STATEMENTS  
FEBRUARY 28, 2021



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## 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 8 to 44, which comprise the statement of financial position as at February 28, 2021, 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, 2021, 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 International Code of Ethics for Professional Accountants including International Independence Standards (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.



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>
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.	Our audit procedures in response to this matter, included: <ul style="list-style-type: none"><li>• Testing the company's recording and ageing of trade receivables.</li><li>• Using the appropriate KPMG specialist, we reviewed the expected credit loss (ECL) model calculations and agreed the data inputs.</li><li>• Comparing the definition of default for the ECL measurement, as outlined in the accounting policy, against the definition that management uses for credit risk arrangements.</li><li>• Evaluating the appropriateness of economic parameters including the use of forward looking information.</li></ul>



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
CARIBBEAN CREAM LIMITED

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

*Key Audit Matter* (continued)

*Carrying amount of trade receivables* (continued)

<i>Key Audit Matter</i>	<i>How the matter was addressed in our audit</i>
	<p>Our audit procedures in response to this matter, included (continued):</p> <ul style="list-style-type: none"><li>• Testing the accuracy of the ECL calculation.</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 including determining compliance with the requirements of IFRS 9, <i>Financial Instruments</i>.</li><li>• Considering the adequacy of the disclosures about the degree of estimation involved in arriving at the allowance for impairment.</li></ul>

*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.



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
CARIBBEAN CREAM LIMITED

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

*Other information (continued)*

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.

*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.



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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*  
(continued)

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 6 to 7, 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.

A handwritten signature of the KPMG firm in blue ink, written in a cursive style.

Chartered Accountants  
Kingston, Jamaica

June 14, 2021



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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.



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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, actions taken to eliminate threats or safeguards applied.

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

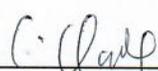
## Statement of Financial Position

February 28, 2021

*(Expressed in Jamaica dollar unless otherwise stated)*

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	825,483,694	773,143,905
Right-of-use assets	5(a)	<u>93,044,425</u>	<u>95,435,877</u>
<b>Total non-current assets</b>		<u>918,528,119</u>	<u>868,579,782</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	217,283,548	129,196,815
Trade and other receivables	7	93,514,369	58,211,081
Tax recoverable		-	779,621
Inventories	8	<u>162,352,192</u>	<u>117,774,685</u>
Total current assets		<u>473,150,109</u>	<u>305,962,202</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	214,491,486	185,346,512
Taxation payable		10,734,482	-
Current portion of lease liabilities	5(b)	17,456,686	19,539,121
Current portion of long-term loans	10	<u>6,977,778</u>	<u>27,441,951</u>
Total current liabilities		<u>249,660,432</u>	<u>232,327,584</u>
Net current assets		<u>223,489,677</u>	<u>73,634,618</u>
Total assets less current liabilities		<u>1,142,017,796</u>	<u>942,214,400</u>
<b>NON-CURRENT LIABILITIES</b>			
Long-term loans	10	206,927,474	104,972,207
Lease liabilities	5(b)	86,580,789	79,622,207
Deferred tax liability	11	<u>14,576,941</u>	<u>13,389,525</u>
Total non-current liabilities		<u>308,085,204</u>	<u>197,983,939</u>
<b>EQUITY</b>			
Share capital	12	111,411,290	111,411,290
Accumulated profits		<u>722,521,302</u>	<u>632,819,171</u>
Total equity		<u>833,932,592</u>	<u>744,230,461</u>
Total non-current liabilities and equity		<u>1,142,017,796</u>	<u>942,214,400</u>

The financial statements on pages 8 to 44 were approved for issue by the Board of Directors on June 14, 2021 and signed on its behalf by:

  
 \_\_\_\_\_ Director  
 Christopher Clarke

  
 \_\_\_\_\_ Director  
 Carol Clarke Webster

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

CARIBBEAN CREAM LIMITEDStatement of Profit or Loss and Other Comprehensive Income  
Year ended February 28, 2021*(Expressed in Jamaica dollar unless otherwise stated)*

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Gross operating revenue	13	1,870,188,069	1,706,358,991
Cost of operating revenue	14(a)	<u>(1,245,049,430)</u>	<u>(1,160,747,229)</u>
Gross profit		625,138,639	545,611,762
Other income		<u>-</u>	<u>1,994,192</u>
		<u>625,138,639</u>	<u>547,605,954</u>
Administrative, selling and distribution expenses:			
Administrative	14(b)	( 427,856,374)	( 395,323,017)
Selling and distribution	14(c)	<u>( 60,656,587)</u>	<u>( 68,301,238)</u>
		<u>( 488,512,961)</u>	<u>( 463,624,255)</u>
Impairment recovered/(loss) on trade receivables	7(i)	<u>1,804,151</u>	<u>( 2,673,129)</u>
Operating profit before finance costs and taxation		138,429,829	81,308,570
Finance income - interest		1,333,200	1,133,753
Finance costs	15	<u>( 21,262,694)</u>	<u>( 20,270,767)</u>
Profit before taxation		118,500,335	62,171,556
Taxation	16	<u>( 17,819,728)</u>	<u>( 7,602,157)</u>
Profit, being total comprehensive income for the year		<u>100,680,607</u>	<u>54,569,399</u>
Earnings per stock unit	17	<u>0.27</u>	<u>0.14</u>

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

Statement of Changes in Equity  
 Year ended February 28, 2021  
 (Expressed in Jamaica dollar unless otherwise stated)

	Share capital (note 12)	Accumulated profits	Total
Balances at March 1, 2019	111,411,290	596,421,042	707,832,332
Total comprehensive income:			
Profit, being total comprehensive income for the year	-	54,569,399	54,569,399
Transaction with owners:			
Dividends (note 20)	<u>-</u>	( 18,171,270)	( 18,171,270)
Balances as at February 29, 2020	111,411,290	632,819,171	744,230,461
Total comprehensive income:			
Profit, being total comprehensive income for the year	-	100,680,607	100,680,607
Transaction with owners:			
Dividends (note 20)	<u>-</u>	( 10,978,476)	( 10,978,476)
Balances as at February 28, 2021	<u>111,411,290</u>	<u>722,521,302</u>	<u>833,932,592</u>

