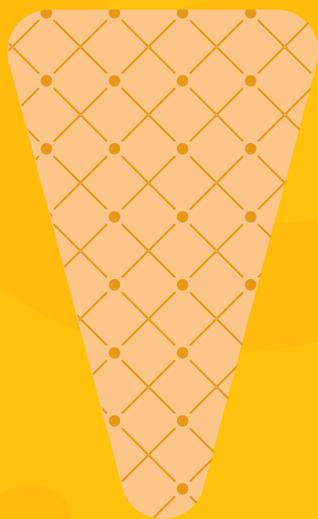


ANNUAL REPORT 2017



*Laying the  
Foundation for a  
Sweeter  
Future*





Laying the  
Foundation for a  
**Sweeter**  
Future



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## OUR VISION

THE #1 ICE CREAM COMPANY  
IN THE CARIBBEAN.

## OUR BRAND

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



# Our Products



## BULK ICE CREAM

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



## ICE CREAM TUBS

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



## ICE CREAM CAKES

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



## FROZEN NOVELTIES

We also distribute a wide range of Frozen Novelties which appeal to children and adults alike. A treat for everyone which they can't resist.

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2017 Annual General Meeting of CARIBBEAN CREAM LIMITED will be held at the Knutsford Court Hotel, Grand Caribbean Suite, 16 Chelsea Avenue, Kingston 5 on Wednesday, October 4, 2017 at 10 a.m. for the purpose of transacting the following business:

1. To receive the Audited Accounts for the year ended February 28, 2017 together with the reports of the Directors and Auditors thereon,

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

Resolution No. 1

"That the Audited Accounts for the year ended February 28, 2017, together with the reports of the Directors and Auditors thereon, be and are hereby adopted."

2. To elect Directors.

(i) The Directors retiring by rotation in accordance with Regulation 105 of the Company's Articles of Incorporation are Messrs. Matthew Clarke, Wayne Wray and Mark McKenzie, who being eligible for re-election, offer themselves for re-election.

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

**Resolution No. 2**

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

**Resolution No. 3**

"That Messrs. Matthew Clarke, Wayne Wray and Mark McKenzie be and are hereby re-elected as Directors of the Company."

3. To ratify interim dividends.

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

**Resolution No. 4**

"That the interim dividend of five (5) cents paid on September 23, 2016 be and are hereby ratified and declared final for 2016."

4. To approve the Remuneration of the Directors.

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



**Resolution No. 5**

"That the amount shown in the Audited Accounts of the Company for the year ended February 28, 2017 as fees of the Directors for their services as Directors, be and are hereby approved."

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

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

**Resolution No. 6**

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

Dated May 27, 2017  
By Order of the Board



Denise Douglas  
Company Secretary  
Registered Office  
3 South Road  
Kingston 10

**NOTE:**

A member entitled to attend and vote at the meeting may appoint a proxy, who need not be a member, to attend and so on a poll, vote on his/her behalf. A suitable form of proxy is enclosed. Forms of Proxy must be lodged with the Registrar of The Company, Jamaica Central Securities Depository, 40 Harbour Street, Kingston not less than 48 hours before the time of the meeting.

6. A Corporate shareholder may (instead of appointing a proxy) appoint a representative in accordance with Regulation 75 of the Company's Articles of Incorporation. A copy of Regulation 75 is set out on the enclosed detachable proxy form.



## Chairman's Message



Laying the Foundation for a Sweeter Future

# The year under review saw Caribbean Cream (CCL) realising a 7% increase in revenue over the previous year, totalling J\$1.2 billion.

Our share price increased to \$7.48, up by 76% above last year's, while we realised an increase in our net profit of \$173 million at the end of the financial year.

We completed the construction of our factory building during the year under review, in keeping with the plans announced when we first went on the Junior Stock Exchange. This was done to HACCP standards for better flow.

The completion of the new factory will allow us to increase our production space by over 50%, thereby leaving us with room for expansion in the future.

CCL continued to increase its refrigerated storage in our wholesale, retail and convenience store outlets.

Over the period, we introduced some new flavours, primarily to cater to students and to correspond with national and

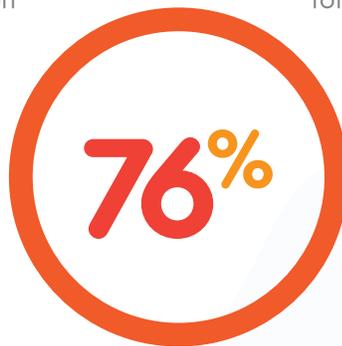
international sporting events such as Champs and the Olympics. The flavours were: Schoolers Green; Schoolers Blue and Schoolers Purple to appeal to supporters of the various local school teams and the Rio flavour for the Olympics.

