

Caribbean Cream Limited

**Financial Statements
28 February 2023**

Caribbean Cream Limited

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28 February 2023

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INDEPENDENT AUDITORS' REPORT

To the Members of
Caribbean Cream Limited

Report on the audit of the Financial Statements**Our opinion**

In our opinion, the financial statements give a true and fair view of the financial position of Caribbean Cream Limited as at 28 February 2023, and of the financial performance and the cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with the requirements of the Jamaican Companies Act.

What we have audited

Caribbean Cream Limited financial statements comprise:

- the statement of financial position as at 28 February 2023;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended;
- the notes to the financial statements, which include a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

INDEPENDENT AUDITORS' REPORT

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Report on the audit of the Financial Statements (continued)

Other matter

The financial statements of Caribbean Cream Limited for the year ended 28 February 2022, were audited by another firm of Auditors who expressed an unmodified opinion on those financial statements on the 24 June 2022.

Our Audit approach

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

How we tailored our company audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Our 2023 audit was planned and executed having regard to the fact that the operations of the company remain largely unchanged from the prior year.

In establishing the overall company's audit strategy and plan, we determined the type of work that was needed to be performed on the components by the engagement team.

Report on the audit of the financial statements

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were 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 these matters.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
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Report on the audit of the Financial Statements (continued)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
<p>IFRS 9 Financial Instruments, is complex and requires the Company to recognise expected credit losses ('ECL') on financial assets. The determination of ECL is highly subjective and requires management to make significant judgement and estimates, particularly regarding significant increase in credit risk and forward-looking information.</p> <ul style="list-style-type: none"> ➤ The identification of significant increases in credit risk is a key area of judgement as the criteria determine whether a 12-month or lifetime allowance is recorded. ➤ IFRS 9 requires the company to incorporate forward-looking information which reflects a range of possible future economic conditions, in measuring expected credit losses. Significant management judgement is used in determining the economic scenarios, the probability weightings and management overlay. <p>We have determined that the estimates of impairment in respect of trade receivables have a high degree of estimation uncertainty. See note 3(a) of the financial statements.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> ➤ Obtain an understanding of the model used by management for the calculation of expected credit losses on receivables. ➤ Test the completeness and accuracy of the data used in the models to the underlying accounting records on a sample basis. ➤ Evaluate the appropriateness of the Company's impairment methodologies, including the criteria used for determining significant increase in credit risk and independently assessed the assumptions and compliance with the new requirement of IFRS 9, Financial Instrument. ➤ Evaluate the appropriateness of the economic parameters, including the use of forward-looking information. ➤ Tested the company's recording and ageing of trade receivables. ➤ Assessed the adequacy of the disclosures of the key assumptions and judgements as well as compliance with IFRS 9 <p>Based on audit procedures performed, no adjustments to the financial statements were deemed necessary.</p>

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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Report on the audit of the Financial Statements (continued)

Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the financial statements and our auditors' report thereon), which is expected to be made available to us after the date of this auditors' report.

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

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

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

Responsibilities of management and those charged with governance for the financial statements

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

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
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Report on the audit of the financial statements (continued)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
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Report on the audit of the financial statements (continued)***Auditors' responsibilities for the audit of the financial statements (continued)***

- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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 to 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 matters 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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Report on the audit of the Financial Statements (continued)*Report on other legal and regulatory requirements*

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been 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 Jamaica Companies Act, in the manner required.

The engagement partner on the audit resulting in this independent auditors' opinion is Roxiana Malcolm-Tyrell.



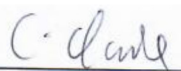
Chartered Accountants
Kingston, Jamaica
31 May 2023


Caribbean Cream Limited

Statement of Financial Position As at 28 February 2023

	Note	2023 \$	2022 \$
ASSETS			
Non-current assets			
Property, plant, and equipment	5	1,550,444,782	1,109,887,812
Right-of-use assets	6	68,310,532	88,374,039
		<u>1,618,755,314</u>	<u>1,198,261,851</u>
Current assets			
Inventories	7	281,653,789	247,302,476
Receivables	8	156,675,280	97,845,831
Due from related parties	9	19,294,164	30,654,616
Taxation recoverable		11,097,364	4,161,253
Cash and cash equivalents	10	66,797,477	145,701,431
		<u>535,518,074</u>	<u>525,665,607</u>
TOTAL ASSETS		<u>2,154,273,388</u>	<u>1,723,927,458</u>
EQUITY AND LIABILITIES			
Stockholders' equity			
Share capital	11	111,411,290	111,411,290
Retained earnings		714,205,919	687,095,863
		<u>825,617,209</u>	<u>798,507,153</u>
Non-current liabilities			
Long term loans	12	866,288,889	521,629,252
Lease liabilities	6	54,122,971	81,639,517
Deferred tax liabilities	13	18,821,558	9,261,201
		<u>939,233,418</u>	<u>612,529,970</u>
Current liabilities			
Payables	14	282,909,974	234,363,979
Short term loans	15	11,188,514	7,203,602
Current portion of long term loans	12	67,622,221	38,844,443
Current portion of lease liabilities	6	27,702,052	21,370,820
Taxation payable		-	11,107,491
		<u>389,422,761</u>	<u>312,890,335</u>
TOTAL EQUITY AND LIABILITIES		<u>2,154,273,388</u>	<u>1,723,927,458</u>

Approved for issue by the Board of Directors on 31 May 2023 and signed on its behalf by:

 Chairman
Christopher Clarke

 Director
Carol Clarke Webster

Caribbean Cream Limited

Statement of Comprehensive Income Year ended 28 February 2023

	Note	<u>2023</u>	<u>2022</u>
		\$	\$
Gross operating revenue	16	2,506,260,289	2,085,408,817
Cost of sales	17	<u>(1,731,614,996)</u>	<u>(1,492,519,798)</u>
Gross profit		774,645,293	592,889,019
Other income		986,400	-
Selling and distribution expenses	18	(71,786,738)	(61,038,108)
Administrative expenses	18	<u>(597,525,816)</u>	<u>(511,677,228)</u>
Operating profit	19	106,319,139	20,173,683
Impairment allowance/(losses) on financial assets	3(a)	1,436,024	(27,650)
Finance costs, net	21	<u>(65,920,004)</u>	<u>(33,835,648)</u>
Profit/(loss) before taxation		41,835,159	(13,689,615)
Taxation	22	<u>(14,725,103)</u>	<u>4,536,804</u>
Net profit/(loss) for the year, being total comprehensive income/(loss)		<u>27,110,056</u>	<u>(9,152,811)</u>
Earnings/(loss) per share	23	<u>0.07</u>	<u>(0.02)</u>