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

CARIBBEAN CREAM LIMITED

## Statement of Cash Flows

Year ended February 28, 2021

*(Expressed in Jamaica dollar unless otherwise stated)*

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the year		100,680,607	54,569,399
Adjustments for:			
Depreciation	4	95,027,056	93,736,000
Depreciation – right-of-use assets	5(a)	21,645,433	21,433,403
Lease interest expense	5(c)	9,481,508	6,520,487
Interest expense	15	11,951,987	12,712,752
Gain on disposal of property, plant and equipment		-	( 145,011)
Interest income		( 1,333,200)	( 1,133,753)
Taxation	16	<u>17,819,728</u>	<u>7,602,157</u>
Operating profit before changes in working capital		255,273,119	195,295,434
Trade and other receivables		( 35,284,591)	8,017,291
Inventories		( 44,577,507)	22,669,319
Trade and other payables		29,144,974	27,445,743
Taxation paid		( 5,118,209)	( 8,963,022)
Interest paid		( 11,951,987)	( 12,712,752)
Interest received		<u>1,314,503</u>	<u>1,477,398</u>
Net cash provided by operating activities		<u>188,800,302</u>	<u>233,229,411</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment	4	(147,366,845)	(161,538,334)
Proceeds from sale of property, plant and equipment		<u>-</u>	<u>257,511</u>
Net cash used by investing activities		<u>(147,366,845)</u>	<u>(161,280,823)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from bank loans		258,905,252	-
Repayment of bank loans		(177,414,158)	( 30,346,958)
Payment of lease liabilities, net	5(d)	( 23,859,342)	( 24,228,439)
Dividends	20	<u>( 10,978,476)</u>	<u>( 18,171,270)</u>
Net cash provided/(used) by financing activities		<u>46,653,276</u>	<u>( 72,746,667)</u>
Net increase/(decrease) in cash and cash equivalents		88,086,733	( 798,079)
Cash and cash equivalents at beginning of the year		<u>129,196,815</u>	<u>129,994,894</u>
Cash and cash equivalents at end of the year		<u>217,283,548</u>	<u>129,196,815</u>

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

## CARIBBEAN CREAM LIMITED

Notes to the Financial Statements

February 28, 2021

*(Expressed in Jamaica dollar unless otherwise stated)*

### 1. Identification

Caribbean Cream Limited (the company) is incorporated and domiciled in Jamaica and is listed 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 and frozen novelties, under the 'Kremi' brand, and the importation and distribution of certain types of frozen novelties.

### 2. Basis of preparation

#### (a) Statement of compliance:

The financial statements as at and for the year ended February 28, 2021 (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 issued 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 and amended 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:

- Amendments to IFRS 16 *Leases* is effective for annual reporting periods beginning on or after June 1, 2020, with early application permitted. It provides guidance for COVID-19 related rent concessions.

The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The resulting accounting will depend on the details of the rent concession. For example, if the concession is in the form of a one-off reduction in rent, it will be accounted for as a variable lease payment and be recognised in profit or loss.

CARIBBEAN CREAM LIMITED

Notes to the Financial Statements (Continued)

February 28, 2021

*(Expressed in Jamaica dollar unless otherwise stated)*

2. Basis of preparation (continued)

(a) Statement of compliance (continued):

**New and amended standards issued that are not yet effective (continued)**

- Amendments to IFRS 16 *Leases* is effective for annual reporting periods beginning on or after June 1, 2020, with early application permitted. It provides guidance for COVID-19 related rent concessions (continued).

The practical expedient will only apply if:

- the revised consideration is substantially the same or less than the original consideration;
- the reduction in lease payments relates to payments due on or before 30 June 2022; and
- no other substantive changes have been made to the terms of the lease.

Lessees applying the practical expedient are required to disclose:

- that fact, if they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and
- the amount recognised in profit or loss for the reporting period arising from application of the practical expedient.

No practical expedient is provided for lessors. Lessors are required to continue to assess if the rent concessions are lease modifications and account for them accordingly.

- Amendments to IAS 37 *Provision, Contingent Liabilities and Contingent Assets* is effective for annual reporting periods beginning on or after January 1, 2022 and clarifies those costs that comprise the costs of fulfilling the contract.

The amendments clarify that the ‘costs of fulfilling a contract’ comprise both the incremental costs – e.g. direct labour and materials; and an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. This clarification will require entities that apply the ‘incremental cost’ approach to recognise bigger and potentially more provisions. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

CARIBBEAN CREAM LIMITED

Notes to the Financial Statements (Continued)

February 28, 2021

*(Expressed in Jamaica dollar unless otherwise stated)*

2. Basis of preparation (continued)

(a) Statement of compliance (continued):

**New and amended standards issued that are not yet effective (continued)**

- Annual Improvements to IFRS Standards 2018-2020 cycle contain amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IFRS 16 *Leases*, IAS 41 *Agriculture*, and are effective for annual reporting periods beginning on or after January 1, 2022.
  - (i) IFRS 9 *Financial Instruments* amendment clarifies that – for the purpose of performing the 10 per cent test’ for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.
  - (ii) IFRS 16 *Leases* amendment removes the illustration of payments from the lessor relating to leasehold improvements.
  - (iii) The amendments to IAS 41 *Agriculture* removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 *Fair Value Measurement*.
- Amendments to IAS 1 *Presentation of Financial Statements*, will apply retrospectively for annual reporting periods beginning on or after 1 January 2023. The amendments promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. A company classifies a liability as non-current if it has a right to defer settlement for at least twelve months after the reporting period. It has now been clarified that a right to defer exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date.

