

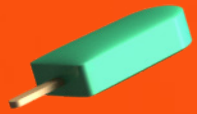
# KREMI ANNUAL REPORT 2020



MAINTAINING THE TASTY  
TRADITION OF SUCCESS

SCAN TO VISIT OUR  
WEBSITE





## OUR VISION

The #1 ice cream company in the Caribbean.

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## MISSION STATEMENT

Caribbean Cream Limited (CCL) is committed to being a vehicle for the betterment of Shareholders, Employees and Customers.

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## 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 continue to expand our facilities to meet the growing demand.

Our consumers are attracted to our bold packaging and as always the amazing great, high quality taste. Just ask our mascot "Mee", he would be the first to guarantee memorable moments everytime you indulge in our frozen treats.





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# OUR PRODUCTS



## 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 island-wide.



## 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: Rum and Raisin, Grapenut, Orange-Pineapple, Stout and Coffee Rum Cream.



## FROZEN NOVELTIES

Our new line of frosty treats are sweet, and irresistible for both children and adults alike. Memorable moments are guaranteed every time you unwrap one of our: Grape, Sour Cherry, Kola Champagne, Green Apple, and Watermelon flavours!



## ICE CREAM CAKES

Ideal for an individual treat or an on-the-go snack! This delicious treat is available in a 265g size at 12 per case.



# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2020 Annual General Meeting of CARIBBEAN CREAM LIMITED will be held at a date and location to be announced, due to the government's regulations for handling the COVID-19 pandemic, for the purpose of transacting the following business:

1. To receive the Audited Accounts for the year ended February 29, 2020 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 29, 2020, 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 Vaccianna and Christopher Clarke, 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 Michael Vaccianna be and is hereby re-elected as a Director of the company."

**Resolution No. 3**

"That Christopher Clarke be and is hereby re-elected as a Director 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 \$0.048 paid on September 20, 2019 be and are hereby ratified and declared final for 2019."

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 29, 2020 as fees of the Directors for their services as Directors, be and are hereby approved."

5. To appoint Auditors and to authorise 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 25, 2020  
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.





# COMPANY PROFILE

Caribbean Cream Limited, through its brand Kremi, has grown significantly over the past 14 years since it first acquired and installed an ice cream mix plant at 11 Derrymore Road, under the leadership of Christopher Clarke, CEO.

This continuous growth, primarily facilitated by an injection of capital from investors on the Jamaica Junior Stock Exchange six years ago, has enabled the company to recruit and train personnel to operate and maintain our state-of-the-art machinery for greater efficiency and reliability.

Caribbean Cream Limited was born out of a need to supply the local market with a high quality, but less expensive, ice cream other than the premium Devon House brand. So Scoops Unlimited Limited, producers of Devon House ice cream, set up Caribbean Cream Limited to service that new market.

On his return to the island after studying abroad, Christopher Clarke spearheaded the development of a formula for an inexpensive, but superior ice cream mix, on behalf of Scoops Unlimited Limited. The response from the local market to the product was overwhelming and the Board of Scoops Unlimited Limited took the decision to separate the brands and start Caribbean Cream Limited to manufacture and market the Kremi standard product. Three years later, Caribbean Cream Limited outgrew its Derrymore Road premises and relocated to its current premises at 3 South Road in Kencot.

Today, Kremi distributes most of its products, through wholesale, modern trade and retail outlets, as well as by mobile vendors, known locally as 'fudgies'.

The vision of the company is to maintain the tasty tradition of success, by being the number one ice cream manufacturer in the Caribbean. The journey to that goal continues to be carefully guided by a Board of Directors, comprising astute professionals, who seek to empower the management team and staff to grow beyond borders.

# CHAIRMAN'S REPORT

*Carol Clarke Webster*

Carol Clarke Webster  
Chairman





We are pleased to announce that our company is well positioned to withstand the challenges that lie ahead due to the impact of the COVID-19 pandemic.

Caribbean Cream Limited has always been careful to put aside a large cash reserve for a company of this size and this financial year is no different. At the end of the current financial year, we had a little over \$129 million in cash.

Our innovative business model, where we distribute our products directly to customers in communities through our wholesalers, bike and household vendors, continues to strengthen our revenue stream as it has for the past decade.

Since Caribbean Cream Limited listed on the Junior Jamaica Stock Exchange, its revenue has grown year over year, including the period under review.

For 2019/2020 sales went up by \$153 million or 10%, mainly due to our increased product offerings, made possible by the installation of a new line for stick-based, frozen novelties, created in-house, under the Kreml brand during the previous year. In addition, the opening of a new depot in May Pen, to better serve that community also positively impacted our overall sales.

Net Profit before taxation moved downwards from \$103 million last year to \$62 million this year. This was due to a hike in commodity costs, driven primarily by increased prices worldwide and worsened by the fluctuating exchange rate against the US dollar. We minimised the level of price increases to maintain market share. While we are pleased that Caribbean Cream Limited made a profit this year, we

understand that this result is disappointing to our shareholders. However, we wish to assure them that we have already taken steps to improve that position going forward.

The structure of the company was significantly changed during the year under review. We have entered into a shared service agreement with a related company, Scoops Unlimited Limited. Under this agreement, finance, marketing, human resources and information technology professional services are shared by both companies and will be centralised at one location. This move is expected to reduce administrative costs and increase productivity by better utilising the working hours of the relevant personnel.

Other changes that have been made include the appointment of Mr. Ryan Peralto, as General Manager of Caribbean Cream Limited, during the fourth quarter of the year. Mr. Peralto brings a wealth of experience in various industries, with a strong background in the manufacturing of dairy products.

With the appointment of Mr. Peralto, I shall step down as the Chairperson of Caribbean Cream Limited, and Mr. Christopher Clarke will assume the position of chairman. However, I shall remain as a member of the Board of Directors.

It was an absolute honour and pleasure to serve as Chairperson over the past seven years.

Even though we head into an uncertain future, it is my hope that our shareholders, employees, customers, board members and management team will continue to display the resilience for which Jamaicans are known, as we work together as a people to rebuild our economy.



# DIRECTORS' REPORT

The Directors are pleased to present their report for the financial year ended February 29, 2020. The following are highlights of the Audited Financial statements:

	Year ended Feb 2020	Year ended Feb 2019
	\$'000	\$'000
<b>Revenue</b>	1,706,359	1,552,905
<b>Gross profit</b>	545,612	519,539
<b>Profit before taxation</b>	62,172	102,646
<b>Profit, being total comprehensive income for the year</b>	54,569	88,675
<b>Net Current Assets</b>	73,635	141,486
<b>Accumulated profits</b>	632,819	596,421
<b>Earnings per stock unit</b>	\$0.14	\$0.23

The Directors as at February 29, 2020 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 Michael Vacciana and Christopher Clarke will retire by rotation and, being eligible, offer themselves for re-election.

## Organisational Announcement

The Board of Directors announced that Director Carol Clarke Webster resigned

as Chairman of the Board and Director Christopher Clarke was appointed as Chairman effective March 1, 2020. Mr Ryan Peralto was appointed General Manager of the company effective December 9, 2019.

## Dividend

A dividend of \$0.048 per share was paid on September 20, 2019 to shareholders registered at the close of business on September 6, 2019.