Overall, 2017 was another successful year for Caribbean Cream and its Kremi brand and for this, we wish to thank the hardworking members of the Board, the management team and employees throughout the organisation for their interest, dedication and input.

With such continuous support, we are one step closer to realising our vision to be the #1 ice cream in the Caribbean.



Carol Clarke Webster  
Chairman



# DIRECTORS' REPORT

The Directors are pleased to present their report for the financial year ended February 28, 2017. The following are highlights of the Audited Financial statements:

## Financial Results

	Year ended Feb 2017 \$'000	Year ended Feb 2016 \$'000
<b>Revenue</b>	1,213,549	1,134,933
<b>Gross profit</b>	458,388	450,192
<b>Profit after tax</b>	172,737	163,742
<b>Net Current Assets</b>	250,846	178,240
<b>Accumulated profits</b>	445,243	291,434
<b>Earnings per stock unit</b>	\$0.46	\$0.43

The Directors as at February 28, 2017 were as follows:

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

In accordance with Regulation 105 of the Company's Articles of Incorporation,

Directors Matthew Clarke, Wayne Wray and Mark McKenzie will retire by rotation and, being eligible, offer themselves for re-election.

## Dividend

A dividend of \$0.05 per share was paid on September 23, 2016 to shareholders registered at the close of business on September 9, 2016.

## Auditors

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

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

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS



Carol Clarke Webster  
Chairman



# MD &A

MANAGEMENT  
DISCUSSION  
AND ANALYSIS



# FINANCIAL HIGHLIGHTS

Revenue Of  
**\$1.2 billion**

Net Profit  
**\$172.7 million**



Dividends payout  
**\$18.9 Million**

Net Current Asset  
**\$250.8 million**

Stockholder's Equity  
**\$591.1 million**



## Six-Year Financial Review

	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>STATEMENT OF PROFIT OR LOSS</b>						
Revenue	1,213,549	1,134,933	1,012,861	855,568	675,708	431,023
Gross Profit	458,388	450,192	275,800	202,482	130,083	109,734
GP Margin	38%	40%	27%	24%	19%	25%
Net Profit/(Loss) after tax	172,737	163,742	56,766	35,077	(3,257)	31,362
NP Margin	14%	14%	6%	4%	-0.5%	7%
Earnings per stock unit	\$0.46	\$0.43	\$0.15	\$0.10	(\$0.01)	-
<b>STATEMENT OF FINANCIAL POSITION</b>						
Property, plant and equipment	421,933	361,328	394,047	368,665	224,219	118,229
Net Current Assets/(Liabilities)	250,846	178,240	18,555	(25,510)	(24,430)	(20,761)
Total Borrowings	101,830	125,456	150,237	134,972	85,591	52,111
Number of shares	378,568	378,568	378,568	378,568	302,854	1
Stockholder's equity	591,134	437,325	286,772	230,006	115,885	46,379
Dividend payment	18,928	-	-	-	-	-

## Company Profile and Overview

CCL has been incorporated and domiciled in Jamaica since June, 2006. The principal activities of the company are the manufacture and sale of ice cream, under the Kremi brand, and the importation and distribution of frozen novelties.

The company's unwavering pursuit and # 1 goal is for the consistent delivery of high quality, affordable ice cream in the Caribbean.

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

CCL continues to remain strong despite the many challenges it faced within the year, including increased costs both locally and internationally and the devaluation of the Jamaican dollar.

CCL, also being conscious of consumers' well being, maintained prices for the entire financial year. In light of all the above, CCL's Revenue and Net Profit for the year increased by 7% and 5% respectively.

### Management's responsibility

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

In preparing the financial statements, CCL's management is responsible for assessing the company's ability to continue as a going

concern, disclosing, as applicable, matters related to the company 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.

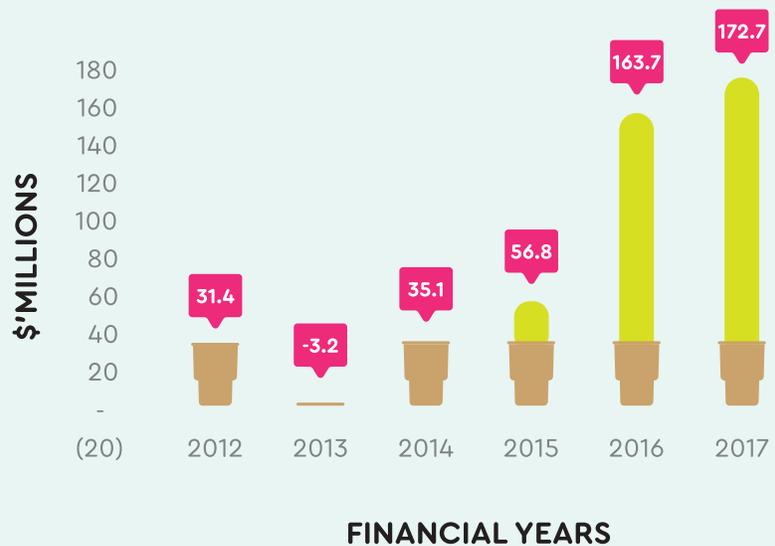
CCL's management is also responsible for the other information, comprising the data included in the Annual Report.