With the amendments, convertible instruments may become current. In light of this, the amendments clarify how a company classifies a liability that includes a counterparty conversion option, which could be recognised as either equity or a liability separately from the liability component under IAS 32. Generally, if a liability has any conversion options that involve a transfer of the company’s own equity instruments, these would affect its classification as current or non-current. It has now been clarified that a company can ignore only those conversion options that are recognised as equity when classifying liabilities as current or non-current.

The company is assessing the impact that these amendments will have on its financial statements when they become effective.

CARIBBEAN CREAM LIMITED

Notes to the Financial Statements (Continued)

February 28, 2021

*(Expressed in Jamaica dollar unless otherwise stated)*2. Basis of preparation (continued)

## (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.

## (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) Judgements:

For the purpose of these financial statements, judgement refers to the informed identification and analysis of reasonable alternatives, considering all relevant facts and circumstances, and the well-reasoned, objective and unbiased choice of the alternative that is most consistent with the agreed principles set out in IFRS. The key relevant judgements are as follows:

## (1) Classification of financial assets:

The assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest (SPPI) on the principal amount outstanding requires management to make certain judgements on its business operations.

## (2) Impairment of financial assets:

Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of expected credit loss (ECL) and selection and approval of models used to measure ECL requires significant judgement.

CARIBBEAN CREAM LIMITED

Notes to the Financial Statements (Continued)

February 28, 2021

*(Expressed in Jamaica dollar unless otherwise stated)*2. Basis of preparation (continued)

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

## (ii) Key assumptions concerning the future and other sources of estimation uncertainty:

## Allowance for impairment losses:

In determining amounts recorded for impairment of financial assets in the financial statements, management makes assumptions in determining the inputs to be used in the ECL measurement model, including incorporation of forward-looking information. Management also estimate the likely amount of cash flows recoverable on the financial assets in determining loss given default. The use of assumptions make uncertainty inherent in such estimates.

## 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 end of the year to the extent that such events confirm conditions existing at the end of the year.

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

## 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.

3. Significant accounting policies

## (a) 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 and frozen novelties to Jamaican consumers, operating in a single segment, therefore no additional segment information is provided.

CARIBBEAN CREAM LIMITED

Notes to the Financial Statements (Continued)

February 28, 2021

*(Expressed in Jamaica dollar unless otherwise stated)*3. Significant accounting policies (continued)

## (b) 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.

## (ii) 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	lease period
Motor vehicles	12.5%
Machinery and equipment	10%
Computer equipment	25%
Security systems	10%
Right of use assets	10%-20%

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

## (c) 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 and are at measured cost. 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.

## (d) Trade and other receivables:

Trade and other receivables are measured at amortised cost less impairment losses [see note 3(m)].

CARIBBEAN CREAM LIMITED

Notes to the Financial Statements (Continued)

February 28, 2021

*(Expressed in Jamaica dollar unless otherwise stated)*3. Significant accounting policies (continued)

## (e) 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.

## (f) Trade and other payables:

Trade and other payables are measured at amortised cost.

## (g) 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.

## (h) 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.

## (i) Revenue recognition:

Performance obligations and revenue recognition policies:

Revenue is measured based on the consideration specified in a contract with a customer. The company recognises revenue when it transfers control over a good or service to a customer.

The nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies are as follows:

Type of service	<i>Nature and timing of satisfaction of performance obligations, including significant payment terms.</i>	<i>Revenue recognition under IFRS 15.</i>
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Sale of Ice cream products	Customers obtain control of goods when the goods are delivered to and accepted by them. Invoices are generated and the revenue is recognized at that point in time.	Revenue is recognised when the goods are delivered and have been accepted by the customers, which is at a point in time.
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Invoices are usually payable within 30 days.

CARIBBEAN CREAM LIMITED

Notes to the Financial Statements (Continued)

February 28, 2021

*(Expressed in Jamaica dollar unless otherwise stated)*

3. Significant accounting policies (continued)

(j) 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.

(k) 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).

CARIBBEAN CREAM LIMITED

Notes to the Financial Statements (Continued)

February 28, 2021

*(Expressed in Jamaica dollar unless otherwise stated)*3. Significant accounting policies (continued)

## (k) Related parties (continued):

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

- (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 related parties, regardless of whether a price is charged.

## (l) 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.

## (m) Impairment:

*Financial assets*

The company recognises loss allowances for expected credit losses (ECLs) on:

- financial assets measured at amortised cost; and
- contract assets

The company measures loss allowances at an amount equal to lifetime ECLs.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

CARIBBEAN CREAM LIMITED

Notes to the Financial Statements (Continued)

February 28, 2021

*(Expressed in Jamaica dollar unless otherwise stated)*3. Significant accounting policies (continued)

## (m) Impairment (continued):

*Financial assets (continued)*

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the company considers reasonable and supportable information relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward looking information.

The company assumes that the credit risk on financial assets has increased significantly if it is more than 90 days past due.

The company recognises loss allowances for ECLs and considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the company in full, without recourse by the company to action such as realising security if any is held; or
- the financial asset is more than 90 days past due.

Life-time ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

*Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

*Credit-impaired financial assets*

At each reporting date, the company assesses whether financial assets carried at amortised costs are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

CARIBBEAN CREAM LIMITED

Notes to the Financial Statements (Continued)

February 28, 2021

*(Expressed in Jamaica dollar unless otherwise stated)*3. Significant accounting policies (continued)

## (m) Impairment (continued):

*Credit-impaired financial assets (continued)*

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

*Presentation of allowance for ECL in the statement of financial position*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

*Write-off*

The gross carrying amount of a financial asset is written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is the case when the company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the company's procedures for recovery of amounts due.

*Non-financial assets*

The carrying amount of the company's non-financial assets (other than inventories and deferred tax asset) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

CARIBBEAN CREAM LIMITED

Notes to the Financial Statements (Continued)

February 28, 2021

*(Expressed in Jamaica dollar unless otherwise stated)*3. Significant accounting policies (continued)

## (m) Impairment (continued):

*Non-financial assets (continued)*

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

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised.