Caribbean Cream Limited

Statement of Changes in Equity Year ended 28 February 2023

	Share capital	Retained earnings	Total
	\$	\$	\$
Balance at 1 March 2021	111,411,290	722,521,302	833,932,592
Total comprehensive loss	-	(9,152,811)	(9,152,811)
Dividends (Note 24)	-	(26,272,628)	(26,272,628)
Balance at 28 February 2022	111,411,290	687,095,863	798,507,153
Total comprehensive income	-	27,110,056	27,110,056
Balance at 28 February 2023	111,411,290	714,205,919	825,617,209

Caribbean Cream Limited

Statement of Cash Flows Year ended 28 February 2023

	2023	2022
	\$	\$
CASH RESOURCES WERE PROVIDED BY/(USED IN):		
Cash Flows from Operating Activities		
Profit/(loss) before taxation	41,835,159	(13,689,615)
Items not affecting cash:		
Depreciation	100,287,315	102,447,926
Amortization of right-of-use assets	25,151,550	24,967,330
Bad debt written-off	1,391,424	-
Inventory written-off	14,391,823	6,693,023
Impairment (allowance)/losses on financial assets	(1,436,024)	27,650
Interest income	(438,270)	(841,338)
Interest expense	50,085,273	21,391,874
Lease interest expense	6,496,665	7,969,205
Overdraft interest	842,200	23,466
Loss on disposal of property, plant and equipment	570,000	464,284
Foreign exchange losses	8,381,884	6,942,608
	<u>247,558,999</u>	<u>156,339,413</u>
Changes in operating assets and liabilities:		
Increase in inventories	(48,743,136)	(91,643,307)
Increase in receivables	(58,784,849)	(26,446,775)
Decrease in due from related parties	11,360,452	-
Increase in payables	43,811,635	14,285,763
Cash provided by operating activities	<u>195,203,101</u>	<u>52,592,094</u>
Taxation paid	(23,208,348)	(405,927)
Interest paid	(57,424,138)	(21,415,340)
Interest received	438,270	903,464
Net cash provided by operating activities	<u>115,008,885</u>	<u>31,674,291</u>
Cash Flows from Investing Activities		
Purchase of plant and equipment	(541,814,285)	(387,316,328)
Proceeds from disposal of property, plant and equipment	400,000	-
Net cash used in investing activities	<u>(541,414,285)</u>	<u>(387,316,328)</u>
Cash flows from Financing Activities		
Long term loans, net	373,437,415	346,568,443
Short term loans, net	3,984,912	-
Lease principal payments	(24,755,977)	(29,293,287)
Dividends paid	-	(26,272,628)
Net cash generated from financing activities	<u>352,666,350</u>	<u>291,002,528</u>
Decrease in cash and cash equivalents	<u>(73,739,050)</u>	<u>(64,639,509)</u>
Net effect of foreign currency translation on cash and cash equivalents	(5,164,904)	(6,942,608)
Cash and cash equivalents at the beginning of year	<u>145,701,431</u>	<u>217,283,548</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>66,797,477</u>	<u>145,701,431</u>
Represented by:		
Cash at bank and in hand	33,512,782	112,438,925
Short term investments	33,284,695	33,262,506
	<u>66,797,477</u>	<u>145,701,431</u>

Caribbean Cream Limited

Notes to the Financial Statements 28 February 2023

1. Identification and Principal Activities

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 73% of the issued shares of the company.

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

These financial statements are presented in Jamaican dollars, which is the functional currency.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied for all the years presented. Where necessary, prior year comparatives have been restated and reclassified to conform to current year presentation.

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and their interpretations adopted by the International Accounting Standards Board and have been prepared under the historical cost convention, as modified by the valuation of certain items. They are also prepared in accordance with the provisions of the Jamaican Companies Act.

The financial statements comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes.

The preparation of financial statements in compliance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and contingent liabilities at the end of the reporting period and the total comprehensive income during the reporting period. The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and underlying assumptions are reviewed on an ongoing basis and any adjustments that may be necessary would be reflected in the year in which actual results are known. The areas involving a higher degree of judgment in complexity or areas where assumptions or estimates are significant to the financial statements are discussed in Note 4.

Caribbean Cream Limited

Notes to the Financial Statements 28 February 2023

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Standards and amendments to published standards effective in the current year that are relevant to the company's operations

The following standards have been adopted by the company for the first time which have been issued and are effective for mandatory adoption for the financial year beginning on or after 1 January 2022:

Reference to the Conceptual Framework – Amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022). In March 2018, the IASB issued the 2018 Conceptual Framework and most references to the Framework included in IFRSs were updated to the 2018 Framework at that time. However, paragraph 11 of IFRS 3 Business Combinations, which continued to refer to the 1989 Framework, was not updated as this could have caused conflicts for entities applying IFRS 3. IASB identified three possible amendments to IFRS 3 that would update IFRS 3 without significantly changing its requirements. The changes in Reference to the Conceptual Framework (Amendments to IFRS 3):

- update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework;
- add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and
- add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16) (effective for annual periods beginning on or after 1 January 2022) amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

Caribbean Cream Limited

Notes to the Financial Statements 28 February 2023

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Standards and amendments to published standards effective in the current year that are relevant to the company's operations (continued)

Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37), (effective for annual periods beginning on or after 1 January 2022) specifies that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Annual Improvements to IFRS Standards 2018–2020 are effective for annual reporting periods beginning on or after 1 January 2022. These amendments include minor changes to the following applicable standards:

- IFRS 9 'Financial Instruments' - Fees in the '10 per cent' test for derecognition of financial liabilities. The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
- IFRS 16 'Leases' - Lease incentives. The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

The amendments did not result in any material effect on the company's financial statements.

Caribbean Cream Limited

Notes to the Financial Statements 28 February 2023

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Standards and amendments to published standards that are not yet effective and have not been early adopted by the company.

At the date of authorisation of these financial statements, certain new accounting standards, amendments and interpretation to existing standards have been issued which are not yet effective, and which the company has not early adopted. The company has assessed the relevance of all such new standards, interpretations and amendments and has determined that the following may be relevant to its operations. Unless stated otherwise, the impact of the changes is still being assessed by management.