## FINANCIAL PERFORMANCE OVERVIEW

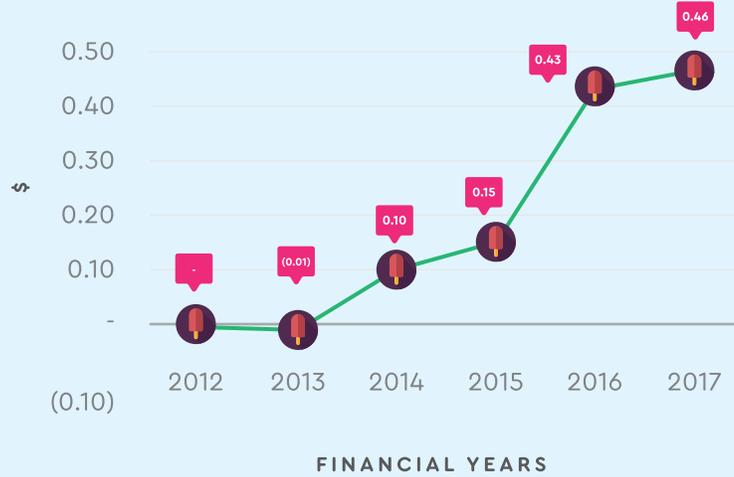
### Statement of Profit or Loss

The company reported a net profit of \$172.7 million for the financial year ended February 28, 2017. This was 5% or \$8.9 million above last year. The earnings per share at the end of the Financial Year was \$0.46.

Net Profit after tax



Earnings Per Share



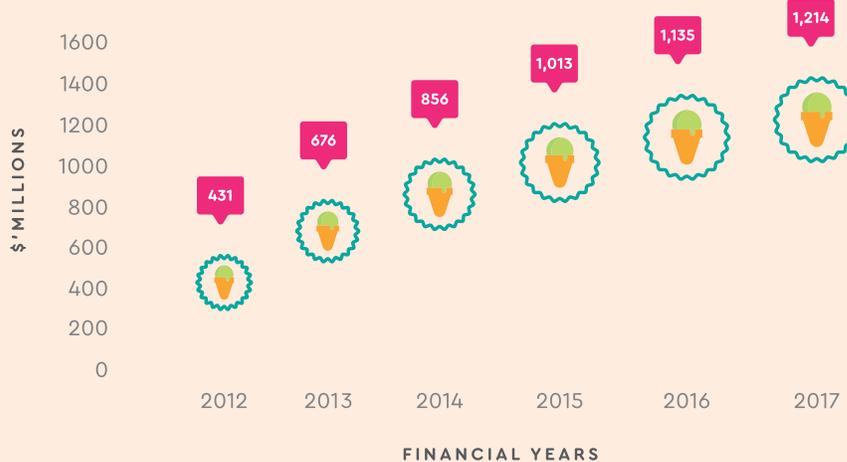
Gross profit achieved for the year was \$458 million (GPM 38%), an increase of \$8m or 2% when compared to last year. Factors giving rise to this were:

- 1) Revenue for the year was \$1.2 billion increasing by 7% or \$78.6 million. The increasing revenue reflected greater share of market, as prices throughout the year were held.
- 2) Costs associated to operating revenues for the year was \$755 million, an increase of \$70 million, or 10% above last year.

Increased costs were mainly affected by:

- a. The adoption of a new maintenance process for the company's plant and equipment.
- b. Higher than expected costs in the main raw materials.
- c. Local price increases such as storage costs of our raw materials.
- d. Addition of key personnel.
- e. Devaluation of the Jamaican dollar.

Sales Revenue  
\$'Million



## Operating Expenses

Total operating expenses for the year totalled \$292.9 million or 1% above last year.