## (n) Financial instruments:

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. In these financial statements, financial assets comprise cash and cash equivalents and trade and other receivables. Financial liabilities comprise trade and other payables and long-term loans.

## (i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

## (ii) Classification and subsequent measurement

*Financial assets*

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

CARIBBEAN CREAM LIMITED

Notes to the Financial Statements (Continued)

February 28, 2021

*(Expressed in Jamaica dollar unless otherwise stated)*3. Significant accounting policies (continued)

## (n) Financial instruments (continued):

## (i) Classification and subsequent measurement (continued)

*Financial assets (continued)*

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

Amortised cost represents the net present value (“NPV”) of the consideration receivable or payable as of the transaction date. This classification of financial assets comprises the following captions:

- Cash and cash equivalents
- Trade and other receivables

Due to their short-term nature, the company initially recognises these assets at the original invoiced or transaction amount less expected credit losses.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

*Financial assets – Business model assessment*

The company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

CARIBBEAN CREAM LIMITED

Notes to the Financial Statements (Continued)

February 28, 2021

*(Expressed in Jamaica dollar unless otherwise stated)*3. Significant accounting policies (continued)

## (n) Financial instruments (continued):

## (ii) Classification and subsequent measurement (continued)

*Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest*

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

The company’s objective is to hold financial assets to collect contractual cash flows. In assessing whether the contractual cash flows are solely payments of principal and interest, the company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

*Financial liabilities*

All financial liabilities are recognised initially at fair value and in the case of borrowings, plus directly attributable transaction costs. The company’s financial liabilities, which include trade and other payables and long-term loans are recognized initially at fair value.

*Financial assets and liabilities – Subsequent measurement and gains and losses*

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The subsequent measurement of financial liabilities depends on their classification as described in the particular recognition methods disclosed in the individual policy statements associated with each item.

CARIBBEAN CREAM LIMITED

Notes to the Financial Statements (Continued)

February 28, 2021

*(Expressed in Jamaica dollar unless otherwise stated)*3. Significant accounting policies (continued)

## (n) Financial instruments (continued):

## (ii) Derecognition

*Financial assets*

The company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

*Financial liabilities*

The company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired.

## (iii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

## (o) Leases:

At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the company uses the definition of a lease in IFRS16.

CARIBBEAN CREAM LIMITED

Notes to the Financial Statements (Continued)

February 28, 2021

*(Expressed in Jamaica dollar unless otherwise stated)*3. Significant accounting policies (continued)

## (o) Leases (continued):

*As a lessee*

At commencement or modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

The company recognises a right-of-use asset and a lease liability at the commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate.

The company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

*Short-term leases and leases of low-value assets*

For short-term leases and leases of low-value assets, the company has elected not to recognise right-of-use assets and lease liabilities for short term leases of assets that have a lease term of 12 months or less and lease of low-value assets. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

CARIBBEAN CREAM LIMITED

Notes to the Financial Statements (Continued)

February 28, 2021

*(Expressed in Jamaica dollar unless otherwise stated)*3. Significant accounting policies (continued)

## (p) Fair value measurement:

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 carrying value of financial instruments is a reasonable approximation of carrying value, no fair value computation is done.

The carrying value 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)

February 28, 2021

*(Expressed in Jamaica dollar unless otherwise stated)*

4. Property, plant and equipment

	<u>Freehold land &amp; buildings</u>	<u>Leasehold improvements</u>	<u>Motor vehicles</u>	<u>Machinery and equipment</u>	<u>Computer equipment</u>	<u>Construction in progress</u>	<u>Security systems</u>	<u>Total</u>
Cost:								
February 28, 2019	119,490,169	18,924,895	5,682,189	551,753,470	25,344,581	278,679,448	3,727,233	1,003,601,985
Additions	3,597,595	12,735,110	-	60,290,611	6,461,928	76,779,062	1,674,028	161,538,334
Transfers	171,159,609	-	-	91,186,453	9,595,495	(271,941,557)	-	-
Disposals	-	-	( 900,000)	-	-	-	-	( 900,000)
February 29, 2020	294,247,373	31,660,005	4,782,189	703,230,534	41,402,004	83,516,953	5,401,261	1,164,240,319
Additions	<u>6,199,963</u>	<u>14,486,020</u>	<u>3,500,000</u>	<u>29,908,969</u>	<u>4,835,052</u>	<u>87,402,024</u>	<u>1,034,817</u>	<u>147,366,845</u>
February 28, 2021	<u>300,447,336</u>	<u>46,146,025</u>	<u>8,282,189</u>	<u>733,139,503</u>	<u>46,237,056</u>	<u>170,918,977</u>	<u>6,436,078</u>	<u>1,311,607,164</u>
Depreciation:								
February 28, 2019	42,640,367	6,987,319	3,072,774	226,987,581	16,938,915	-	1,520,958	298,147,914
Charge for the year	13,822,369	3,166,001	597,773	68,529,289	7,111,989	-	508,579	93,736,000
Disposals	-	-	( 787,500)	-	-	-	-	( 787,500)
February 29, 2020	56,462,736	10,153,320	2,883,047	295,516,870	24,050,904	-	2,029,537	391,096,414
Charge for the year	<u>14,024,641</u>	<u>3,693,537</u>	<u>644,649</u>	<u>68,710,951</u>	<u>7,392,962</u>	<u>-</u>	<u>560,316</u>	<u>95,027,056</u>
February 29, 2021	<u>70,487,377</u>	<u>13,846,857</u>	<u>3,527,696</u>	<u>364,227,821</u>	<u>31,443,866</u>	<u>-</u>	<u>2,589,853</u>	<u>486,123,470</u>
Net Book Values:								
February 28, 2021	<u>229,959,959</u>	<u>32,299,168</u>	<u>4,754,493</u>	<u>368,911,682</u>	<u>14,793,190</u>	<u>170,918,977</u>	<u>3,846,225</u>	<u>825,483,694</u>
February 29, 2020	<u>237,784,637</u>	<u>21,506,685</u>	<u>1,899,142</u>	<u>407,713,664</u>	<u>17,351,100</u>	<u>83,516,953</u>	<u>3,371,724</u>	<u>773,143,905</u>

Freehold land and buildings include land at cost of \$17,800,000 (2020: \$17,800,000).