The amendments in Classification of Liabilities as Current or Non-current - Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2023) affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability, income or expenses, or the information that entities disclose about those items. They:

- clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8, (effective for annual periods beginning on or after 1 January 2023). The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

Deferred Tax related to assets and liabilities (Amendments to IAS 12 Income Taxes) (effective for annual periods beginning on or after 1 January 2023). These amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

Caribbean Cream Limited

Notes to the Financial Statements 28 February 2023

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Standards and amendments to published standards that are not yet effective and have not been early adopted by the company (continued)

Amendments to IAS 1, Presentation of financial statements’ on classification of liabilities, (effective for annual periods beginning on or after 1 January 2023). These narrow-scope amendments to IAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the ‘settlement’ of a liability.

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

Caribbean Cream Limited

Notes to the Financial Statements 28 February 2023

2. Summary of significant accounting policies (continued)

(b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis at rates to write off the carrying value of the assets over their expected useful lives. The rates used to write off the cost of assets are as follows:

Freehold land & buildings	5%
Leasehold improvements	Lease period
Motor vehicles	12.5%
Machinery and equipment	10%
Computer equipment	25%
Security systems	10%
Rights-of-use assets	Lease period

Leasehold improvements are classified as property, plant and equipment.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount and are included in the statement of comprehensive income.

Repairs and maintenances are charged to the statement of comprehensive income during the financial period in which they are incurred.

(c) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand, short term deposits and bank overdraft.

(d) Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. For trade receivables impairment provisions, the company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and ageing.

Under the simplified approach within IFRS 9, the impairment provision is assessed using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Caribbean Cream Limited

Notes to the Financial Statements 28 February 2023

2. Summary of significant accounting policies (continued)

(e) Right-of-use assets and lease liabilities

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- (i) Leases of low value assets; and
- (ii) Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- (i) amounts expected to be payable under any residual value guarantee;
- (ii) the exercise price of any purchase option granted in favour of the company if it is reasonably certain to assess that option;
- (iii) any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

To determine the incremental borrowing rate, the company:

- (i) since it does not have recent third-party financing, uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases, and
- (ii) makes adjustments specific to the lease, e.g. term, currency and security.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- (i) lease payments made at or before commencement of the lease;
- (ii) initial direct costs incurred; and
- (iii) the amount of any provision recognised where the company is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets are assets valued as US\$5,000 or less when new. The company has no short-term leases or leases for low valued assets at this time.

Caribbean Cream Limited

Notes to the Financial Statements 28 February 2023

2. Summary of significant accounting policies (continued)

(e) Right-of-use assets and lease liabilities (continued)

Extension and termination options

Extension and termination options are included for the property leased by the company. These are used to maximise operational flexibility in terms of managing the asset used in the company' operations. The extension option is exercisable by the lessee provided that thirty (30) days written notice is given prior to the expiration of the initial term. Either party may terminate the lease on the provision that not less than twelve (12) months' notice in writing is given to the other party.

When the company renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy.
- In all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is re-measured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.
- If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

For contracts that both convey a right to the company to use an identified asset and require services to be provided to the company by the lessor, the company has elected to account for the entire contract as a lease, i.e. it does not allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

Caribbean Cream Limited

Notes to the Financial Statements 28 February 2023

2. Summary of significant accounting policies (continued)

(f) 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.

(g) 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.

Financial assets:

(i) Recognition and initial measurement

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

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

(ii) Classification and subsequent measurement

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:

Caribbean Cream Limited

Notes to the Financial Statements
28 February 2023

2. Summary of significant accounting policies (continued)

(g) Financial instruments (Continued):

Financial assets (continued)

(ii) Classification and subsequent measurement (continued)

- 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.

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.

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.

Caribbean Cream Limited**Notes to the Financial Statements
28 February 2023**

2. Summary of significant accounting policies (continued)**(g) Financial instruments (continued):*****Financial assets (continued)*****(ii) Classification and subsequent measurement (continued)**

In making this assessment, the company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the company's claim to cash flows from specified assets (e.g. non-recourse features).

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.

(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.

Caribbean Cream Limited

Notes to the Financial Statements 28 February 2023

2. Summary of significant accounting policies (continued)

(g) Financial instruments (continued):

(iii) Derecognition (continued)

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.

(h) Impairment

At each statement of financial position date, the company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

Caribbean Cream Limited

Notes to the Financial Statements 28 February 2023

2. Summary of significant accounting policies (continued)

(i) Share capital

Ordinary shares are classified as equity.

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

(j) Dividends

Dividends on ordinary shares and capital distributions are recognized in shareholders' equity in the period in which they become legally payable. Interim dividends are due when declared and approved by the directors while shareholders approve final dividends at the Annual General Meeting. Dividends and capital distributions for the year that are declared after the reporting date are disclosed in the subsequent events note.

(k) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Caribbean Cream Limited

Notes to the Financial Statements 28 February 2023

2. Summary of significant accounting policies (continued)

(l) **Payables**

Payables, including provisions, are stated at their nominal value. A provision is recognised in the statement of financial position when the company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money, and where appropriate, the risks specific to the liability.

(m) **Provisions**

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be determined.

(n) **Income taxes**

Where applicable, taxation expense in the statement of comprehensive income comprises current and deferred tax charges.

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

Deferred tax is the tax expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Caribbean Cream Limited

Notes to the Financial Statements 28 February 2023

2. Summary of significant accounting policies (continued)

(o) Foreign currency translation

Foreign currency transactions are accounted for at the exchange rate prevailing at the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated into Jamaican dollars at the exchange rate prevailing at the date of the statement of financial position, that is, in the case of each currency, the Bank of Jamaica weighted average buying and selling rates at that date. Gains and losses arising from fluctuations in exchange rates are reflected in the statement of comprehensive income.

(p) 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 and novelties.	Customers obtain control of goods when the goods are delivered to and accepted by them. Invoices are generated and the revenue is recognized at that point in time.	Revenue is recognised when the goods are delivered and have been accepted by the customers, which is at a point in time.
	Invoices are usually payable within 30 days.	

Interest income

Interest income is accrued by reference to the principal outstanding and at the effective interest rate applicable, which is the expected rate that exactly discounts estimated future cash receipts through the life of the financial asset to that asset's net carrying amount.

Caribbean Cream Limited

Notes to the Financial Statements 28 February 2023

2. Summary of significant accounting policies (continued)

(q) Comparative information

Where necessary comparative figures have been reclassified to conform with changes in presentation.

(r) Related party transactions

A party is related to the company, if:

- (i) directly, or indirectly through one or more intermediaries, the party, is controlled by, or is under common control with, the company (this includes parent, subsidiaries and fellow subsidiaries); has an interest in the company that gives it significant influence over the company; or has joint control over the company;
- (ii) the party is an associate of the company;
- (iii) the party is a joint venture in which the company is a venturer;
- (iv) the party is a member of the key management personnel of the company or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is the company that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the company, or of any company that is a related party of the company.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. The company has a related party relationship with its directors and key management personnel, representing certain senior officers of the company.