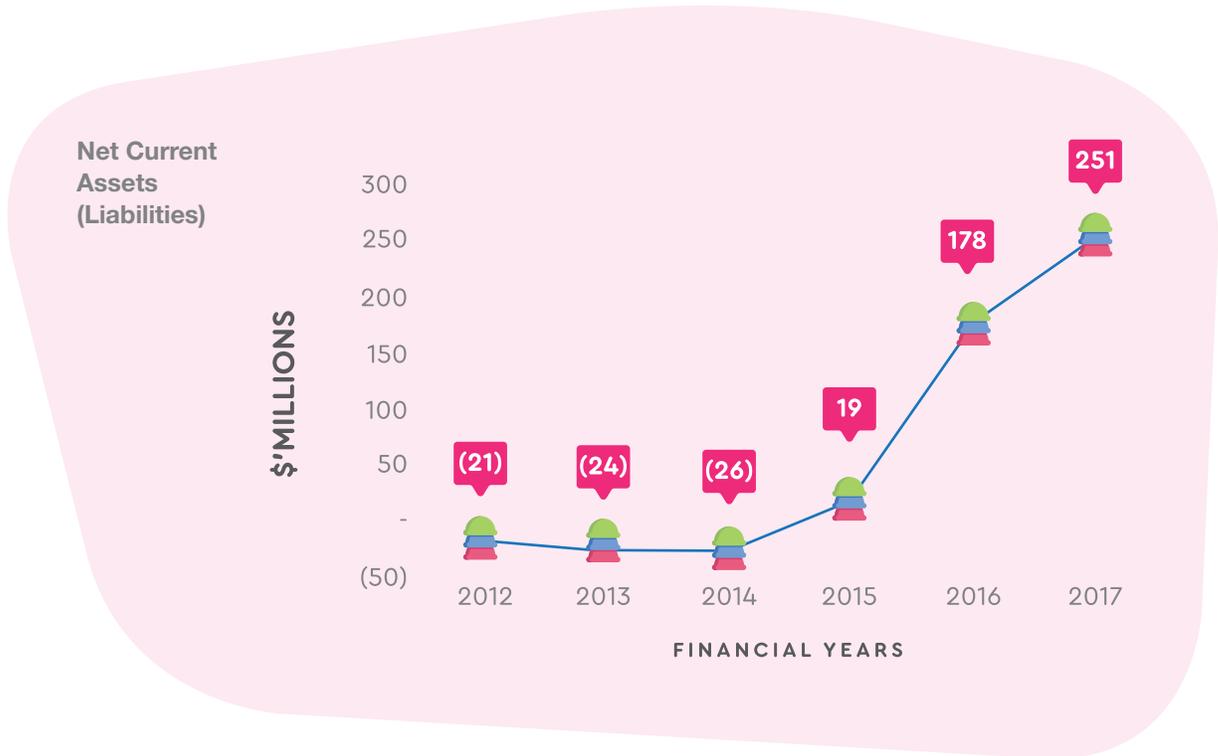
- 1) Administrative costs totalled \$231.7 million were above last year's by 1% or \$2 million.
- 2) Marketing, Sales & Distribution costs were \$47.8 million, an increase of 11.9% or \$5 million. The company decided to outsource the distribution arm of the business and focus on its core. Savings were realized from this strategy, where
  - a. Motor vehicle expenses were reduced.
  - b. Staff costs were reduced due to several positions being made redundant.
- 3) Transportation costs totalling \$19.9 million increased by 109% due to the decision taken to provide additional storage to

meet the December sales demand. This resulted in more than expected transport costs to deliver to and from the storage facilities.

- 4) Finance cost totalled \$13.4 million which was less than last year by 25% or \$4.4 million.

## Statement of Financial Position

Total Assets less Current Liabilities were \$672.8 million, an increase of \$133.2 million or 24.7% over last year. Property, plant & equipment for the year amounted to \$422 million while the company increased its capital expenditure by \$112 million. Net Current Assets were above last year by \$73 million in spite of increases in raw material prices. The company continues its goal of sourcing quality products and negotiating favourable terms from its' suppliers. Cash and cash equivalents totaling \$176 million includes both fixed deposits and bank balances.





**GRAM WS-115.**  
Our new state of the art "Continuous Freezer"  
increases our efficiency and quality.



## Risk Management & Internal Controls

The main goal of CCL is to ensure that the outcome of risk taking activities maximizes Shareholder returns. The Audit Committee is established by the Board to provide oversight of this function.

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

# RISK OVERVIEW

### Credit Risk

Credit risk is the risk of financial loss to the company if a customer fails to meet its contractual obligations. It arises principally on trade and other receivables and cash and cash equivalents.

### Liquidity Risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid resources to meet its financial liabilities when due. This must be done under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. Liquidity risk may result from an inability to sell a financial asset at, or close to, its fair value.

### Currency Risk

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

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

### Interest Rate Risk

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

The company 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.

### Other Risk – Quality, Environment and Safety

The Company is committed to maintaining a safe and healthy environment for our employees, customers and other stakeholders and protecting the environment of the communities in which we do business. We continue to ensure that all production waste is disposed of in a manner compliant with all regulations set forth by the Ministry of Health and NEPA. We also ensure that all employees are trained in the requisite skills of safe operations through training in Good Manufacturing Practices, as we embark on the journey to HACCP certification.