Certain assets of the company are pledged as securities for bank overdraft and other loans (see note 10).

CARIBBEAN CREAM LIMITED

Notes to the Financial Statements (Continued)

February 28, 2021*(Expressed in Jamaica dollar unless otherwise stated)*5. Leases

The company leases various properties to facilitate the sale of its products. The leases include an option to renew after the lease periods have ended. It is expected that in the normal course of business leases that expire generally will be renewed or replaced by similar leases. Lease payments are renegotiated after the end of the contract period to reflect market rentals.

Information about leases for which the company as a lessee is presented below.

(a) Right-of-use assets - Property	<u>2021</u>	<u>2020</u>
Balance at beginning of year	95,435,877	77,928,358
Additions	-	38,940,922
Adjustment due to exercise of lease extensions	19,253,981	-
Depreciation charge for the year	<u>(21,645,433)</u>	<u>(21,433,403)</u>
Balance as at year end	<u>93,044,425</u>	<u>95,435,877</u>
(b) Lease liabilities		
Maturities analysis- contractual undiscounted cash flows:		
	<u>2021</u>	<u>2020</u>
Less than one year	24,488,228	27,011,214
Two to five years	81,878,103	77,740,306
Over five years	<u>21,364,624</u>	<u>14,723,448</u>
Total undiscounted lease liabilities at February 28, 2021	127,730,956	119,474,968
Less: Discount	<u>( 23,693,480)</u>	<u>( 20,313,640)</u>
	<u>104,037,475</u>	<u>99,161,328</u>
Lease liabilities included in the statement of financial position:		
	<u>2021</u>	<u>2020</u>
Current	17,456,686	19,539,121
Non-current	<u>86,580,789</u>	<u>79,622,207</u>
	<u>104,037,475</u>	<u>99,161,328</u>
(c) Amount recognised in profit or loss		
Interest on lease liabilities	9,481,508	6,520,487
Depreciation of right -of-use assets	<u>21,645,433</u>	<u>21,433,403</u>
(d) Amount recognised in the statement of cash flows		
Total cash outflow for leases	<u>(23,859,342)</u>	<u>(24,228,439)</u>

CARIBBEAN CREAM LIMITED

## Notes to the Financial Statements (Continued)

February 29, 2020

*(Expressed in Jamaica dollar unless otherwise stated)*6. Cash and cash equivalents

	<u>2021</u>	<u>2020</u>
Bank balances	163,988,173	59,988,236
Cash in hand	<u>320,902</u>	<u>105,882</u>
	164,308,805	60,094,118
Fixed deposits	<u>52,974,473</u>	<u>69,102,697</u>
	<u>217,283,548</u>	<u>129,196,815</u>

7. Trade and other receivables

	<u>2021</u>	<u>2020</u>
Trade receivables	73,559,380	46,000,580
Less provision for impairment losses (i)	( 1,637,976)	( 3,442,127)
	71,921,404	42,558,453
Prepayments and deposits	18,840,560	11,830,728
Other receivables	<u>2,752,405</u>	<u>3,821,900</u>
	<u>93,514,369</u>	<u>58,211,081</u>

Included in trade receivables is \$33,925,593 (2020: \$12,021,049) due from a related party in the ordinary course of business (see note 18).

Under the ECL model, the company uses accounts receivable based on days past due and determines an average rate of ECL, considering actual credit loss experience over the last 12 months and analysis of future delinquency, that is applied to the balance of the accounts receivable. A weighted average ECL rate is used as at February 28, 2021 to apply against the accounts receivable balance [note 21(a)(i)].

(i) Movement in impairment losses for trade receivables is as follows:

	<u>2021</u>	<u>2020</u>
Balance as at beginning of year	3,442,127	768,998
Reversal of impairment	( 1,804,151)	-
Impairment loss recognised	<u>-</u>	<u>2,673,129</u>
Balance as at end of year	<u>1,637,976</u>	<u>3,442,127</u>

CARIBBEAN CREAM LIMITED

Notes to the Financial Statements (Continued)

February 28, 2021*(Expressed in Jamaica dollar unless otherwise stated)*8. Inventories

	<u>2021</u>	<u>2020</u>
Raw materials	87,659,699	71,924,548
Finished goods	25,657,634	44,998,663
Goods in transit	<u>49,034,859</u>	<u>851,474</u>
	<u>162,352,192</u>	<u>117,774,685</u>

9. Trade and other payables

	<u>2021</u>	<u>2020</u>
Trade payables	126,574,862	104,126,048
Other payables	<u>87,916,624</u>	<u>81,220,464</u>
	<u>214,491,486</u>	<u>185,346,512</u>

Other payables include \$Nil (2020: \$779,222) payable to a director for vacation leave (see note 18).

10. Long-term loans

	<u>2021</u>	<u>2020</u>
(i) BNS term loan – cold room construction	-	12,222,215
(ii) BNS mortgage – Suthermere Road and South Road	-	31,288,803
(iii) BNS term loan – novelty line	-	63,518,520
(iv) BNS term loan – ammonia compressor	-	25,384,620
(v) CIBC term loan	157,000,000	-
(vi) CIBC demand instalment loan	<u>56,905,252</u>	<u>-</u>
	213,905,252	132,414,158
Less current portion	<u>( 6,977,778)</u>	<u>( 27,441,951)</u>
	<u>206,927,474</u>	<u>104,972,207</u>

- (i) This loan was repayable in monthly installments with fixed interest rate at 9.5% per annum. The loan was paid out during the year.
- (ii) The mortgage was repayable in monthly installments with fixed interest rate at 7.49% per annum. The mortgage was paid out during the year.
- (iii) This loan was repayable in monthly installments with fixed interest rate at 7.45% per annum. The loan was paid out during the year.
- (iv) This loan was repayable in monthly installments with fixed interest rate at 7.45% per annum. The loan was paid out during the year.