Caribbean Cream Limited

Notes to the Financial Statements 28 February 2023

3. Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk and cash flow interest rate risk), credit risk, liquidity risk and capital management. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the company's financial performance.

The company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is ultimately responsible for the establishment and oversight of the company's risk management framework. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk and investment of excess liquidity.

Audit Committee

The Board of Directors has also established an Audit Committee to assist in managing the Company's risk profile. This Committee oversees how management monitors compliance with the Company's risk management policies and reviews the adequacy of the risk management framework.

(a) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as outstanding receivables from credit sales.

Risk management

Management has established a credit policy under which each new customer is analysed individually for credit worthiness before the Company's standard payment and delivery terms and conditions are offered.

If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, management assesses the credit quality of the customer, considering its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The compliance with credit limits by customers is regularly monitored by management.

Caribbean Cream Limited

Notes to the Financial Statements 28 February 2023

3. Financial risk management (continued)

(a) Credit risk (continued)

Risk management (continued)

Management determines concentrations of credit risk by monitoring the credit-worthiness rating of existing customers and through a monthly review of the trade receivables ageing analysis. In monitoring the customers' credit risk, customers are grouped according to their credit characteristics. Customers that are graded as "high risk" are placed on a restricted customer list, and future credit sales are made only with approval.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The company does not hold any collateral as security.

Impairment of financial assets

The company has one type of financial asset that is subject to the expected credit loss model:

- Trade receivables

While due from/(to) related parties and cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and ageing.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 28 February 2023 and 28 February 2022 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The company has identified the GDP, inflation and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Caribbean Cream Limited

Notes to the Financial Statements 28 February 2023

3. Financial risk management (continued)

a) Credit risk (Continued):

Trade receivables (continued)

On that basis, the loss allowance as at 28 February 2023 and 28 February 2022 was determined as follows for trade receivables:

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
28 February 2023					
Expected loss rate	0.13%	1.31%	-	100%	0.38%
Gross carrying amount – trade receivables	60,239,026	622,307	-	143,139	61,004,472
Loss allowance	78,311	8,152	-	143,139	229,602
	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
28 February 2022					
Expected loss rate	0.15%	1.42%	1.09%	100%	2.02%
Gross carrying amount – trade receivables	41,026,218	4,760,343	6,308,435	1,467,220	53,562,216
Loss allowance	62,045	67,360	69,001	1,467,220	1,665,626

The closing loss allowances for trade receivables as at 28 February 2023 and 28 February 2022 reconcile to the opening loss allowances as follows:

Movement of the expected credit loss provision is as follows:

	2023	2022
	\$	\$
Balance at beginning of year	1,665,626	1,637,976
(Decrease)/increase in expected credit loss provision	(1,436,024)	27,650
Balance at end of year	229,602	1,665,626

Caribbean Cream Limited

Notes to the Financial Statements 28 February 2023

3. Financial risk management (continued)

a) Credit risk (continued)

Trade receivables (continued)

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the company, and a failure to make contractual payments for a period of greater than 90 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

As at 28 February 2023, there were \$143,139 (2022 – \$1,467,220) lifetime expected credit losses of the full value of the receivables.

Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables and balances due from related parties.

While the other financial assets at amortised cost are subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

At the Statement of Financial Position date, except for cash and cash equivalents, there were no other significant concentration of credit risk and the exposure to credit risk of these financial assets were considered immaterial.

Net impairment losses on financial assets recognised in statement of comprehensive income

During the year, the following (allowance)/losses were recognised in statement of comprehensive income in relation to impaired financial assets:

	<u>2023</u>	<u>2022</u>
	\$	\$
Impairment losses		
- movement in loss allowance for trade receivables	(1,436,024)	27,650
Net impairment (allowance)/losses on trade receivables	<u>(1,436,024)</u>	<u>27,650</u>

Caribbean Cream Limited

Notes to the Financial Statements 28 February 2023

3. Financial risk management (continued)

b) Liquidity risk:

Liquidity risk is the risk that the company is unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Liquidity risk management process

The company's liquidity management process includes:

- (i) Monitoring future cash flows and liquidity on a daily basis;
- (ii) Maintaining marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- (iii) Maintaining a committed line of credit;
- (iv) Optimizing cash returns on investment.

Undiscounted cash flows of financial liabilities

The maturity profile of the company's financial liabilities at year end on contractual undiscounted payments was as follows:

	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Contractual cashflows	Carrying amount
	2023					
	\$	\$	\$	\$	\$	\$
Lease liabilities	7,813,160	23,439,481	60,572,531	5,863,978	97,689,150	81,825,023
Long term loans	33,023,195	99,069,586	1,002,204,912	26,578,598	1,160,876,291	933,911,110
Short term loans	3,034,884	9,104,653	-	-	12,139,537	11,188,514
Payables	282,909,974	-	-	-	282,909,974	282,909,974
	326,781,213	131,613,720	1,062,777,443	32,442,576	1,553,614,952	1,309,834,621
	2022					
	\$	\$	\$	\$	\$	\$
Lease liabilities	7,396,602	22,189,805	76,741,929	13,513,662	119,841,998	103,010,337
Long term loans	15,741,681	47,225,044	507,215,631	671,403,662	1,241,586,018	560,473,695
Short term loans	1,940,470	5,821,411	-	-	7,761,881	7,203,602
Payables	234,363,979	-	-	-	234,363,979	234,363,979
	259,442,732	75,236,260	583,957,560	684,917,324	1,603,553,876	905,051,613

Caribbean Cream Limited

Notes to the Financial Statements 28 February 2023

3. Financial risk management (continued)

c) Market risk

The company takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in interest rates (3(c)(i)) and foreign currency risk (3(c)(ii)). The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Market risk exposures are measured using sensitivity analysis. There has been no significant exposure to market risks or the manner in which the company manages and measures the risk.