## 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

# COMPANY DATA & ADVISORS

**Registered Office**

3 South Road, Kingston 10

**Registrar & Secretarial Agents**

Jamaica Central Securities Depository  
40 Harbour Street, Kingston

**Company Secretary**

Denise Douglas

**External Auditors**

KPMG  
Chartered Accountants  
6 Duke Street, Kingston

**Internal Auditors**

Baker Tilly Strachan Lafayette  
Chartered Accountants  
14 Ruthven Road, Kingston 10

**Attorneys-At-Law**

Young Law, Attorneys-at-Law  
Unit 14, Braemar Suites  
1D-1E Braemar Avenue  
Kingston 10

**Bankers**

Bank of Nova Scotia Jamaica Limited









MANAGEMENT  
DISCUSSION &  
ANALYSIS

# SEVEN YEAR FINANCIAL REVIEW

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>STATEMENT OF PROFIT OR LOSS</b>							
Revenue	855,568	1,012,861	1,134,933	1,213,549	1,373,279	1,552,905	1,706,359
Gross Profit	205,930	279,248	453,640	461,837	420,325	519,539	545,612
GP Margin	24%	28%	40%	38%	31%	33%	32%
Net Profit before Tax	38,525	60,214	167,190	176,185	89,759	102,646	62,172
Profit, being comprehensive income for the year	38,525	60,214	167,190	176,185	89,759	88,675	54,569
Earnings per Stock Unit	\$0.10	\$0.16	\$0.44	\$0.47	\$0.24	\$0.23	\$0.14
<b>STATEMENT OF FINANCIAL POSITION</b>							
Property, plant, and equipment	324,443	353,274	337,191	401,245	514,628	705,454	773,144
Cash and cash equivalents	6,441	1,757	152,523	176,182	174,735	129,995	129,197
Net Current (Liabilities)/ Assets	(25,510)	18,555	178,240	250,846	185,967	141,486	73,635
Total Borrowings	134,972	150,237	125,456	101,830	81,645	162,761	132,414
Number of shares	378,568	378,568	378,568	378,568	378,568	378,568	378,568
Shareholder's equity	185,784	245,999	413,189	570,446	637,491	707,832	744,230
Dividend payment	-	-	-	18,928	22,714	18,171	18,171

## COMPANY PROFILE AND OVERVIEW

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

As of February 2020, Scoops Unlimited Limited, a company incorporated and domiciled in Jamaica, and its directors controlled CCL by virtue of their direct holding of 78% of the issued shares.

CCL's principal activities are the manufacture and sale of ice cream under the "Kremi" brand, and the importation as well as distribution of frozen novelties.

## MANAGEMENT'S RESPONSIBILITY

The Management of CCL is responsible for providing accurate and reliable information in the Management Discussion and Analysis (MD&A). The financial information presented should conform with the requirements of the Audited Financial Statement, which is included in the Annual Report.

The objective of the MD&A is to provide Stakeholders with qualitative information regarding management assessment of the company's performance for the year ended February 29th, 2020. The amounts reported are in Jamaican dollars and were derived mainly from the enclosed Audited Financial Statements. These statements were prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act of Jamaica.

## FINANCIAL PERFORMANCE OVERVIEW

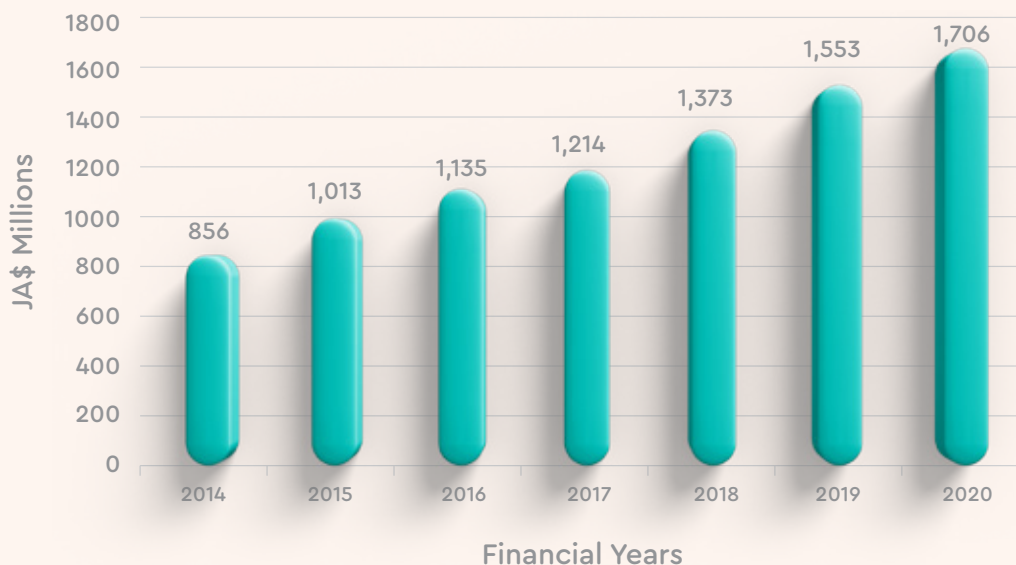
In the year under review, the economic environment was stable and the prospects for the economy remained positive. There was strong fiscal performance, adequate reserves, and growth in credit to businesses. Inflation and unemployment rates continued to be low, but the company experienced price increases in their local purchases. The foreign exchange rates continued to fluctuate and there was a 6.5 and a 4.1 percentage point decrease in the Jamaican dollar against the United States and the Canadian dollar respectively, which resulted in a significant increase in the cost of the company's overseas raw materials and other inputs.

## SALES REVENUE

Sales revenue for the year was \$1,706 million, compared to the previous year's revenue of \$1,553 million, representing an increase of \$153 million or 10%. During the year the company launched a novelty production line and utilised various marketing tools and promotional activities such as television advertising, newspaper ads and billboards, competition through vendors and social media visibility, which enabled further expansion of markets, increased distribution through more mid-level customers, and the opening of an additional company owned depot. Market acceptance for the novelty product line was very favourable.



### Sales Revenue



### COST OF OPERATING REVENUE

The Company's strategic objective is to continuously improve operational efficiency and reduce the operating cost over time. However, the cost of operating revenue for the year ended February 29th, 2020, was \$1,161 million, while the previous year was \$1,033 million. This represented an increase of \$127 million or 12% over the previous year. (1) Raw materials and consumables increased by \$76 million or 12%, driven by increases in both the cost of local raw materials and increased costs in overseas purchases as the Jamaican dollar declined in relation to the major currencies. It is important to note that while the company raised prices in September 2019, it was not possible to fully compensate for raw material price increases. (2) Utility costs also increased by \$20 million or 21%, partly due to higher sales from corresponding production levels, as well as the increased charge in the foreign exchange portion of utility bills. (3) Depreciation cost increased by \$27 million or 76% as a result of the capitalisation of plant and equipment.