# CORPORATE AND SOCIAL RESPONSIBILITY

## Community Outreach

We at Caribbean Cream Limited, believe in giving back to our community and we do that in a variety of different ways. We continue to donate to community events across the island, helping to foster a sense of togetherness.

We especially believe in supporting early childhood education, as it is the single best way to ensure a bright future for our country. To support this belief, we have launched a program where we host special ice cream days for Basic Schools to raise the morale of teachers, students and staff. The latest event was held at the RJR Basic school, where we designed a signature ice cream made specifically for them.

## Kremi Bliss

Introducing Kremi Bliss, our creative arm, where clients get to design their own unique ice cream to complement any special event. They can change the colours, mix flavours and enjoy seeing their vision become a reality.

## FUTURE OUTLOOK

While we give thanks for the achievements in the past financial year, it demands that we be innovative, seek out opportunities and set new goals for the future as we continue to grow. Therefore, as we look forward to the upcoming year, our objectives are to:

- Increase overall sales volume
- Continue Capital investment
- Continue to achieve operational efficiencies
- Continue forging our relationships with customers and being responsive to their needs
- Develop and engage our staff

The team remains steadfast and committed to providing excellent delivery of service in becoming the #1 ice cream company in the Caribbean.



Employees from CCL serving children from the RJR Basic School

# CORPORATE GOVERNANCE

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

## Board of Directors Composition

The Board of Directors is comprised of board members who are qualified, objective, committed, possess diverse skill sets and the background to effectively serve on the various committees of the board. As at February 28, 2017, the Board comprised of 5 Non-Executive Directors and 1 Executive Director. The names of the Directors and their qualifications are set out in the Directors' Profile section of this report.

## The Board and its Committees –

### Board of Directors

Carol Clarke Webster – Chairman  
Christopher Clarke  
Matthew Clarke

Mark McKenzie  
Michael Vacciana  
Wayne Wray

### Audit Committee

Wayne Wray – Chairman  
Christopher Clarke  
Mark McKenzie  
Michael Vacciana

### Compensation Committee

Mark McKenzie – Chairman  
Carol Clarke Webster  
Wayne Wray

The Members of the Committee and their attendance at the respective meetings for the 2017 financial year is reflected in the Table below:

	Annual General Meeting	Board of Directors' Meeting	Audit Committee Meeting	Compensation Committee Meeting
Number of meetings for the year	1	5	4	-
Christopher Clarke	1	5	4	-
Matthew Clarke	1	4	1	-
Carol Clarke Webster	1	4	-	-
Mark McKenzie	1	5	4	-
Michael Vacciana	1	4	3	-
Wayne Wray	1	4	4	-



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Future*

# Board Of Directors

01



01

## Mrs. Carol Clarke Webster Chairman

A Director and Chairman of the Board, she was appointed on April 17, 2012. Mrs. Clarke Webster brings to the Board a wealth of experience in the ice cream industry. She established Scoops Un-Limited Limited and began manufacturing and selling Devon House I-Scream in 1989. Known as an ice cream pioneer, Mrs. Clarke Webster is accorded the distinction of being the creative genius behind the uniquely flavoured, highly favoured and widely famous Devon Stout Ice Cream.

02



02

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

Founder, Managing Director and Chief Executive Officer of Caribbean Cream Limited, which was started in April 2006, Mr. Clarke invested his love for science and business in setting up the Company. He graduated from the University of Michigan with a B.Sc. in Mechanical Engineering, and gained an MBA with specialties in both Finance and Marketing from the University of Miami. Mr. Clarke moved back to Jamaica in January, 2004 to work in the family's ice cream business before launching his own "bucketful" of ice cream enterprise.

03



03

## Dr. Matthew Clarke Director

Dr. Matthew Clarke was appointed to the Board on April 17, 2012. He serves as a Director of Scoops Un-Limited Ltd. - the manufacturer and marketer of the world famous Devon House I-Scream. Dr. Clarke is an Orthopedic Traumatology & Sports Medicine Surgeon currently practising at Kendall Regional Medical Center, South Florida. He graduated Cum Laude with a B.Sc. in Biology from the University of Michigan. A brilliant scholar, he later received his Medical Degree, specifically in the field of Orthopedic Surgery and successfully completed his Orthopedic Surgical Residency at Howard University Hospital in Washington, DC, USA. He also pursued - and successfully completed - his sub-specialty Fellowships in Sports Medicine and Orthopedic Traumatology at Georgetown University and the University of Miami/Jackson Memorial Hospital Ryder Trauma Center, respectively.