CARIBBEAN CREAM LIMITED

Notes to the Financial Statements (Continued)

February 28, 2021*(Expressed in Jamaica dollar unless otherwise stated)*10. Long-term loans (continued)

- (v) The purpose of this loan is to refinance debts with Bank of Nova Scotia Jamaica. The loan is repayable within a 60-month term with a balloon payment at the end of the term. Interest is at floating 6 months weighted average treasury bill yield plus 4.80% per annum, reset quarterly. Interest rate is subject to a cap of 6.50% and all in floor rate of 5.80%.
- (vi) The purpose of the loan is to provide funding for capital expenditure. The loan attracts fixed interest at 5.80% per annum and is payable quarterly.

The CIBC facilities are secured as follows:

- (i) First fixed and floating charge debenture stamped for J\$737,000,000 with power to upstamp giving CIBC FirstCaribbean a first ranking floating charge over all other present and future property and assets.
- (ii) First priority right of mortgage stamped for J\$61,750,000 with power to upstamp giving CIBC FirstCaribbean a first fixed mortgage and charge over the property located at 2A and 2D Sutherland Road, Kingston 10, registered at Volume 1288 and 1293 and Folios 348 and 575.
- (iii) First priority right of mortgage stamped for J\$104,000,000 with power to upstamp giving CIBC FirstCaribbean a first fixed mortgage and charge over the property located at 3 South Road, Kencot Park, Kingston 10, registered at Volume 1101 and Folio 714.
11. Deferred tax liability

Deferred tax liability is attributable to the following:

	<u>2019</u>	Recognised <u>in income</u> (note 16)	<u>2020</u>	Recognised <u>in income</u> (note 16)	<u>2021</u>
Property plant and equipment	(7,613,554)	(7,115,195)	(14,728,749)	(1,729,830)	(16,458,579)
Accounts receivable	( 48,385)	42,956	( 5,429)	( 2,337)	( 7,766)
Unrealized foreign exchange loss/gain	13,233	100,672	113,905	( 368,900)	( 254,995)
Leases, net	-	465,682	465,682	908,450	1,374,132
Accounts payable	<u>743,367</u>	<u>21,699</u>	<u>765,066</u>	<u>5,201</u>	<u>770,267</u>
	<u>(6,905,339)</u>	<u>(6,484,186)</u>	<u>(13,389,525)</u>	<u>(1,187,416)</u>	<u>(14,576,941)</u>

CARIBBEAN CREAM LIMITED

Notes to the Financial Statements (Continued)

February 28, 2021*(Expressed in Jamaica dollar unless otherwise stated)*12. Share capital

	<u>2021</u>	<u>2020</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>

13. Gross operating revenue

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

14. Expenses by nature

	<u>2021</u>	<u>2020</u>
(a) Cost of operating revenue:		
Depreciation	61,839,499	61,605,368
Depreciation right of use assets	3,960,209	5,005,222
Other costs of operating revenue	136,000,280	88,052,451
Raw materials and consumables	754,640,226	720,655,361
Repairs and maintenance	37,461,780	58,312,941
Staff costs (note 19)	96,236,710	111,449,047
Utilities	<u>154,910,726</u>	<u>115,666,839</u>
	<u>1,245,049,430</u>	<u>1,160,747,229</u>
(b) Administrative:		
Accounting fees	4,800,000	4,813,750
Audit fees	3,200,000	2,400,000
Cleaning and sanitation	30,026,310	40,622,788
Depreciation	33,187,557	32,130,633
Depreciation right of use assets	17,685,224	16,428,180
Directors' emoluments		
- Fees	2,128,833	2,161,542
- Management remuneration	8,043,919	11,546,767
General insurance	11,018,524	8,789,944
Lease interest	9,481,508	6,520,487
Other administrative expenses	9,062,291	7,633,925
Professional fees	41,465,095	11,082,694
Rent	1,478,150	717,500
Repairs and maintenance	27,491,440	20,935,582
Security	28,015,115	26,424,135
Staff costs (note 19)	150,622,568	169,523,394
Utilities	<u>50,149,840</u>	<u>33,591,696</u>
	<u>427,856,374</u>	<u>395,323,017</u>

CARIBBEAN CREAM LIMITED

Notes to the Financial Statements (Continued)

February 28, 2021*(Expressed in Jamaica dollar unless otherwise stated)*14. Expenses by nature (cont'd)

	<u>2021</u>	<u>2020</u>
(c) Selling and distribution:		
Advertising and promotion	16,766,235	27,667,706
Licenses and permits	394,147	512,717
Motor vehicle expenses	7,513,498	6,046,744
Travelling and entertainment	939,824	1,868,110
Subsistence allowance	204,491	50,000
Transportation and delivery	<u>34,838,392</u>	<u>32,155,961</u>
	<u>60,656,587</u>	<u>68,301,238</u>
Total administrative and selling and distribution expenses	<u>488,512,961</u>	<u>463,624,255</u>

15. Finance costs

	<u>2021</u>	<u>2020</u>
Bank and other charges	6,340,401	4,701,661
Interest expense	11,951,987	12,712,752
Net foreign exchange loss	<u>2,970,306</u>	<u>2,856,354</u>
	<u>21,262,694</u>	<u>20,270,767</u>

16. Taxation

(a) The expense is based on the profit for the year adjusted for tax purposes and is made up as follows:

	<u>2021</u>	<u>2020</u>
Current tax expense:		
Income tax	16,632,312	1,117,971
Deferred tax expense:		
Origination and reversal of temporary differences (note 11)	<u>1,187,416</u>	<u>6,484,186</u>
Total taxation expense	<u>17,819,728</u>	<u>7,602,157</u>