### Cost of Operating Revenue

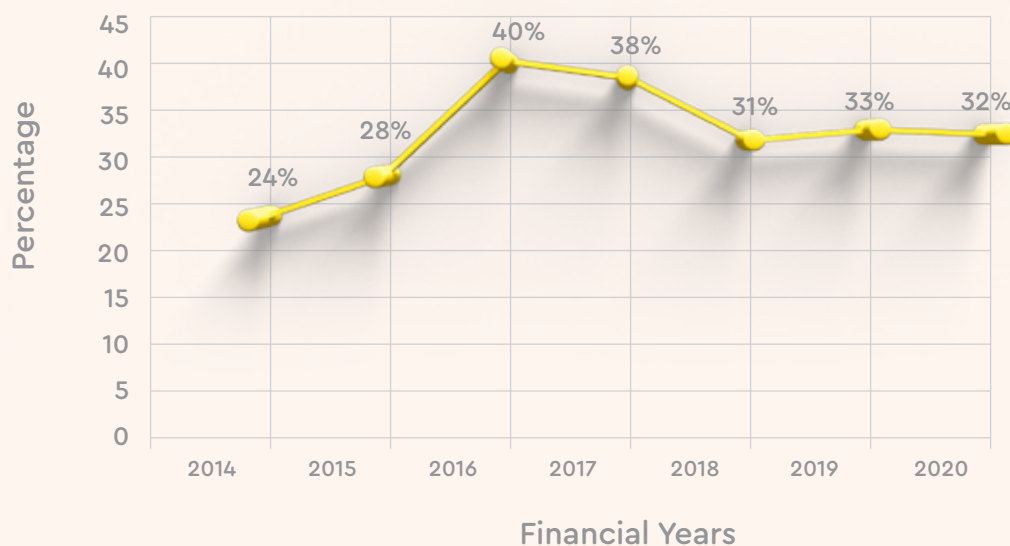




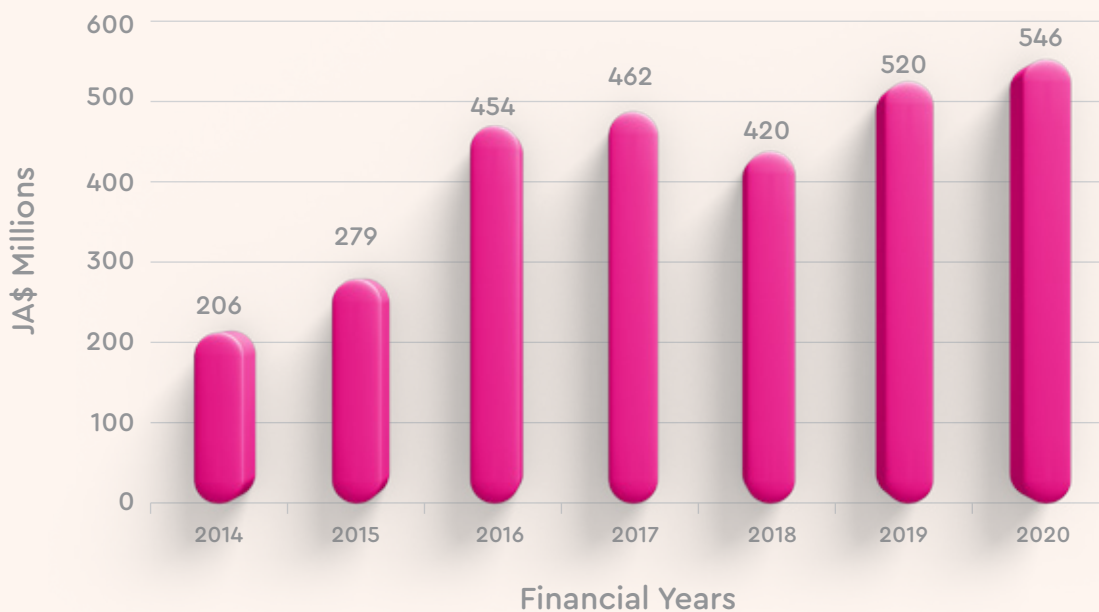
## GROSS PROFIT

Gross profit for the year was \$546 million, an increase of \$26 million or 5% over the prior year's total of \$520 million. The gross profit percentage has been impacted over the last three years. Higher raw material costs coupled with the devaluation in the Jamaican dollar has driven up our operating costs while the country's low inflation has limited price increases.

### Gross Profit Margin



### Gross Profit



## NET PROFIT AND TAXATION

The Net Profit before tax was \$62.2 million, which was lower than the previous year's profit of \$102.6 million by \$40.4 million or 39.4%, while profit being total comprehensive income for the year was \$54.6 million, a decline of \$34.1 million or 38.4% over the previous year. Taxation for the year was \$7.6 million, while earnings per share for the company was \$0.14

**Net Profit before tax, and, Profit being total comprehensive income for the year**



**Series 1** Net profit before tax; **Series 2** Profit, being total comprehensive income for the year

## OPERATING EXPENSES

Total administrative, selling and distribution expenses for the year was \$464 million, which was an increase of \$60 million or 15% over the previous year's expense of \$404 million. The main factors were:

1. Depreciation increased by \$14 million or 78% mainly as a result of transfer of assets from Construction in progress.
2. Repairs and maintenance decreased by \$8 million or 28% through concerted efforts made to save these costs.
3. Advertising and promotion increased by \$7 million or 33% and this was based on the level of promotional events for the year, including for new novelty products
4. With the adoption of IFRS 16 Leases, there were some changes which were not in the prior year, namely depreciation right of use assets and lease interest.

The impact of the IFRS 16 Leases was \$16 million in depreciation right of use asset and \$6.5 million reported as lease interest, while the properties which were leased and reported under rent in the prior year, totalled \$13 million.

The Company continues its ongoing process of becoming HACCP compliant. Positive strides have been made in the HACCP process as both the Bureau of Standards and the Ministry of Health phases are completed. The Company currently awaits a further step of inspection by the Veterinary Service Division Unit of the Ministry of Agriculture.

The company is still committed to the ethos of Corporate Social Responsibility, and so unspent funds from the previous allocation were depleted during the fiscal year.

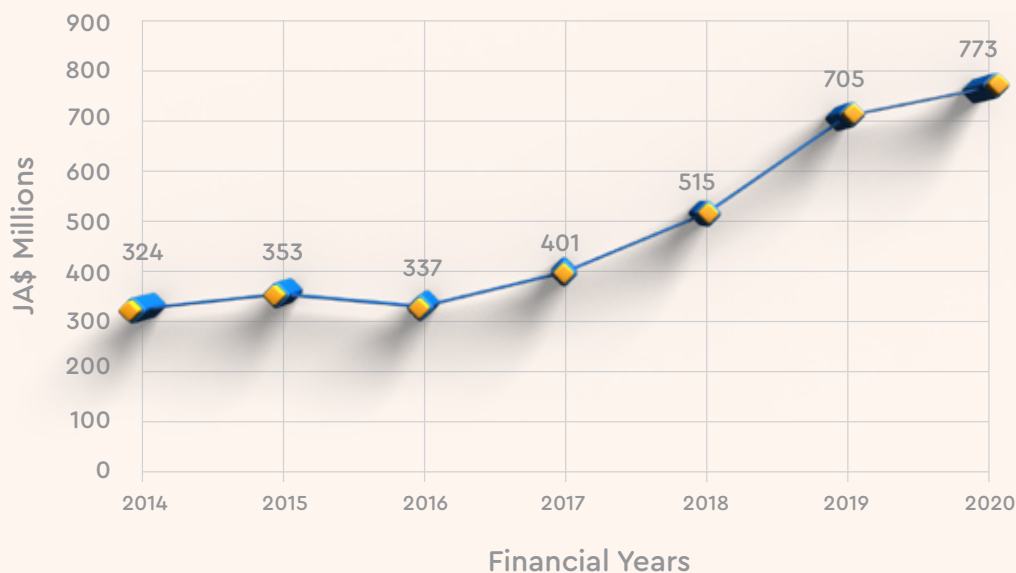
## STATEMENT OF FINANCIAL POSITION

The Statement of Financial Position depicts a company on a path of growth.

Total assets less current liabilities, at the year-end was \$942 million, this was an increase of \$95 million or 11% versus the previous year.

Non-Current assets increased by \$165 million or 23% and this was based on the commissioning and purchase of property, plant and equipment and the introduction of IFRS 16 Leases where the company recognises right-of-use assets.