(i) Interest rate risk

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

The company minimizes 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 were:

	1 to 3 months	4 to 12 months	1 to 5 years	Over 5 years	Non- Interest bearing	Total
	\$	\$	\$	\$	\$	\$
	2023					
Receivables	-	-	-	-	156,675,280	156,675,280
Due from related parties	-	-	-	-	19,294,164	19,294,164
Cash and cash equivalents	33,286,774	33,284,695	-	-	226,008	66,797,477
Total financial assets	33,286,774	33,284,695	-	-	176,195,452	242,766,921
Long-term loans	16,905,555	50,716,666	840,316,646	25,972,243	-	933,911,110
Lease liabilities	6,925,513	20,776,539	54,122,971	-	-	81,825,023
Short term loans	2,206,226	8,982,288	-	-	-	11,188,514
Payables	-	-	-	-	282,909,974	282,909,974
Total financial liabilities	26,037,294	80,475,493	894,439,617	25,972,243	282,909,974	1,309,834,621
Total interest repricing gap	7,249,480	(47,190,798)	(894,439,617)	(25,972,243)	(106,714,522)	(1,067,067,700)

Caribbean Cream Limited

Notes to the Financial Statements 28 February 2023

3. Financial risk management (continued)

c) Market risk (continued)

(i) Interest rate risk (continued)

	1 to 3 months	4 to 12 months	1 to 5 years	Over 5 years	Non- Interest bearing	Total
	\$	\$	\$	\$	\$	\$
			2022			
Receivables	-	-	-	-	97,845,831	97,845,831
Due from related parties	-	-	-	-	30,654,616	30,654,616
Cash and cash equivalents	112,144,181	33,262,506	-	-	294,744	145,701,431
Total financial assets	112,144,181	33,262,506	-	-	128,795,191	274,201,878
Long-term loans	5,342,706	16,028,118	64,112,460	17,527,053	-	103,010,337
Lease liabilities	9,711,111	29,133,333	155,377,772	366,251,479	-	560,473,695
Short term loans	1,800,900	5,402,702	-	-	-	7,203,602
Payables	-	-	-	-	234,363,979	234,363,979
Total financial liabilities	16,854,717	50,564,153	219,490,232	383,778,532	234,363,979	905,051,613
Total interest repricing gap	95,289,464	(17,301,647)	(219,490,232)	(383,778,532)	(105,568,788)	(630,849,735)

Caribbean Cream Limited

Notes to the Financial Statements 28 February 2023

3. Financial risk management (continued)

(c) Market risk (continued)

(ii) Foreign currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company is exposed to foreign exchange risk arising from currency exposure primarily with respect to the US and CDN dollars. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The company undertakes certain transactions denominated in currencies other than the Jamaican dollar resulting in exposures to exchange rate fluctuations.

Financial assets denominated in foreign currency are as such: -

	<u>2023</u>	<u>2022</u>
	\$	\$
Cash and cash equivalents	47,626,570	97,628,342
Accounts payable	<u>(101,548,132)</u>	<u>(44,755,124)</u>
Net position	<u>(53,921,562)</u>	<u>52,873,218</u>
	<u>2023</u>	<u>2022</u>
	\$	\$
Currency		
USD	(374,554)	117,894
CND	28,390	284,897
Rate of exchange		
USD	152.56	154.68
CND	<u>113.43</u>	<u>121.54</u>

The following table demonstrates the sensitivity to a reasonably possible change in the following exchange rates of the company before tax with all other variables held constant.

Currency	Change in exchange rate	<u>2023</u>	<u>2022</u>
		\$	\$
Revaluation	1% (2022 - 2%)	(539,215)	528,732
Devaluation	4% (2022 - 8%)	<u>2,156,862</u>	<u>(2,114,929)</u>

Caribbean Cream Limited

Notes to the Financial Statements 28 February 2023

3. Financial risk management (continued)

(d) Fair value estimates

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market (such as a recognized stock exchange) exists as it is the best evidence of the fair value of a financial instrument.

The amount included in the financial statements for cash and cash equivalents, receivables, payables, short term loans and due from/(to) related parties reflect their approximates fair values because of the short-term maturity of these instruments. Long term liabilities, finance lease, and lease liabilities approximates amortized costs.

(e) Capital management:

The policy of the company's Board of Directors is to maintain a strong capital base so as to maintain investors, creditors and market confidence and to sustain future development of the business and ensure it continues as a going concern.

The company considers its capital to be its total equity inclusive of unappropriated profits and capital reserves. The company's financial objective is to generate a targeted operating surplus, in order to strengthen and provide for the future continuity of the company as a going concern in order to provide returns for its shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Directors regularly review the financial position of the company at meetings and monitor the return on capital and the level of dividends to the ordinary shareholders. They seek to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Debt is the total of long-term loans, short terms and bank overdraft less related party loans, if any. Total capital is calculated as equity as shown in the company's statement of financial position plus debt. The gearing ratios at the year-end based on these calculations were as follows:

	<u>2023</u>	<u>2022</u>
	\$	\$
Total borrowings (excluding lease liabilities)	945,099,624	567,677,297
Equity and total borrowings	1,770,716,833	1,366,184,450
Gearing ratio	<u>53.4%</u>	<u>41.6%</u>

Caribbean Cream Limited

Notes to the Financial Statements 28 February 2023

4. Critical accounting estimates and judgements in applying accounting policies

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will seldom equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the Credit risk note.

(ii) Income taxes

Estimates and judgements are required in determining the provision for income taxes. The tax liability or asset arising from certain transactions or events may be uncertain during the ordinary course of business. In cases of such uncertainty, the company recognises liabilities for possible additional taxes based on its judgement. Where, on the basis of subsequent determination, the final tax outcome in relation to such matters is different from the amount that was initially recognised, the difference will impact the current and deferred income tax provisions in the period in which such determination is made.

(iii) Depreciable assets

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

(iv) Fair value of financial assets

The management uses its judgment in selecting appropriate valuation techniques to determine fair values of financial assets adopting valuation techniques commonly used by market practitioners supported by appropriate assumptions (note 3(d)).