05



06



04



05

### Mr. Michael Vacciana Non-Executive Director

Appointed Non-Executive Director on December 16, 2013, Mr. Michael Vacciana is a member of the Audit Committee of Caribbean Cream Limited. He is also a Senior Partner in the Law Firm Vacciana & Whittingham. Mr. Vacciana has over 33 years standing at the Jamaican Bar and holds an LL.B. Degree from the University of the West Indies and a Certificate in Legal Education from the Norman Manley Law School in Jamaica. He has had extensive experience in corporate and commercial matters, primarily in Project Development and Financing, Mining and Energy, Mergers and Acquisitions, Banking and Finance, and International Trade. Mr. Vacciana is a member of the Jamaican Bar Association and an Associate Member of the American Bar Association. He also serves as a Commissioner of the Financial Services Commission and is Chairman of the Board of Management of Kingston College.

06

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

The Company's Non-Executive Director and Mentor, Mr. Wayne Wray was appointed to the Board of Directors on April 17, 2012. His portfolio of experience and expertise includes executive leadership and management positions in the field of Finance and Banking. He is a Past Chairman of Jamaica Institute of Bankers, as well as the Caribbean Association of Banks. Licensed by the Financial Services Commission as an investment advisor, Mr Wray is the Principal Director of Wiltshire Consulting & Advisory Limited. He is also Managing Director and Principal Shareholder of 365 Retail Limited, an authorised dealer retailing and distributing petroleum and lubricants for Total Jamaica Limited. He is committed to nation building and serves on the Board of several community development organizations.

04

### Mr. Mark McKenzie Non-Executive Director

Mr. McKenzie is a former Managing Director of Red Stripe where he also sat as a member of Diageo's Latin American Executive for five and a half years. His background has included leadership roles with Procter & Gamble, Gillette & Coca-Cola covering various areas of the Caribbean and Latin America, primarily in Sales, Marketing, Strategy and General Management. He has always shown a keen community focus having sat on the Board of the St. Patrick's Foundation for six years, three as Chairman. He currently both volunteers and consults with United Way Worldwide (the world's largest privately funded non-profit) helping them to expand operations in the Caribbean.



# Senior Management

**Dean Clarke**  
PURCHASING MANAGER

02

**Fay Williams**  
HUMAN RESOURCE  
MANAGER

03

**Karen M. Williams**  
FINANCIAL CONTROLLER

01



04

**Christopher Clarke**  
MANAGING DIRECTOR &  
CHIEF EXECUTIVE OFFICER

05

**David Radlein**  
CHIEF MARKETING OFFICER

06

**Stephen Lloyd**  
CHIEF OPERATIONS OFFICER



## SHAREHOLDINGS

### LIST OF TOP TEN (10) LARGEST SHAREHOLDERS AS AT FEBRUARY 28, 2017

Shareholder	Units
Scoops Un-Limited Limited	121,341,801
Matthew G. Clarke	60,055,425
Carol Webster/Christopher Clarke	58,521,764
Christopher A. Clarke	35,133,399
Resource In Motion Limited	31,750,000
Everton J. Smith	7,447,700
Jl Limited	5,000,000
Mayberry West Indies Limited	4,777,497
Colin Steele	4,309,800
Mayberry Inv. Ltd Retirement Scheme	2,331,436

### SHAREHOLDINGS OF DIRECTORS, OFFICERS AND CONNECTED PARTIES

AS AT FEBRUARY 28, 2017

Director	Shareholdings	Connected Parties	Shareholdings
Carol Webster	58,521,764	Christopher Clarke	
		Scoops Un-Limited Limited	121,341,801
Matthew G. Clarke	60,055,425	Scoops Un-Limited Limited	121,341,801
Christopher A. Clarke	30,133,399		
Christopher A. Clarke	5,000,000	Kamoy S. Clarke (joint holder)	
		Scoops Un-Limited Limited	121,341,801
Mark McKenzie	1,287,558	—	
Wayne Wray	200,000		
	1,000,000	Christine Randle	
	6,835	Craig A. Singh	
Michael Vacciana	0		
Denise Douglas	2,895	Ryan McCalla	

### SHAREHOLDINGS OF SENIOR MANAGERS AND CONNECTED PARTIES AS AT FEBRUARY 28, 2017

Director	Shareholdings	Connected Parties	Shareholdings
David Radlein	100,000	Catherine Radlein	
Karen Williams	25,855	Vyris Williams	



**AUDITED  
FINANCIAL  
STATEMENTS**

Independent Auditors' Report to the Members

**FINANCIAL STATEMENTS**

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Statement of Profit or Loss and Other Comprehensive Income

Statement of Changes in Equity

Statement of Cash Flows

Notes to the Financial Statements





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

INDEPENDENT AUDITORS' REPORT

To the Members of  
CARIBBEAN CREAM LIMITED

**Report on the Audit of the Financial Statements**

*Opinion*

We have audited the financial statements of Caribbean Cream Limited ("the company"), set out on pages 32 to 55, which comprise the statement of financial position as at February 28, 2017, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at February 28, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

*Basis for Opinion*

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

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

R. Terun Handa  
Cynthe L. Lawrence  
Rajan Trehan  
Norman C. Rainford  
Nigel R. Chambers

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



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
CARIBBEAN CREAM LIMITED

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

*Key Audit Matter*

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

*Carrying amount of trade receivables*

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



## INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
CARIBBEAN CREAM LIMITED

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

#### *Other information*

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

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

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

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

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

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

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

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



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
CARIBBEAN CREAM LIMITED

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

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

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

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

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

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

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.