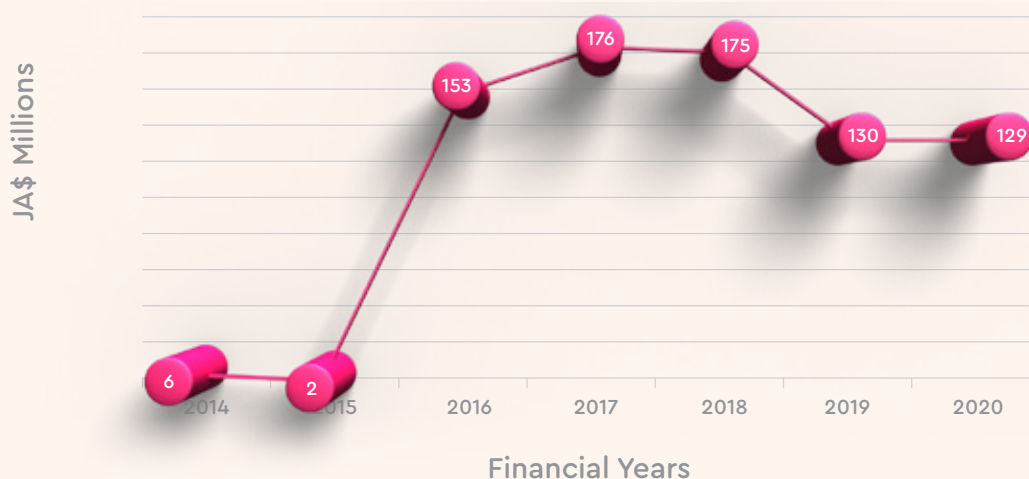
### Property, Plant and Equipment



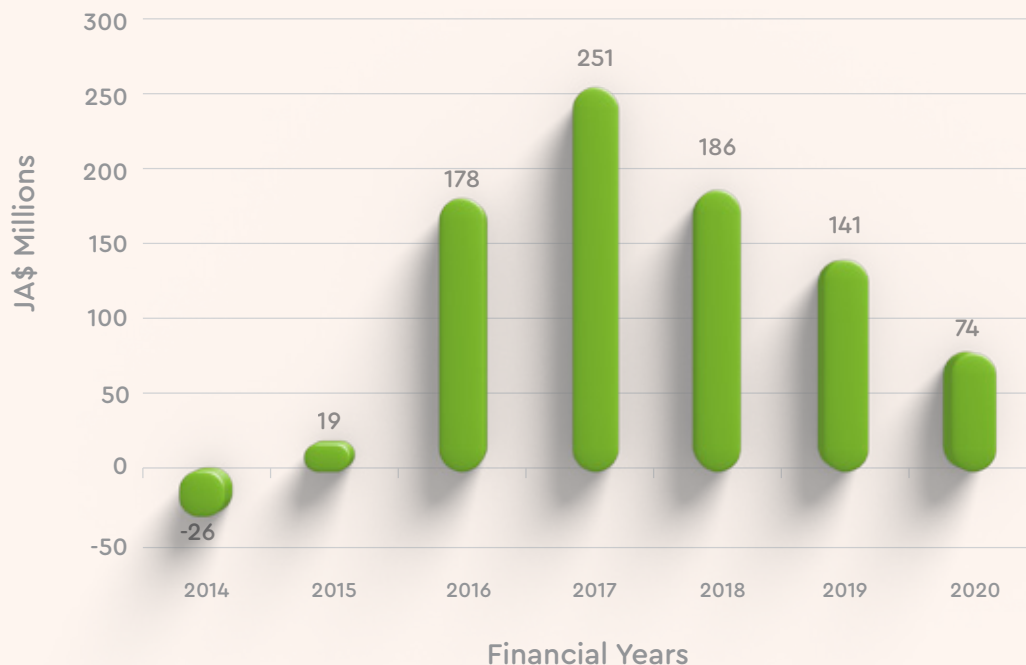
Cash and cash equivalents remained flat, while trade and other receivables decreased by \$9 million or 13%.

Current Liabilities were \$232 million, and this represents an increase of \$36 million or 18% mainly due to the new adoption of IFRS 16 Leases.

### Cash & Cash Equivalents



### Net Current Assets



Total non-current liabilities and equity increased by \$95 million or 11%, this was due mainly to the following:

1. Adoption of IFRS 16 Leases which included \$80 million in lease liability reported under non-current liabilities.
2. Deferred tax liability increased by \$6 million or 86% and is an income tax obligation arising from timing differences between accounting and tax items.
3. Accumulated Profits increased by \$37 million or 6% which represented profit generated but not distributed, and are retained and reinvested in the Company.

### Shareholders' Equity





## RISK MANAGEMENT AND INTERNAL CONTROLS

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 controlled environment in which all employees understand their roles and obligations.

Due to the nature of its business operations of manufacturing and distributing products, the company has exposure to various financial risks namely, credit, liquidity, foreign currency, and interest rates. A summary of these risks is highlighted below, however a more detailed report is included in the Audited Financial Statements.

### 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 that arise 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 value of each financial asset at the reporting date.

## 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 obligations 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.

### 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 rate.

### 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 main goal of CCL is to ensure that the company maintains a safe and healthy environment for our employees, customers and other stakeholders while maximising shareholders' return.

## **CRITICAL ACCOUNTING POLICIES AND USE OF ESTIMATES.**

Certain new and amended standards that were in issue came into effect during the current financial year. This is the first set of the company's annual financial statements in which IFRS 16 Leases, regarding leases, has been applied from March 1, 2019.

The company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in accumulated profits at March 1, 2019. Accordingly, the comparative information presented for 2019 was not restated. Details of IFRS 16, are included in the Audited Financial Statements, a summary of which is outlined below.

1. IFRS 16 removes the distinction between finance and operating leases.
2. Leases are recorded on the balance sheet as liabilities using the present value of the future lease payment.
3. Recognise an asset, reflecting the right to use the asset over the lease term, except where lease maximum term is twelve months or less or low value asset.
4. Rent expense will be replaced with depreciation and lease interest.

outbreak, (ii) restrictions and advisories from the Government (iii) the effects on the financial markets and (iv) the effects on the economy overall, all of which are highly uncertain and cannot be reliably estimated.

With demand remaining strong, we made special efforts to continue operations despite government and self-quarantines which depleted our personnel. We instituted a number of mitigation measures including additional exterior hand washing stations, the mandatory wearing of masks on site, temperature checks, and working from home, and seeking advice with the 888-ONE LOVE line and public health professionals when conditions warranted. We continue to closely monitor the operations in this pandemic. Notwithstanding the general downturn in local and world economic activity due to the pandemic, we are optimistic of sustaining sales as demand for our product has exhibited buoyancy. We however remain aware that the projection is for the economy to shrink and as such we will create appropriate initiatives to maximize sales opportunities.

## **SUBSEQUENT EVENT**

The World Health Organization declared the novel Coronavirus (COVID-19) outbreak a pandemic on March 11, 2020 and on March 13, 2020, the Government of Jamaica declared the island a disaster area. The pandemic and the measures to control its human impact have resulted in disruption in economic activity, business operations and asset prices. This could have significant negative effects on the company, depending on factors such as (i) the duration and spread of the

# CORPORATE SOCIAL RESPONSIBILITY

# KREMI GRANTS \$3M IN SUPPORT OF EARLY CHILDHOOD EDUCATION ACROSS THE ISLAND

Significant progress has been made since the signing of the Memorandum of Understanding between the Caribbean Cream Limited (KREMI) and the Early Childhood Commission (ECC) on August 31, 2018. The Caribbean Cream Limited entrusted the funds in the sum of \$3 million to the ECC to assist with improving early childhood development across the island.

Since the signing of the MOU twenty-nine (29) Early Childhood Institutions (ECIs) have benefited from the funds entrusted to the ECC. Twenty-six (26) of the twenty-nine (29) schools that received assistance from the funds met the 12 operating standards for ECIs and were awarded a Certificate of Registration

Among the donations made for the improvement of the institutions are: construction and painting of buildings; plumbing and electrical materials; perimeter fencing; books; developmental toys; first aid kits and sleeping mats.

The institutions which have benefitted from the Kremi project so far are: Westchester Belony Basic School, Saint Catherine; Annunciation Basic School, Clarendon; Disciples of Christ Basic School, Portland;

Kiddies Corner Basic School, Manchester; Wallens Basic School, Saint Catherine; New Town Phase 1 Basic School, Clarendon; Montpelier Basic School, Manchester; J&D Learning Center, Clarendon; Hill Top Basic School, Saint Catherine; Bournes Little Angel Nursery & Pre-School, Saint Catherine; William Richard Memorial ECI, Westmoreland; Ketto ECI, Westmoreland; Mission House, Saint Andrew; Mountain Side School, Saint Elizabeth; Wallen's Basic School, Saint Catherine; Wire Fence Basic School, Trelawny; Burnt Savannah ECI, Saint Elizabeth; Stratton ECDC, Saint Andrew; and Joseph's Icon ECI, Saint Andrew; Ketto ECI, Westmoreland; New Vision Daycare & Pre-School, Trelawny; Industry Cove Basic, Hanover; Saint Anthony's Basic School, Manchester; Mango Valley Basic School, Saint Mary; Mount Concord Basic School, Saint Catherine; Waltham ECI, Manchester; Comfort Baptist, Clarendon; Gems of Tomorrow, Saint Andrew; Huntley Primary and Infant, Manchester.

Caribbean Cream Limited is confident that this intervention will positively impact the young minds who are being nurtured at the early childhood level to become citizens who can contribute to the growth and development of our nation.



# FUTURE OUTLOOK

At the time of this Annual Report going to press, the world is in a state of crisis due to the COVID-19 Pandemic.

Like every other organisation worldwide, we are being challenged by the arrival of the coronavirus which will be with us for some time.