Caribbean Cream Limited

Notes to the Financial Statements 28 February 2023

5. Property, plant and equipment

	Freehold land & buildings	Leasehold improvements	Motor vehicles	Machinery and equipment	Computer equipment	Construction in progress	Security systems	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost -								
1 March 2021	300,447,336	46,146,025	8,282,189	733,139,503	46,237,056	170,918,977	6,436,078	1,311,607,164
Additions	19,267,398	978,109	2,782,609	37,926,191	1,538,035	322,295,279	2,528,707	387,316,328
Transfers	53,973,048	-	-	-	-	(53,973,048)	-	-
Disposal	-	-	-	(655,460)	-	-	-	(655,460)
28 February 2022	373,687,782	47,124,134	11,064,798	770,410,234	47,775,091	439,241,208	8,964,785	1,698,268,032
Additions	8,422,062	265,393	3,870,000	28,762,308	3,739,002	490,421,723	6,333,797	541,814,285
Disposal	-	-	(970,000)	-	-	-	-	(970,000)
28 February 2023	382,109,844	47,389,527	13,964,798	799,172,542	51,514,093	929,662,931	15,298,582	2,239,112,317
Depreciation -								
1 March 2021	70,487,377	13,846,857	3,527,696	364,227,821	31,443,866	-	2,589,853	486,123,470
Charge for year	14,988,253	4,660,200	927,937	73,220,978	8,007,824	-	642,734	102,447,926
Disposal	-	-	-	(191,176)	-	-	-	(191,176)
28 February 2022	85,475,630	18,507,057	4,455,633	437,257,623	39,451,690	-	3,232,587	588,380,220
Charge for year	15,217,780	4,078,681	1,162,266	72,446,123	6,023,377	-	1,359,088	100,287,315
28 February 2023	100,693,410	22,585,738	5,617,899	509,703,746	45,475,067	-	4,591,675	688,667,535
Net book value -								
28 February 2023	281,416,434	24,803,789	8,346,899	289,468,796	6,039,026	929,662,931	10,706,907	1,550,444,782
28 February 2022	288,212,152	28,617,077	6,609,165	333,152,611	8,323,401	439,241,208	5,732,198	1,109,887,812

Freehold land and buildings include land at cost of \$71,773,048 (2022: \$71,773,048). Certain assets of the company are pledged as securities for bank overdraft and other loans (see note 12).

Caribbean Cream Limited

Notes to the Financial Statements 28 February 2023

6. Right-of-use assets and related lease obligations

(i) Amounts recognized in the Statement of Financial Position

The statement of financial position shows the following amounts relating to leases: -

Right-of-use assets

	<u>2023</u>	<u>2022</u>
	\$	\$
Balance as at beginning of the year	88,374,039	93,044,425
Additions	5,088,043	20,296,944
Amortization	<u>(25,151,550)</u>	<u>(24,967,330)</u>
Balance as at end of year	<u>68,310,532</u>	<u>88,374,039</u>

Lease liabilities

	<u>2023</u>	<u>2022</u>
	\$	\$
Balance as at beginning of the year	103,010,337	104,037,475
Additions	5,088,043	20,296,944
Lease payments	(31,252,642)	(29,293,287)
Interest expense	6,496,665	7,969,205
Foreign exchange gains	<u>(1,517,380)</u>	<u>-</u>
Balance as at end of the year	<u>81,825,023</u>	<u>103,010,337</u>

	<u>2023</u>	<u>2022</u>
	\$	\$
Current	27,702,052	21,370,820
Non-current	<u>54,122,971</u>	<u>81,639,517</u>
Balance as at end of year	<u>81,825,023</u>	<u>103,010,337</u>

(ii) Amounts recognized in the Statement of Comprehensive Income

The statement of comprehensive income shows the following amounts relating to leases:

	<u>2023</u>	<u>2022</u>
	\$	\$
Amortization of right-of-use assets (included in administrative expenses)	25,151,550	24,967,330
Interest expense (included in administrative expenses)	<u>6,496,665</u>	<u>7,969,205</u>

(iii) Amounts recognized in the Statement of Cash Flows

	<u>2023</u>	<u>2022</u>
	\$	\$
Total cash outflows for leases	<u>31,252,642</u>	<u>29,293,287</u>

Caribbean Cream Limited

Notes to the Financial Statements 28 February 2023

7. Inventories

	<u>2023</u>	<u>2022</u>
	\$	\$
Raw materials	150,599,800	136,290,848
Manufactured finished goods	51,483,666	75,416,838
Goods-in-transit	74,670,323	31,718,722
Other	4,900,000	3,876,068
	<u>281,653,789</u>	<u>247,302,476</u>

During the year inventories of \$1,169,192,133 (2022: \$1,007,360,515) were recognised as an expense in cost of sales.

During the year inventories valued at \$14,391,823 (2022: 6,693,023) were written off.

8. Receivables

	<u>2023</u>	<u>2022</u>
	\$	\$
Trade receivables	61,004,472	53,562,216
Less: Impairment losses on financial assets	(229,602)	(1,665,626)
	60,774,870	51,896,590
Prepayments and deposits	71,670,494	35,476,827
Other	24,229,916	10,472,414
	<u>156,675,280</u>	<u>97,845,831</u>

9. Due from related parties

	<u>2023</u>	<u>2022</u>
	\$	\$
Due from related parties:		
Deano's Treats	3,700,330	2,445,823
Scoops Unlimited Limited	13,648,014	26,572,410
Due from a director	1,945,820	1,636,383
	<u>19,294,164</u>	<u>30,654,616</u>

These balances represent amounts owed to the company by related parties. These balances are unsecured, interest free and has no fixed repayment terms.

Caribbean Cream Limited

Notes to the Financial Statements 28 February 2023

10. Cash and cash equivalents

	<u>2023</u>	<u>2022</u>
Cash at bank and on hand	\$	\$
Cash at bank	33,286,774	112,144,181
Cash on hand	226,008	294,744
	<u>33,512,782</u>	<u>112,438,925</u>
Short term investment		
JMMB Bank Jamaica Limited	(a) 33,284,695	33,262,506
	<u>66,797,477</u>	<u>145,701,431</u>

Cash at bank substantially comprise savings and operating accounts at licensed commercial banks in Jamaica. The rate of interest earned on the company's foreign currency savings accounts ranges from 0.0% to 0.3%.

(a) This represents a United States denominated investment which earns interest at a rate of 1.20% (2022 – 1.41%) per annum.

11. Share capital

	<u>2023</u>	<u>2022</u>
	<u>No. of shares</u>	<u>No. of shares</u>
Authorised ordinary shares of no par value	<u>5,100,000,000</u>	<u>5,100,000,000</u>
	<u>2023</u>	<u>2022</u>
Issued and fully paid ordinary shares at no par value	<u>378,568,115</u>	<u>378,568,115</u>
	\$	\$
At the beginning and end of year	<u>111,411,290</u>	<u>111,411,290</u>

Caribbean Cream Limited

Notes to the Financial Statements 28 February 2023

12. Long term loans

	<u>2023</u>	<u>2022</u>
	\$	\$
CIBC FirstCaribbean International Bank (Jamaica) Limited (a)	132,577,777	146,533,333
CIBC FirstCaribbean International Bank (Jamaica) Limited (b)	541,333,333	413,940,362
CIBC FirstCaribbean International Bank (Jamaica) Limited (c)	<u>260,000,000</u>	<u>-</u>
	933,911,110	560,473,695
Less: Current portion	<u>(67,622,221)</u>	<u>(38,844,443)</u>
	<u>866,288,889</u>	<u>521,629,252</u>