(b) Reconciliation of actual tax charge:

	<u>2021</u>	<u>2020</u>
Profit before taxation	<u>118,500,335</u>	<u>62,171,556</u>
Computed 'expected' tax at 25% (2020: 25%)	29,625,084	15,542,889
Difference between profit for financial statements and tax reporting purposes on:		
Depreciation and capital allowances	7,870,440	( 3,757,528)
Expenses not deductible for tax purposes	( 4,442,194)	( 3,660,151)
Understatement of prior year tax expense	699,355	297,459
Remission of income taxes [note 16(c)]	( 15,932,957)	( 820,512)
Actual tax charge	<u>17,819,728</u>	<u>7,602,157</u>

CARIBBEAN CREAM LIMITED

Notes to the Financial Statements (Continued)

February 28, 2021

*(Expressed in Jamaica dollar unless otherwise stated)*16. Taxation (cont'd)

## (c) Tax remission

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.
- (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%

At the reporting date, the financial statements have been prepared on the basis that the company will have the benefit of tax remissions of 50%.

17. Earnings per share

Earnings per share is computed by dividing the profit for the year by the number of shares of 378,518,115 (2020: 378,518,115) in issue for the year.

18. 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:

	<u>2021</u>	<u>2020</u>
Balances with related parties:		
(i) Due to director (note 9)	-	779,222
(ii) Due from related party, Scoops Unlimited Limited (note 7)	33,925,593	12,021,049
Transactions with related parties:		
(iii) Staff loan, net	1,147,482	628,567
(iv) Sale of ice cream mix	144,515,700	177,059,500
(v) Sale of ice cream	<u>18,636,700</u>	<u>37,653,100</u>

CARIBBEAN CREAM LIMITED

Notes to the Financial Statements (Continued)

February 28, 2021*(Expressed in Jamaica dollar unless otherwise stated)*19. Staff costs

	<u>2021</u>	<u>2020</u>
Employer's statutory contributions	19,915,231	23,658,450
Salaries, wages and other staff benefits	<u>226,944,047</u>	<u>257,313,991</u>
	<u>246,859,278</u>	<u>280,972,441</u>
Included in profit or loss as follows:		
Administrative	150,622,568	169,523,394
Direct labour	<u>96,236,710</u>	<u>111,449,047</u>
	<u>246,859,278</u>	<u>280,972,441</u>

20. Dividends

During the year, dividends of \$0.029 (2020: \$0.048) per share were declared and paid to the shareholders on records at September 16, 2020 (2020: September 6, 2019).

21. Financial instruments

## (a) Financial risk management

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

- credit risk
- liquidity risk
- market 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, and the company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework. The company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

## (i) 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, and arises principally from the company's receivables from customers and cash and cash equivalents. The company generally does not require collateral in respect of financial assets, materially trade receivables. Management has a credit policy in place to minimise exposure to credit risk. Credit evaluations are performed on all customers requiring credit.

The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The maximum exposure to credit risk is represented by the carrying amount of each financial asset at the reporting date.

CARIBBEAN CREAM LIMITED

Notes to the Financial Statements (Continued)

February 28, 2021*(Expressed in Jamaica dollar unless otherwise stated)*21. Financial instruments (continued)

## (a) Financial risk management (continued)

## (i) Credit risk (continued):

*Cash and cash equivalents*

The company manages credit risk on cash and cash equivalents by maintaining cash resources with financial institutions that are appropriately licensed and regulated; and have high credit rating therefore, management believes that exposure to credit risk is minimal.

Impairment on cash and cash equivalents have been measured at 12 months expected loss basis and reflects the short maturities of the exposures. The company considered that cash and cash equivalents have low credit risk. No impairment allowances were recognised as at February 28, 2021 and February 29, 2020.

*Trade receivables*

Management has established a credit policy under which its customers are analysed for creditworthiness prior to being offered a credit facility. This includes credit evaluations on new customers and procedures for the recovery of amounts owed by defaulting customers. Management has procedures in place to restrict customer service if the customers have not cleared outstanding debts within the credit period. In monitoring customer credit risk, customers are categorised according to their credit characteristics, including whether they are an individual or company, or aging profile and existence of previous financial difficulties.

The company's average credit period on the sale of its products is 30-60 days. Some trade receivables are provided for based on the estimate of amounts that would be irrecoverable, determined by taking into consideration past default experience, current economic conditions and expected receipts and recoveries. Management also considers the factors that may influence the credit risk of the customer base, including the default risk associated with the industry and country in which the customers operate. The customer is allowed up to 90 days after each invoice date to submit payment of amounts owing to the company.

Trade receivables also includes amounts receivable from a related party. The risk is managed on a group basis, by off-setting balances where necessary.

*Expected credit loss assessment*

The company allocates each exposure to a credit risk grade based on the data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about its customers) and applying experienced credit judgement.

CARIBBEAN CREAM LIMITED

Notes to the Financial Statements (Continued)

February 28, 2021*(Expressed in Jamaica dollar unless otherwise stated)*21. Financial instruments (continued)

## (a) Financial risk management (continued)

## (i) Credit risk (continued):

Exposure to credit risk (continued):

*Trade receivables (continued)**Expected credit loss assessment (continued)*

Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit ratings, where available. Exposure within each credit risk grade and an ECL rate is calculated for the company's customer based on delinquency status and actual historical credit loss experience.

The company uses an allowance matrix to measure ECLs of trade receivables. The provision matrix is based on its historical observed default rates over the expected life of the trade receivables and is adjusted for forward looking estimates.

Loss rates are calculated based on the probability of a receivable progressing through successive stages of delinquency to write-off, current conditions and the economic conditions over the expected lives of the receivables.