However, we continue to be encouraged by current customer demand and are hopeful at the prospects for the future.

In keeping with the necessary protocols, we have executed mitigations such as added hand washing stations, the wearing of masks not just in production as usual, but everywhere on our premises, daily recorded temperature checks,

close monitoring for any symptoms of the coronavirus, increased facility sanitisation, and self-quarantine decisions. All this involves additional effort and close attention, but the health and well-being of our personnel and their families are paramount for the well-being of our organisation. In addition, the measures we take are to ensure that we can provide our valued customers with a continuous supply of our delicious Kremi ice cream and novelties.

We will, therefore, continue on the strategic path we have started with the intention to fulfil our objective of continued product innovation and development of plant & infrastructure.

# 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 its strategic objectives.

## Board of Directors Composition

As of February 29, 2020, the Board of Directors is comprised of 5 non-executive directors and 1 executive director, who are qualified, objective, committed, 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 –

### Board of Directors

**Carol Clarke Webster – Chairman**  
**Mark McKenzie**  
**Christopher Clarke**  
**Michael Vacciana**  
**Matthew Clarke**  
**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 review of risk 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 organisation. 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 2020 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	4	1
Christopher Clarke	1	5	4	1
Matthew Clarke	1	5	-	-
Carol Clarke Webster	1	5	-	1
Mark McKenzie	1	5	4	1
Michael Vacciana	1	4	2	-
Wayne Wray	1	5	4	1

The Corporate Governance Guidelines are available on the company's website at [www.caribcream.com](http://www.caribcream.com)

# 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



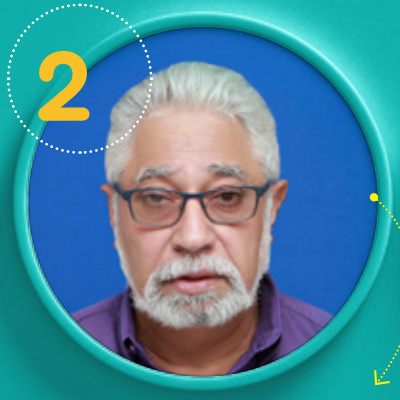




# SENIOR MANAGEMENT



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



**Dean Clarke**  
Chief Sales and Distribution  
Officer



**Karen M. Williams**  
Financial Controller



**Fay Williams**  
Human Resource Manager



**Ryan Peralto**  
General Manager



**David Radlein**  
Chief Marketing Officer



## LIST OF TOP TEN (10) LARGEST SHAREHOLDERS AS AT FEBRUARY 29, 2020

Shareholder	Units
1. Scoops Unlimited Limited	122,535,449
2. Matthew G. Clarke	60,055,425
3. Carol Webster/Christopher Clarke	58,521,764
4. Christopher A. Clarke	35,133,399
5. Resource In Motion Limited	32,479,583
6. Mayberry Jamaican Equities Limited	8,634,619
7. Everton J. Smith	8,550,000
8. JI Limited	5,000,000
9. Everton A. Smith	2,275,000
10. Mayberry Inv. Ltd. Retirement Scheme	2,173,436

## SHAREHOLDINGS OF DIRECTORS, OFFICERS AND CONNECTED PARTIES AS AT FEBRUARY 29, 2020

Director	Shareholdings	Connected Parties	Shareholdings
Carol Webster	58,521,764	Christopher Clarke	
		Scoops Unlimited Limited	122,535,449
Matthew G. Clarke	60,055,425	Scoops Unlimited Limited	122,535,449
Christopher A. Clarke	30,133,399	Kamoy S. Clarke (joint holder)	122,535,449
		Scoops Unlimited Limited	
Mark McKenzie	1,487,558		
Wayne Wray	200,000		
	1,043,249	Christine Randle	
	6,835	Craig A. Singh	
Michael Vacciana	0		
Denise Douglas	2,895	Ryan McCalla	

## SHAREHOLDINGS OF SENIOR MANAGERS AND CONNECTED PARTIES AS AT FEBRUARY 29, 2020

Director	Shareholdings	Connected Parties	Shareholdings
David Radlein	100,000	Catherine Radlein	
Karen Williams	80,855	Vyris Williams	
Dean Alvery Clarke	200,000		
Fay M. Williams	148,690		



# 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 39 to 76, which comprise the statement of financial position as at February 29, 2020, 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 29, 2020, 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 Hande  
Cynthia L. Lawrence  
Rajan Trehan  
Norman O. Rainford  
Nigel R. Chambers

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



## 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.	<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>• 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>

## 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.

## 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.





## 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 37 to 38, 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 stylized, handwritten-style signature of the KPMG logo.

Chartered Accountants  
Kingston, Jamaica  
May 15, 2020



## 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 29, 2020

(Expressed in Jamaica dollar unless otherwise stated)

	Notes	2020	2019
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	773,143,905	705,454,071
Right-of-use assets	6 (a)	95,435,877	-
<b>Total non-current assets</b>		<u>868,579,782</u>	<u>705,454,071</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	7	129,196,815	129,994,894
Trade and other receivables	8	58,211,081	66,572,017
Tax recoverable		779,621	-
Inventories	9	117,774,685	140,444,004
<b>Total current assets</b>		<u>305,962,202</u>	<u>337,010,915</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	185,346,512	157,900,769
Taxation payable		-	7,065,430
Current portion of lease liabilities	6 (b)	19,539,121	-
Current portion of long-term loans	11	27,441,951	30,558,631
<b>Total current liabilities</b>		<u>232,327,584</u>	<u>195,524,830</u>
Net current assets		<u>73,634,618</u>	<u>141,486,085</u>
<b>Total assets less current liabilities</b>		<u>942,214,400</u>	<u>846,940,156</u>
<b>NON-CURRENT LIABILITIES</b>			
Long-term loans	11	104,972,207	132,202,485
Lease liabilities	6 (b)	79,622,207	-
Deferred tax liability	12	13,389,525	6,905,339
<b>Total non-current liabilities</b>		<u>197,983,939</u>	<u>139,107,824</u>
<b>EQUITY</b>			
Share Capital	13	111,411,290	111,411,290
Accumulated profits		632,819,171	596,421,042
<b>Total equity</b>		<u>744,230,461</u>	<u>707,832,332</u>
<b>Total non-current liabilities and equity</b>		<u>942,214,400</u>	<u>846,940,156</u>

The financial statements on pages 39 to 76 were approved for issue by the Board of Directors on May 15, 2020 and signed on its behalf by:



Carol Clarke Webster

Director



Christopher Clarke

Director



**CARIBBEAN CREAM LIMITED**

Statement of Profit or Loss and Other Comprehensive Income

Year ended February 29, 2020

(Expressed in Jamaica dollar unless otherwise stated)

	Notes	2020	2019
Gross operating revenue	14	1,706,358,991	1,552,904,985
Cost of operating revenue	15(a)	(1,160,747,229)	(1,033,365,779)
Gross profit		545,611,762	519,539,206
Other income		1,994,192	2,342,500
		547,605,954	521,881,706
Administrative, selling and distribution expenses:			
Administrative	15(b)	( 395,323,017)	( 345,938,993)
Selling and distribution	15(c)	( 68,301,238)	( 57,920,480)
		( 463,624,255)	( 403,859,473)
Impairment loss on trade accounts receivable	8(i)	( 2,673,129)	( 8,278)
Operating profit before finance costs and taxation		81,308,570	118,013,955
Finance income - interest		1,133,753	2,519,981
Finance costs	16	( 20,270,767)	( 17,887,927)
Profit before taxation		62,171,556	102,646,009
Taxation	17	( 7,602,157)	( 13,970,769)
Profit, being total comprehensive income for the year		54,569,399	88,675,240
Earnings per stock unit	18	0.14	0.23

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

**CARIBBEAN CREAM LIMITED**Statement of Changes in Equity  
Year ended February 29, 2020*(Expressed in Jamaica dollar unless otherwise stated)*