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

Chartered Accountants  
Kingston, Jamaica

April 24, 2017



## INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
CARIBBEAN CREAM LIMITED

### **Appendix to the Independent Auditors' report**

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

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



## INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
CARIBBEAN CREAM LIMITED

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

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

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

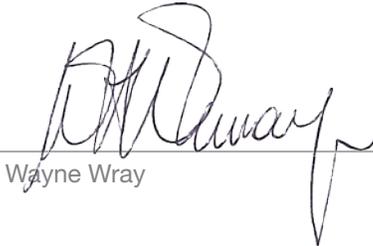
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation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

**CARIBBEAN CREAM LIMITED**  
**Statement of Financial Position**

February 28, 2017  
 (Expressed in Jamaica dollar)

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
<b>NON-CURRENT ASSET</b>			
Property, plant and equipment	3	421,932,794	361,327,659
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	176,182,137	152,523,086
Trade and other receivables	5	52,683,102	46,963,856
Inventories	6	161,221,320	73,343,031
Total current assets		<u>390,086,559</u>	<u>272,829,973</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	7	119,054,700	71,376,204
Current portion of long-term loans	8	20,185,504	23,214,227
Total current liabilities		<u>139,240,204</u>	<u>94,590,431</u>
Net current assets		<u>250,846,355</u>	<u>178,239,542</u>
Total assets less current liabilities		<u>672,779,149</u>	<u>539,567,201</u>
<b>NON-CURRENT LIABILITY</b>			
Long-term loans	8	81,644,979	102,242,047
<b>EQUITY</b>			
Share capital	9	111,411,290	111,411,290
Revaluation reserve	10	34,480,236	34,480,236
Accumulated profits		445,242,644	291,433,628
Total equity		<u>591,134,170</u>	<u>437,325,154</u>
Total non-current liability and equity		<u>672,779,149</u>	<u>539,567,201</u>

The financial statements on pages 32 to 55 were approved for issue by the Board of Directors on April 24, 2017 and signed on its behalf by:

  
 Wayne Wray Director

  
 Christopher Clarke Director

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

**CARIBBEAN CREAM LIMITED****Statement of Profit or Loss and Other Comprehensive Income**

Year ended February 28, 2017  
(Expressed in Jamaica dollar)

	<b>Notes</b>	<b>2017</b>	<b>2016</b>
Gross operating revenue	11	1,213,548,844	1,134,933,221
Cost of operating revenue	12	<u>( 755,160,366)</u>	<u>( 684,741,583)</u>
Gross profit		458,388,478	450,191,638
Other income		<u>2,299,345</u>	<u>2,117,995</u>
		460,687,823	452,309,633
Administrative, selling and distribution expenses:			
Administrative		( 231,789,269)	( 229,722,231)
Selling and distribution		<u>( 47,777,103)</u>	<u>( 42,745,017)</u>
	12	<u>( 279,566,372)</u>	<u>( 272,467,248)</u>
Operating profit before finance costs and taxation		181,121,451	179,842,385
Finance income - interest		5,025,616	1,719,065
Finance costs, net	13	<u>( 13,409,645)</u>	<u>( 17,762,547)</u>
Profit before taxation		172,737,422	163,798,903
Taxation	14	<u>-</u>	<u>( 56,587)</u>
Profit for the year		172,737,422	163,742,316
Other comprehensive loss:			
Item that will never be reclassified subsequently to profit or loss			
Adjustment to revalued property, plant and equipment		-	( 13,189,500)
Total comprehensive income for the year		<u>172,737,422</u>	<u>150,552,816</u>
Earnings per stock unit	18	<u>0.46</u>	<u>0.43</u>

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

## CARIBBEAN CREAM LIMITED

### Statement of Changes in Equity

Year ended February 28, 2017  
(Expressed in Jamaica dollar)