- (a) The loan commenced January 1, 2021, to refinance debts with Bank of Nova Scotia Jamaica. The loan is repayable within a 60-month term with a balloon payment at the end of the term. Interest is at floating 6 months weighted average treasury bill yield plus 4.80% per annum, reset quarterly. Interest rate is subject to a cap of 6.50% and an all in floor rate of 5.80%. The loan will mature in 2026.
- (b) This is a non-revolving demand instalment loan which commenced January 1, 2021, to provide funding for capital expenditure. The loan is available by way of multiple drawdowns within 18 months after the satisfaction of the conditions precedent. The loan attracts fixed interest at 5.80% per annum and is payable quarterly. During the year, the company drawdown \$146,059,638 (2022: \$357,035,110) in accordance with the terms of the existing loan facility.
- (c) The loan commenced November 10, 2022, to provide funding for capital expenditure. The loan is repayable within 7 years with a moratorium on principal for 12 months. The loan attracts fixed interest rate at 8.50% per annum for the first 2 years. Thereafter it will attract floating interest of 6 months weighted average treasury bill yield plus 4.50% per annum for 4 years, reset every 6 months. The loan will mature in 2029.

The CIBC facilities are secured as follows:

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

Caribbean Cream Limited

Notes to the Financial Statements 28 February 2023

12. Long term loans (continued)

- (iv) First priority right of mortgage stamped for J\$17,550,000 with power to upstamp giving CIBC FirstCaribbean a first fixed mortgage and charge over the property located at 15 Central Road, Kencot Park, Kingston 10, registered at Volume 1180 and Folio 866.
- (v) Second fixed and floating charge debenture stamped for J\$600,000,000 with power to upstamp giving CIBC FirstCaribbean a first ranking floating charge over all other present and future property and assets.

13. Deferred income taxes

Deferred income taxes are calculated in full on all temporary differences under the liability method using the applicable tax rate. Assets and liabilities recognised on the statement of financial position are as follows:

	<u>2023</u>	<u>2022</u>
	\$	\$
Deferred income tax liabilities	<u>(18,821,558)</u>	<u>(9,261,201)</u>

The movement on the net deferred income tax balance is as follows:

	<u>2023</u>	<u>2022</u>
	\$	\$
Net liabilities at beginning of year	(9,261,201)	(14,576,941)
Deferred tax (charged)/credited to the statement of comprehensive income (Note 22)	<u>(9,560,357)</u>	<u>5,315,740</u>
Net liabilities at end of year	<u>(18,821,558)</u>	<u>(9,261,201)</u>

Deferred income tax assets and liabilities are attributable to the following items:

	<u>2023</u>	<u>2022</u>
	\$	\$
Deferred income tax assets/(liabilities):		
Property, plant and equipment	(25,017,527)	(13,007,157)
Lease liability, net of right-of-use assets	3,378,623	1,829,538
Accounts payable	2,378,319	1,291,697
Unrealized foreign exchange gains	<u>439,027</u>	<u>624,721</u>
Net liabilities at end of year	<u>(18,821,558)</u>	<u>(9,261,201)</u>

Caribbean Cream Limited

Notes to the Financial Statements 28 February 2023

13. Deferred income taxes (continued)

The amounts shown in the statement of financial position include the following:

	<u>2023</u>	<u>2022</u>
	\$	\$
Deferred tax liabilities to be settled:		
- after more than 12 months	<u>(18,821,558)</u>	<u>(9,261,201)</u>

14. Payables

	<u>2023</u>	<u>2022</u>
	\$	\$
Trade payables	226,212,053	183,250,654
Accrued charges	14,179,224	15,620,939
Interest payable	3,600,347	2,983,432
Other	38,918,350	32,508,954
	<u>282,909,974</u>	<u>234,363,979</u>

15. Short term loans

		<u>2023</u>	<u>2022</u>
		\$	\$
Bank of Nova Scotia Jamaica Limited	(a)	-	7,203,602
Bank of Nova Scotia Jamaica Limited	(b)	11,188,514	-
		<u>11,188,514</u>	<u>7,203,602</u>

(a) This loan was received on October 28, 2021, and attracts interest of 7.75% per annum and is repayable over 9 months in equal instalments of \$1,830,071.17. This loan was repaid during the year.

(b) This loan was received on November 7, 2022, and attracts interest of 8.50% per annum and is repayable over 9 months in equal instalments of \$2,285,477.77.

Caribbean Cream Limited**Notes to the Financial Statements
28 February 2023**

16. Revenue

Turnover represents the invoiced value of goods and services net of discounts allowed and General Consumption Tax.

17. Cost of sales

	<u>2023</u>	<u>2022</u>
	\$	\$
Amortization of right-of-use assets	4,309,547	4,092,161
Depreciation	63,476,262	64,625,262
Repairs and maintenance	62,583,271	38,868,399
Raw materials	1,169,192,133	1,007,360,515
Staff costs (Note 20)	121,860,092	103,452,810
Utilities	166,237,713	143,961,662
Other costs	143,955,978	130,158,989
	<u>1,731,614,996</u>	<u>1,492,519,798</u>

Caribbean Cream Limited

Notes to the Financial Statements 28 February 2023

18. Expenses by nature

	<u>2023</u>	<u>2022</u>
	\$	\$
Administrative expenses		
Amortization of right-of-use assets	20,842,003	20,875,169
Audit fees	3,000,000	3,233,333
Bad debt written-off	1,391,424	-
Cleaning sanitation	42,241,402	37,555,246
Depreciation	36,811,053	37,822,664
Directors' emoluments	9,648,937	9,544,090
Directors' fees	4,034,142	2,264,722
Donations	829,744	-
Dues and subscriptions	3,271,332	2,944,376
Insurance	16,018,486	13,441,508
Legal and professional fees	51,539,873	45,933,078
Lease interest expense	6,496,665	7,969,205
Loss on disposal of property, plant and equipment	570,000	464,284
Office and general expense	10,547,882	4,127,343
Penalty and interest	18,750	-
Postage and delivery	831,343	-
Rental equipment	823,845	1,008,000
Repairs and maintenance	61,536,552	39,283,897
Staff costs (Note 20)	185,295,919	168,265,494
Security	42,795,619	33,480,638
Utilities	98,980,845	83,464,181
	<u>597,525,816</u>	<u>511,677,228</u>
Selling and distribution		
Selling, advertising, promotion, and distribution	17,227,842	14,856,047
Travelling, entertainment and subsistence	3,644,464	2,272,110
Licenses and permits	441,500	746,967
Transportation and delivery	37,864,943	33,636,693
Motor vehicle expenses	12,607,989	9,526,291
	<u>71,786,738</u>	<u>61,038,108</u>
Finance costs, net (Note 21)	65,920,004	33,835,648
Cost of sales (Note 17)	1,731,614,996	1,492,519,798
Impairment (allowance)/losses on financial assets	(1,436,024)	27,650
	<u>2,465,411,530</u>	<u>2,099,098,432</u>