	Share capital (note 13)	Accumulated profits	Total
Balances at March 1, 2018	111,411,290	525,917,072	637,328,362
Total comprehensive income:			
Profit, being total comprehensive income for the year	-	88,675,240	88,675,24
Transactions with owners:			
Dividends (note 21)	-	( 18,171,270)	( 18,171,270)
Balances as at February 28, 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
Transactions with owners:			
Dividends (note 21)	-	( 18,171,270)	( 18,171,270)
Balances as at February 29, 2020	111,411,290	632,819,171	744,230,461

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

**CARIBBEAN CREAM LIMITED**

Statement of Cash Flows  
Year ended February 29, 2020

(Expressed in Jamaica dollar unless otherwise stated)

	Notes	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the year		54,569,399	88,675,240
Adjustments for:			
Depreciation	5	93,736,000	52,998,264
Depreciation – right-of-use assets	6 (a)	21,433,403	-
Lease interest expense	6 (c)	6,520,487	-
Interest expense	16	12,712,752	11,952,960
Gain on disposal of property, plant and equipment		( 145,011)	-
Interest income		( 1,133,753)	( 2,519,981)
Taxation	17	7,602,157	13,970,769
Operating profit before changes in working capital		195,295,434	165,077,252
Trade and other receivables		8,017,291	( 720,665)
Inventories		22,669,319	( 47,734,882)
Trade and other payables		27,445,743	29,008,829
Taxation paid		( 8,963,022)	-
Interest paid		( 12,712,752)	( 11,952,960)
Interest received		1,477,398	2,462,267
Net cash provided by operating activities		233,229,411	136,139,841
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment	5	(161,538,334)	(243,824,811)
Proceeds from sale of property, plant and equipment		257,511	-
Net cash used by investing activities		(161,280,823)	(243,824,811)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from bank loans		-	100,000,000
Repayment of bank loans		( 30,346,958)	( 18,883,416)
Payment of lease liabilities, net	6 (d)	( 24,228,439)	-
Dividends	21	( 18,171,270)	( 18,171,270)
Net cash (used)/provided by financing activities		( 72,746,667)	62,945,314
Net decrease in cash and cash equivalents		( 798,079)	( 44,739,656)
Cash and cash equivalents at beginning of the year		129,994,894	174,734,550
Cash and cash equivalents at end of the year		129,196,815	129,994,894

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

**CARIBBEAN CREAM LIMITED****Notes to the Financial Statements**

February 29, 2020

*(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, 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 29, 2020 (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. This is the first set of the company's annual financial statements in which IFRS 16, Leases has been applied from March 1, 2019. Changes to significant accounting policies are described in note 3.

**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:

- Amendment to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* is effective for annual reporting periods beginning on or after January 1, 2020, and provides a definition of 'material' to guide preparers of financial statements in making judgements about information to be included in financial statements.



## CARIBBEAN CREAM LIMITED

### Notes to the Financial Statements (Continued)

February 29, 2020

(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)**

- Amendment to IAS 1, Presentation of Financial Statements (continued)

*“Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”*

- Amendments to References to Conceptual Framework in IFRS Standards is effective retrospectively for annual reporting periods beginning on or after January 1, 2020. The revised framework covers all aspects of standard setting including the objective of financial reporting.

The main change relates to how and when assets and liabilities are recognised and derecognised in the financial statements.

- New ‘bundle of rights’ approach to assets will mean that an entity may recognise a right to use an asset rather than the asset itself;
- A liability will be recognised if a company has no practical ability to avoid it. This may bring liabilities on balance sheet earlier than at present.
- A new control-based approach to de-recognition will allow an entity to derecognise an asset when it loses control over all or part of it; the focus will no longer be on the transfer of risks and rewards.

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

##### (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.

**Notes to the Financial Statements (Continued)**

February 29, 2020

*(Expressed in Jamaica dollar unless otherwise stated)*

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2. Basis of preparation (continued)

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

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.

(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.

**CARIBBEAN CREAM LIMITED**

**Notes to the Financial Statements (Continued)**

February 29, 2020

*(Expressed in Jamaica dollar unless otherwise stated)*

2. Basis of preparation (continued)

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

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. Changes in significant accounting policies

The company initially applied IFRS 16 *Leases* from March 1, 2019.

Other new standards were also effective from March 1, 2019 but they did not have a material effect on the company's financial statements.

The company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in accumulated profits at March 1, 2019. Accordingly, the comparative information presented for 2019 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

(a) IFRS 16, *Leases*

Definition of a lease

Previously, the company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement Contains a Lease*. The company now assesses whether a contract is or contains a lease based on the definition of a lease under IFRS 16.

**Notes to the Financial Statements (Continued)**

February 29, 2020

*(Expressed in Jamaica dollar unless otherwise stated)*

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3. Changes in significant accounting policies (continued)

(a) IFRS 16, *Leases* (continued)

On transition to IFRS 16, the company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after March 1, 2019.

(b) As a lessee

As a lessee, the company leases many assets, including property. The company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the company. Under IFRS 16, the company recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on 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 its relative stand-alone price. However, for leases of property, the company has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

*Leases classified as operating leases under IAS 17*

Previously, the company classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the company's incremental borrowing rate as at March 1, 2019.

Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the company's incremental borrowing rate at the date of initial application; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the company applied this approach.

The company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.



**CARIBBEAN CREAM LIMITED**

**Notes to the Financial Statements (Continued)**

February 29, 2020

*(Expressed in Jamaica dollar unless otherwise stated)*

3. Changes in significant accounting policies (continued)

(b) As a lessee (continued)

The company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the company:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Impact on transition

On transition to IFRS 16, the company recognised additional right-of-use assets and additional lease liabilities. The company has elected to measure the right-of-use asset at an amount equal to the lease liability. Consequently, there was no impact on the accumulated profit at the date of transition.

4. 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 to Jamaican consumers, operating in a single segment, therefore no additional segment information is provided.

(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.

**CARIBBEAN CREAM LIMITED****Notes to the Financial Statements (Continued)**

February 29, 2020

*(Expressed in Jamaica dollar unless otherwise stated)*4. Significant accounting policies (continued)

## (b) Property, plant and equipment (continued):

## (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 4(m)].

## (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.

**CARIBBEAN CREAM LIMITED**

**Notes to the Financial Statements (Continued)**

February 29, 2020

*(Expressed in Jamaica dollar unless otherwise stated)*

4. Significant accounting policies

(g) Borrowings (continued):

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>
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.  Invoices are usually payable within 30 days.	Revenue is recognised when the goods are delivered and have been accepted by the customers, which is at a point in time.

**Notes to the Financial Statements (Continued)**

February 29, 2020

*(Expressed in Jamaica dollar unless otherwise stated)*

4. 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 29, 2020

*(Expressed in Jamaica dollar unless otherwise stated)*

4. 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 a 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.

**Notes to the Financial Statements (Continued)**

February 29, 2020

*(Expressed in Jamaica dollar unless otherwise stated)*

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4. 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 29, 2020

*(Expressed in Jamaica dollar unless otherwise stated)*

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

**Notes to the Financial Statements (Continued)**

February 29, 2020

*(Expressed in Jamaica dollar unless otherwise stated)*

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4. 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.

**CARIBBEAN CREAM LIMITED**

**Notes to the Financial Statements (Continued)**

February 29, 2020

*(Expressed in Jamaica dollar unless otherwise stated)*

4. Significant accounting policies (continued)

(n) Financial instruments (continued):

(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.

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.



**Notes to the Financial Statements (Continued)**

February 29, 2020

*(Expressed in Jamaica dollar unless otherwise stated)*

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4. 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 29, 2020

*(Expressed in Jamaica dollar unless otherwise stated)*

4. Significant accounting policies (continued)

(n) Financial instruments (continued):

(iii) 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.

(iv) 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:

The company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

*Policy applicable from March 1, 2019*

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. This policy is applied to contracts entered into, or changed, on or after March 1, 2019.