The following table provides information about the exposure to credit risk and ECL for trade receivables as at the reporting date:

<u>Age categories</u>	<u>2021</u>			
	<u>Weighted average loss rate</u>	<u>Gross carrying amount</u>	<u>Loss allowance</u>	<u>Credit impaired</u>
Current (not past due)	0.06%	69,371,841	44,474	No
Past due 31 - 60 days	1.25%	2,626,875	32,838	No
Past due 61- 90 days	2.50%	-	-	No
More than 90 days	100%	<u>1,560,664</u>	<u>1,560,664</u>	Yes
		<u>73,559,380</u>	<u>1,637,976</u>	

CARIBBEAN CREAM LIMITED

Notes to the Financial Statements (Continued)

February 28, 2021*(Expressed in Jamaica dollar unless otherwise stated)*21. Financial instruments (continued)

## (a) Financial risk management (continued)

## (i) Credit risk (continued):

Exposure to credit risk (continued):

*Trade receivables (continued)**Expected credit loss assessment (continued)*

The following table provides information about the exposure to credit risk and ECL for trade receivables as at the reporting period (continued):

<u>Age categories</u>	<u>Weighted average loss rate</u>	<u>2020</u>		
		<u>Gross carrying amount</u>	<u>Loss allowance</u>	<u>Credit impaired</u>
Current (not past due)	0.09%	42,516,481	37,118	No
Past due 31 - 60 days	1.25%	55,676	696	No
Past due 61- 90 days	2.50%	24,728	618	No
More than 90 days	100%	<u>3,403,695</u>	<u>3,403,695</u>	Yes
		<u>46,000,580</u>	<u>3,442,127</u>	

## (ii) 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.

CARIBBEAN CREAM LIMITED

Notes to the Financial Statements (Continued)

February 28, 2021*(Expressed in Jamaica dollar unless otherwise stated)*21. Financial instruments (continued)

## (a) Financial risk management (continued)

## (ii) Liquidity risk (continued):

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.

	<u>2021</u>				
	Carrying amount	Contractual cash flows	Less than 1 year	2 to 5 years	Over 5 years
Loans	213,905,252	270,038,127	15,909,142	121,225,071	132,903,914
Trade and other payables	214,191,486	214,191,486	214,191,486	-	-
Lease liabilities	<u>104,037,475</u>	<u>127,730,956</u>	<u>24,488,288</u>	<u>81,878,103</u>	<u>21,364,624</u>
	<u>532,134,213</u>	<u>611,960,569</u>	<u>254,588,916</u>	<u>203,103,174</u>	<u>154,268,538</u>
	<u>2020</u>				
	Carrying amount	Contractual cash flows	Less than 1 year	2 to 5 years	Over 5 years
Loans	132,414,158	156,763,463	36,426,017	120,337,446	-
Trade and other payables	185,346,512	185,346,512	185,346,512	-	-
Lease liabilities	<u>99,161,328</u>	<u>119,474,968</u>	<u>27,011,214</u>	<u>77,740,306</u>	<u>14,723,448</u>
	<u>416,921,998</u>	<u>461,584,943</u>	<u>248,783,743</u>	<u>198,077,752</u>	<u>14,723,448</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.

## (iii) 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)

February 28, 2021*(Expressed in Jamaica dollar unless otherwise stated)*21. Financial instruments (continued)

## (a) Financial risk management (continued)

## (iii) Market risk (continued):

## (i) Currency risk (continued):

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:

	2021			2020		
	J\$ Equivalent	US\$	CDN\$	J\$ Equivalent	US\$	CDN\$
Financial assets	46,596,307	298,603	15,854	46,419,957	293,458	66,014
Financial liabilities	<u>(62,419,015)</u>	<u>(413,613)</u>	<u>( 4,464)</u>	<u>(84,814,566)</u>	<u>(329,175)</u>	<u>(402,843)</u>
Net position	<u>(15,822,708)</u>	<u>(115,010)</u>	<u>11,390</u>	<u>(38,394,609)</u>	<u>( 35,717)</u>	<u>(336,829)</u>

Exchange rates in terms of the Jamaica dollar as at the reporting date were US\$1: J\$149.60 (2020: US\$1: J\$135.86) and CDN\$1: J\$120.96 (2020: CDN\$1: J\$99.59).

Sensitivity analysis:

A 6% (2020: 6%) weakening of the US\$ and CDN\$ against the J\$ would increase profit for the year by \$952,333 (2020: increase profit by \$2,303,676).

A 2% (2020: 4%) strengthening of the US\$ and CDN\$ against the J\$ would increase profit for the year by \$ 317,444 (2020: decrease profit by \$1,535,718).

The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is done on the same basis as for 2020.

## (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)

February 28, 2021*(Expressed in Jamaica dollar unless otherwise stated)*21. Financial instruments (continued)

## (a) Financial risk management (continued)

## (iii) Market risk (continued):

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

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:

	<u>Carrying amount</u>	
	<u>2021</u>	<u>2020</u>
Fixed rate:		
Financial assets	79,045,976	88,157,059
Financial liabilities	(213,905,252)	(231,575,486)
	<u>(134,859,276)</u>	<u>(143,418,427)</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.

## (b) Capital management:

The Board seeks to maintain a strong capital base 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 16(c).

CARIBBEAN CREAM LIMITED

Notes to the Financial Statements (Continued)

February 28, 2021*(Expressed in Jamaica dollar unless otherwise stated)*22. Impact of Covid 19

The World Health Organization declared the novel Coronavirus (COVID-19) outbreak a pandemic on March 11, 2020 and the Government of Jamaica declared the island a disaster area on March 13, 2020. The pandemic and the measures to control its human impact have resulted in disruptions to economic activity, business operations and asset prices. This could have significant negative financial effects on the company, depending on factors such as (i) the duration and spread of the outbreak, (ii) the restrictions and advisories from Governments, (iii) the effects on the financial markets, and (iv) the effects on the economy overall, all of which are highly uncertain and cannot be estimated reliably.

The company has assessed the situation, as part of its business continuity and contingency planning. While the pandemic has affected the operations of the company, the effects are not considered significant as the company continues to generate revenue and cash flows at the pre-pandemic levels.