Caribbean Cream Limited**Notes to the Financial Statements
28 February 2023****19. Operating profit**

The following have been charged/(credited) in arriving at operating profit:

	<u>2023</u>	<u>2022</u>
	\$	\$
Auditors' remuneration	3,000,000	3,233,333
Amortization of right-of-use assets (Note 17, 18)	25,151,550	24,967,330
Depreciation (Note 17, 18)	100,287,315	102,447,926
Impairment (allowance)/losses on financial assets	(1,436,024)	27,650
Director's emoluments: -		
- Management remuneration	9,648,937	9,544,090
- Directors' fees	4,034,142	2,264,722
Staff costs (Note 20)	<u>307,156,011</u>	<u>271,718,304</u>

20. Staff costs

	<u>2023</u>	<u>2022</u>
	\$	\$
Salaries and wages	224,973,630	199,939,479
Statutory contributions	25,795,090	23,149,796
Travelling allowance	5,348,178	5,574,361
Staff welfare and training	40,132,752	35,611,995
Health and group life insurance	<u>10,906,361</u>	<u>7,442,673</u>
	<u>307,156,011</u>	<u>271,718,304</u>
Administrative expenses (Note 18)	185,295,919	168,265,494
Cost of sales (Note 17)	<u>121,860,092</u>	<u>103,452,810</u>
	<u>307,156,011</u>	<u>271,718,304</u>

Caribbean Cream Limited**Notes to the Financial Statements
28 February 2023****21. Finance costs, net**

	<u>2023</u>	<u>2022</u>
	\$	\$
Interest income	(438,270)	(841,338)
Foreign exchange losses	8,381,884	6,942,608
Loan interest expense	50,085,273	21,391,874
Overdraft interest	842,200	23,466
Bank and other charges	7,048,917	6,319,038
	<u>66,358,274</u>	<u>34,676,986</u>
	<u>65,920,004</u>	<u>33,835,648</u>

22. Taxation

Taxation is computed on profit/(loss) for the year adjusted for taxation purposes and comprises income tax at the applicable rate

	<u>2023</u>	<u>2022</u>
	\$	\$
Income tax	10,329,492	2,441,998
Remission of income taxes	(5,164,746)	(1,220,999)
Prior year over provision	-	(442,063)
Deferred income taxes (Note 13)	9,560,357	(5,315,740)
	<u>14,725,103</u>	<u>(4,536,804)</u>

The taxation charged in the statement of comprehensive income differs from the theoretical amount that would arise using the applicable tax rate, as follows:

	<u>2023</u>	<u>2022</u>
	\$	\$
Profit/(loss) before taxation	<u>41,835,159</u>	<u>(13,689,615)</u>
Tax calculated at a tax rate of 25%	10,458,789	(3,422,404)
Adjusted for the effects of: -		
Remission of income taxes	(5,164,746)	(1,220,999)
Expenses not allowed for tax purposes	200,973	548,662
Prior year over provision	-	(442,063)
Other charges and allowances	9,230,087	-
	<u>14,725,103</u>	<u>(4,536,804)</u>

Caribbean Cream Limited

Notes to the Financial Statements 28 February 2023

22. Taxation (continued)

Remission of income tax

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.
- (iv) 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%.

23. Earnings/(loss) per share

	<u>2023</u>	<u>2022</u>
	\$	\$
Net profit/(loss) attributable to shareholders of the company	<u>27,110,056</u>	<u>(9,152,811)</u>
Weighted average number of shares	<u>378,568,115</u>	<u>378,568,115</u>
Basic earnings/(loss) per share (\$ per share)	<u>\$0.07</u>	<u>(\$0.02)</u>

Earnings/(loss) per stock unit ("EPS/(LPS)") is computed by dividing the profit/(loss) attributable to stockholders of the company of \$27,110,056 (2022: (\$9,152,811)) by the weighted average number of ordinary stock units in issue during the year, numbering 378,568,115 (2022: 378,568,115).

Caribbean Cream Limited**Notes to the Financial Statements
28 February 2023****24. Dividends**

	<u>2023</u>	<u>2022</u>
	\$	\$
Declared and paid at Nil (2022: 0.069) cents per share	-	26,272,628
Total dividends to shareholders	-	26,272,628

During 2022, dividends were declared and paid to the shareholders on record at June 28, 2021.

25. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Related party transactions and balances are recognised and disclosed below for the following:

- (a) Enterprises over which a substantial interest in the voting power is owned by key management personnel, including directors and officers and close members of families; or
- (b) Enterprises over which such a person, in (a) above, is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the company.

As at the statement of financial position date the following balances were outstanding: -

	<u>2023</u>	<u>2022</u>
	\$	\$
Due from related parties (Note 9)		
Deano's Treats	3,700,330	2,445,823
Due from a director	1,945,820	1,636,383
Scoops Unlimited Limited	13,648,014	26,572,410
	<u>19,294,164</u>	<u>30,654,616</u>

Caribbean Cream Limited**Notes to the Financial Statements
28 February 2023****25. Related party transactions (continued)**

Amounts credited/(charged) to the statement of comprehensive income: -

	<u>2023</u>	<u>2022</u>
	\$	\$
Sales		
Scoops Unlimited Limited	222,344,855	194,285,987
Deano's Treats	26,954,788	22,375,105
	<u>249,299,643</u>	<u>216,661,092</u>
Expenses		
Directors' fees	(4,034,142)	(2,264,722)
Directors' emoluments	(9,648,937)	(9,544,090)
Salaries and other short-term employee benefits	(17,821,039)	(15,964,090)
	<u>(17,821,039)</u>	<u>(15,964,090)</u>

During 2022, the company acquired assets from a related party for a consideration of \$45,000,000.

Details of the acquisition are noted below:

	<u>2022</u>
	\$
Cash and bank balances	3,718,650
Trade receivables	2,067,345
Inventory	381,070
Property, plant and equipment	<u>38,832,935</u>
Consideration	<u><u>45,000,000</u></u>