**Notes to the Financial Statements (Continued)**

February 29, 2020

*(Expressed in Jamaica dollar unless otherwise stated)*

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4. 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 direct 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 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 29, 2020

*(Expressed in Jamaica dollar unless otherwise stated)*

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4. Significant accounting policies (continued)

(o) Leases (continued):

*Policy applicable before March 1, 2019*

As a lessee

In the comparative period, assets held under lease were classified as operating leases and were not recognised in the company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

(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 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)**

February 29, 2020

(Expressed in Jamaica dollar unless otherwise stated)

### **5. Property, plant and equipment**

	Freehold land & buildings	Leasehold improvements	Motor vehicles	Machinery and equipment	Computer equipment	Construction in progress	Security systems	Total
<b>Cost:</b>								
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
Additions	2,419,883	5,128,858	2,532,189	140,547,468	10,062,174	81,457,960	1,676,279	243,824,811
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
<b>Depreciation:</b>								
February 28, 2018	37,433,450	5,094,830	2,542,017	185,797,896	13,101,672	-	1,179,785	245,149,650
Charge for the year	5,206,917	1,892,489	530,757	41,189,685	3,837,243	-	341,173	52,998,264
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
<b>Net Book Values:</b>								
February 29, 2020	237,784,637	21,506,685	1,899,142	407,713,664	17,351,100	83,516,953	3,371,724	773,143,905
February 28, 2019	76,849,802	11,937,576	2,609,415	324,765,889	8,405,666	278,679,448	2,206,275	705,454,071

Freehold land and buildings include land at cost of \$17,800,000 (2019: \$17,800,000).

Certain assets of the company are pledged as securities for bank overdraft and other loans (see note 11).



**CARIBBEAN CREAM LIMITED**

**Notes to the Financial Statements (Continued)**

February 29, 2020

*(Expressed in Jamaica dollar unless otherwise stated)*

**6. Leases**

The company leases various properties and equipment 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. Previously, these leases were classified as operating leases under IAS 17.

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

(a) Right-of-use assets - Property	2020
Balance at March 1, 2019	77,928,358
Additions to right-of-use-assets	38,940,922
Depreciation charge for the year	( 21,433,403)
Balance as at February 29, 2020	<u>95,435,877</u>

(b) Lease liabilities

Maturities analysis- contractual undiscounted cash flows:

Less than one year	27,011,214
Two to five years	77,740,306
Over five years	14,723,448
Total undiscounted lease liabilities at February 29, 2020	119,474,968
Less: Discount	( 20,313,640)
	<u>99,161,328</u>

Lease liabilities included in the statement of financial position at February 29, 2020:

Current	19,539,121
Non-current	79,622,207
	<u>99,161,328</u>

(c) Amount recognised in profit or loss

Interest on lease liabilities	6,520,487
Depreciation of right -of-use assets	<u>21,433,403</u>

(d) Amount recognised in the statement of cash flows

Total cash outflow for leases	<u>(24,228,439)</u>
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**CARIBBEAN CREAM LIMITED****Notes to the Financial Statements (Continued)**

February 29, 2020

*(Expressed in Jamaica dollar unless otherwise stated)***7. Cash and cash equivalents**

	2020	2019
Bank balances	59,988,236	18,092,126
Cash in hand	105,882	181,914
	60,094,118	18,274,040
Fixed deposits	69,102,697	111,720,854
	<u>129,196,815</u>	<u>129,994,894</u>

**8. Trade and other receivables**

	2020	2019
Trade receivables	46,000,580	40,050,932
Less provision for impairment losses (i)	( 3,442,127)	( 768,998)
	42,558,453	39,281,934
Prepayments and deposits	11,830,728	24,247,826
Other receivables	3,821,900	3,042,257
	<u>58,211,081</u>	<u>66,572,017</u>

Included in trade receivables is \$12,021,049 (2019: \$7,566,191) due from a related party in the ordinary course of business (see note 19).

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 29, 2020 to apply against the accounts receivable balance [note 22(a)(i)].

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

	2020	2019
Balance as at beginning of year	768,998	597,951
Transitional adjustments on initial application of IFRS 9	-	162,769
Impairment loss recognised	2,673,129	8,278
Balance as at end of year	<u>3,442,127</u>	<u>768,998</u>

**CARIBBEAN CREAM LIMITED**

**Notes to the Financial Statements (Continued)**

February 29, 2020

*(Expressed in Jamaica dollar unless otherwise stated)*

9. Inventories

	2020	2019
Raw materials	71,924,548	76,816,520
Finished goods	44,998,663	62,130,567
Goods in transit	851,474	1,496,917
	<u>117,774,685</u>	<u>140,444,004</u>

10. Trade and other payables

	2020	2019
Trade payables	104,126,048	97,364,315
Other payables	81,220,464	60,536,454
	<u>185,346,512</u>	<u>157,900,769</u>

Other payables include \$779,222 (2019: \$384,376) payable to a director for vacation leave (see note 19).

11. Long-term loans

	2020	2019
The following loans are with the Bank of Nova Scotia Jamaica Limited:		
(i) Term loan – cold room construction	12,222,215	27,688,883
(ii) Mortgage – Suthermere Road and South Road	31,288,803	35,072,233
(iii) Term loan – novelty line	63,518,520	70,000,000
(iv) Term loan – ammonia compressor	25,384,620	30,000,000
	<u>132,414,158</u>	<u>162,761,116</u>
Less current portion	<u>( 27,441,951)</u>	<u>( 30,558,631)</u>
	<u>104,972,207</u>	<u>132,202,485</u>

- (i) This loan is repayable in monthly installments by October 2021 with fixed interest rate at 9.5% per annum.
- (ii) The mortgage is repayable in monthly installments by 2027 with fixed interest rate at 7.49% per annum.
- (iii) This loan is repayable in monthly instalments by 2023 with fixed interest rate at 7.45% per annum.
- (iv) This loan is repayable in monthly instalments by 2023 with fixed interest rate at 7.45% per annum.

## CARIBBEAN CREAM LIMITED

### Notes to the Financial Statements (Continued)

February 29, 2020

(Expressed in Jamaica dollar unless otherwise stated)

#### 11. Long-term loans (continued)

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

- (a) First legal mortgage stamped for \$135,000,000 over commercial properties located at 2A & 2D Suthermere Road, Kingston, Vols. 1293, 1288 and Folios 575, 348.
- (b) First legal mortgage stamped for \$150,000,000 over commercial property located at 3 South Road Kingston 10, St. Andrew Vol. 1101 and Folio 714.
- (c) Peril insurance over real estate at Suthermere Road and real estate and equipment at South Road.
- (d) First demand debenture stamped on aggregate of \$258,000,000 creating a fixed charge over all assets of the company supported by bills of sale over certain equipment owned by the company valued at \$132,792,008.

#### 12. Deferred tax liability

Deferred tax liability is attributable to the following:

	2018	Recognised in income (note 17)	2019	Recognised in income (note 17)	2020
Property plant and equipment	-	(7,613,554)	(7,613,554)	(7,115,195)	(14,728,749)
Accounts receivable	-	( 48,385)	( 48,385)	42,956	( 5,429)
Unrealized foreign exchange loss	-	13,233	13,233	100,672	113,905
Leases, net	-	-	-	465,682	465,682
Accounts payable	-	743,367	743,367	21,699	765,066
	-	(6,905,339)	(6,905,339)	(6,484,186)	(13,389,525)

#### 13. Share capital

	2020	2019
Authorised:		
5,100,000,000 ordinary shares of no par value		
Issued and fully paid:		
378,568,115 ordinary shares of no par value	111,411,290	111,411,290

**CARIBBEAN CREAM LIMITED**

**Notes to the Financial Statements (Continued)**

February 29, 2020

(Expressed in Jamaica dollar unless otherwise stated)

14. Gross operating revenue

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

15. Expenses by nature

	2020	2019
(a) Cost of operating revenue:		
Depreciation	61,605,368	35,055,917
Depreciation right of use assets	5,005,222	-
Other costs of operating revenue	88,052,451	103,878,918
Raw materials and consumables	720,655,361	644,855,068
Repairs and maintenance	58,312,941	58,691,020
Staff costs (note 20)	111,449,047	95,530,948
Utilities	115,666,839	95,353,908
	<u>1,160,747,229</u>	<u>1,033,365,779</u>
(b) Administrative:		
Accounting fees	4,813,750	2,347,815
Audit fees	2,400,000	2,070,000
Cleaning and sanitation	40,622,788	36,828,865
Corporate social responsibility	-	3,000,000
Depreciation	32,130,633	17,942,347
Depreciation right of use assets	16,428,180	-
Directors' emoluments		
- Fees	2,161,542	2,094,491
- Management remuneration	11,546,767	11,267,702
Lease interest	6,520,487	-
Other administrative expenses	16,423,869	19,253,213
Professional fees	11,082,694	7,911,257
Rent	717,500	12,914,116
Repairs and maintenance	20,935,582	28,721,692
Security	26,424,135	19,729,337
Staff costs (note 20)	169,523,394	151,624,097
Utilities	33,591,696	30,234,061
	<u>395,323,017</u>	<u>345,938,993</u>
(c) Selling and distribution:		
Advertising and promotion	27,667,706	20,624,416
Licenses and permits	512,717	468,472
Motor vehicle expenses	6,046,744	5,964,388
Travelling and entertainment	1,868,110	1,445,472
Subsistence allowance	50,000	-
Transportation and delivery	32,155,961	29,417,732
	<u>68,301,238</u>	<u>57,920,480</u>
Total administrative and selling and distribution expenses	<u>463,624,255</u>	<u>403,859,473</u>



## **CARIBBEAN CREAM LIMITED**

### **Notes to the Financial Statements (Continued)**

February 29, 2020

(Expressed in Jamaica dollar unless otherwise stated)

#### **16. Finance costs**

	2020	2019
Bank and other charges	4,701,661	4,704,521
Interest expense	12,712,752	11,952,960
Net foreign exchange loss	2,856,354	1,230,446
	<u>20,270,767</u>	<u>17,887,927</u>

#### **17. Taxation**

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

	2020	2019
Current tax expense:		
Income tax	1,117,971	7,065,430
Deferred tax expense:		
Origination and reversal of temporary differences (note 12)	6,484,186	6,905,339
Total taxation expense	<u>7,602,157</u>	<u>13,970,769</u>

- (b) Reconciliation of actual tax charge:

	2020	2019
Profit before taxation	62,171,556	102,646,009
Computed 'expected' tax at 25% (2019: 25%)	15,542,889	25,661,502
Difference between profit for financial statements and tax reporting purposes on:		
Depreciation and capital allowances	( 3,757,528)	( 1,819,546)
Expenses not deductible for tax purposes	( 3,660,151)	1,034,688
Understatement of prior year tax expense	297,459	-
Remission of income taxes [note 17(c)]	( 820,512)	(10,905,875)
Actual tax charge	<u>7,602,157</u>	<u>13,970,769</u>

- (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.

**CARIBBEAN CREAM LIMITED**

**Notes to the Financial Statements (Continued)**

February 29, 2020

*(Expressed in Jamaica dollar unless otherwise stated)*

**17. Taxation (continued)**

(c) Tax remission (continued)

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%.

**18. Earnings per share**

Earnings per share is computed by dividing the profit for the year by the number of shares of 378,518,115 (2019: 378,568,115) in issue for the year.

**19. 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:

	2020	2019
Balances with related parties:		
(i) Due to director (note 10)	779,222	384,376
(ii) Due from related party, Scoops Unlimited Limited (note 8)	12,021,049	7,566,191
Transactions with related parties:		
(iii) Staff loan, net	628,567	199,615
(iv) Sale of ice cream mix	177,059,500	159,590,000
(v) Sale of ice cream	37,653,100	13,324,000

**20. Staff costs**

	2020	2019
Employer's statutory contributions	23,658,450	20,584,394
Salaries, wages and other staff benefits	257,313,991	226,570,651
	<u>280,972,441</u>	<u>247,155,045</u>
Included in profit or loss as follows:		
Administration	169,523,394	151,624,097
Direct labour	111,449,047	95,530,948
	<u>280,972,441</u>	<u>247,155,045</u>

**CARIBBEAN CREAM LIMITED****Notes to the Financial Statements (Continued)**

February 29, 2020

*(Expressed in Jamaica dollar unless otherwise stated)***21. Dividends**

During the year, dividends of \$0.048 (2019: \$0.048) per share were declared and paid to the shareholders on records at September 6, 2019 (2019: September 7, 2018).

**22. 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.

***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.

**CARIBBEAN CREAM LIMITED**

**Notes to the Financial Statements (Continued)**

February 29, 2020

*(Expressed in Jamaica dollar unless otherwise stated)*

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22. Financial instruments (continued)

(a) Financial risk management (continued)

(i) Credit risk (continued):

Exposure to credit risk:

*Cash and cash equivalents (continued)*

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 29, 2020 and February 28, 2019.

*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.

*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.

**Notes to the Financial Statements (Continued)**

February 29, 2020

*(Expressed in Jamaica dollar unless otherwise stated)***22. 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 period:

Age categories	2020			
	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
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%	3,403,695	3,403,695	Yes
		<u>46,000,580</u>	<u>3,442,127</u>	



**CARIBBEAN CREAM LIMITED**

**Notes to the Financial Statements (Continued)**

February 29, 2020

(Expressed in Jamaica dollar unless otherwise stated)

22. 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):

Age categories	2019			
	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
Current (not past due)	0.10%	37,925,402	39,438	No
Past due 31 - 60 days	1.25%	1,226,557	15,332	No
Past due 61- 90 days	2.50%	189,482	4,737	No
More than 90 days	100%	709,491	709,491	Yes
		<u>40,050,932</u>	<u>768,998</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.

**Notes to the Financial Statements (Continued)**

February 29, 2020

*(Expressed in Jamaica dollar unless otherwise stated)***22. 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.

	2020				
	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	99,161,328	119,474,968	27,011,214	77,740,306	14,723,448
	<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>

	2019				
	Carrying amount	Contractual cash flows	Less than 1 year	2 to 5 years	Over 5 years
Loans	162,761,116	186,617,994	42,555,128	144,062,866	-
Trade and other payables	157,900,769	157,900,769	157,900,769	-	-
	<u>320,661,885</u>	<u>344,518,763</u>	<u>200,455,897</u>	<u>144,062,866</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.

**(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 29, 2020

*(Expressed in Jamaica dollar unless otherwise stated)*

22. 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:

	2020			2019		
	J\$ Equivalent	US\$	CDN\$	J\$ Equivalent	US\$	CDN\$
Financial assets	46,419,957	293,458	66,014	31,113,220	225,231	23,111
Financial liabilities	(84,814,566)	(329,175)	(402,843)	(48,857,759)	(379,311)	(276,135)
Net liabilities	<u>(38,394,609)</u>	<u>(35,717)</u>	<u>(336,829)</u>	<u>(17,744,539)</u>	<u>(154,080)</u>	<u>(253,024)</u>

Exchange rates in terms of the Jamaica dollar as at the reporting date were US\$1: J\$135.86 (2019: US\$1: J\$127.61) and CDN\$1: J\$99.59 (2019: CDN\$1: J\$95.69).

Sensitivity analysis:

A 6% (2019: 4%) weakening of the US\$ and CDN\$ against the J\$ would increase profit for the year by \$2,303,676 (2019: \$709,782).

A 4% (2019: 2%) strengthening of the US\$ and CDN\$ against the J\$ would decrease profit for the year by \$1,535,718 (2019: \$354,891).

The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is done on the same basis as for 2019.

(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.

**Notes to the Financial Statements (Continued)**

February 29, 2020

*(Expressed in Jamaica dollar unless otherwise stated)***22. 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:

	Carrying amount	
	2020	2019
Fixed rate:		
Financial assets	88,157,059	117,054,007
Financial liabilities	(231,575,486)	(162,761,116)
	<u>(143,418,427)</u>	<u>( 45,707,109)</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 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 17(c).

**CARIBBEAN CREAM LIMITED**

**Notes to the Financial Statements**

February 29, 2020

*(Expressed in Jamaica dollar unless otherwise stated)*

23. Subsequent event

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 Government, (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 is assessing the situation, as part of its business continuity and contingency planning. However, at the date of authorisation of the financial statements, the company is unable to determine a reliable estimate of the financial impact of this matter on its profitability, financial position and cash flows.







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