	Share capital (Note 9)	Revaluation reserve (Note 10)	Accumulated profits	Total
Balances as at February 28, 2015	111,411,290	47,669,736	127,691,312	286,772,338
Profit for the year	-	-	163,742,316	163,742,316
Adjustment to revalued property, plant and equipment (note 3)	-	(13,189,500)	-	(13,189,500)
Total comprehensive income for the year	-	(13,189,500)	163,742,316	150,552,816
Balances as at February 29, 2016	111,411,290	34,480,236	291,433,628	437,325,154
Total comprehensive income: Profit, being total comprehensive income for the year	-	-	172,737,422	172,737,422
Transaction with owners: Dividend distribution (note 18)	-	-	( 18,928,406)	(18,928,406)
	-	-	153,809,016	153,809,016
Balances as at February 28, 2017	111,411,290	34,480,236	445,242,644	591,134,170

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

**CARIBBEAN CREAM LIMITED**  
**Statement of Cash Flows**

Year ended February 28, 2017  
*(Expressed in Jamaica dollar)*

	<b>Notes</b>	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the year		172,737,422	163,742,316
Adjustments for:			
Depreciation	3	48,515,673	48,010,615
Interest expense	13	11,480,042	15,642,768
Interest income		( 5,025,616)	( 1,719,065)
Taxation	14	-	56,587
Write-off of property, plant and equipment	3	-	502,628
Impairment of property, plant and equipment	3	-	18,200,000
Gain on disposal of property, plant and equipment		( 1,400,943)	-
Operating profit before changes in working capital		<u>226,306,578</u>	<u>244,435,849</u>
Trade and other receivables		( 5,657,763)	( 13,766,450)
Inventories		( 87,878,289)	6,650,286
Trade and other payables		47,678,496	2,989,405
Taxation paid		-	( 954,880)
Interest paid		( 11,480,041)	( 15,642,768)
Interest received		4,964,133	1,569,354
Net cash provided by operating activities		<u>173,933,114</u>	<u>225,280,796</u>
<b>CASH FLOWS USED BY INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment	3	(112,136,732)	( 47,183,122)
Proceeds from sale of property, plant and equipment		4,416,867	-
Net cash used by investing activities		<u>(107,719,865)</u>	<u>( 47,183,122)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of bank loans		( 23,625,792)	( 24,780,803)
Dividend distribution	18	( 18,928,406)	-
Director's current account		-	2,025,849
Net cash used by financing activities		<u>( 42,554,198)</u>	<u>( 22,754,954)</u>
Net increase in cash and cash equivalents		23,659,051	155,342,720
Cash and cash equivalents at beginning of the year		152,523,086	( 2,819,634)
Cash and cash equivalents at end of the year		<u>176,182,137</u>	<u>152,523,086</u>
Comprised of:			
Cash and bank balances	4	61,971,101	89,462,717
Fixed deposits	4	114,211,036	63,060,369
		<u>176,182,137</u>	<u>152,523,086</u>

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

## CARIBBEAN CREAM LIMITED

# Notes to the Financial Statements

Year ended February 28, 2017  
(Expressed in Jamaica dollar)

### 1. Identification

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

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

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

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

#### (a) Statement of compliance:

The financial statements as at and for the year ended February 28, 2017 (the reporting date) are prepared in accordance with International Financial Reporting Standards (IFRS) and comply with the provisions of the Jamaican Companies Act.

New and amended standards that became effective during the year

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

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

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

- IFRS 9, *Financial Instruments*, which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) – are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognized.

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

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

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

- IFRS 15, *Revenue From Contracts With Customers*, effective for accounting periods beginning on or after January 1, 2018, replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services*. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties.

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

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

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

Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases. Finance lease accounting will be based on IAS 17 lease accounting, with recognition of net investment in lease comprising lease receivable and residual asset. Operating lease accounting will be based on IAS 17 operating lease accounting.

Early adoption is permitted if IFRS 15 *Revenue from contracts with Customers* is also adopted.

## CARIBBEAN CREAM LIMITED

### Notes to the Financial Statements (Continued)

Year ended February 28, 2017  
(Expressed in Jamaica dollar)

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

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

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

- Amendments to IAS 7, *Statement of Cash Flows*, effective for accounting periods beginning on or after January 1, 2017, requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.
- Amendments to IAS 12, *Income Taxes*, effective for accounting periods beginning on or after January 1, 2017, clarifies the following:
  - The existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.
  - A deferred tax asset can be recognised if the future bottom line of the tax return is expected to be a loss, if certain conditions are met.
  - Future taxable profits used to establish whether a deferred tax can be recognised should be the amount calculated before the effect of reversing temporary differences.
  - An entity can assume that it will recover an asset for more than its carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.
  - Deductible temporary differences related to unrealised losses should be assessed on a combined basis for recognition unless a tax law restricts the use of losses to deductions against income of a specific type.

The company is assessing the impact that adopting the foregoing standards, amendments and interpretations may have on the financial statements when they become effective.

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

The financial statements are prepared on the historical cost basis, except for certain classes of property, plant and equipment which are carried at valuation, and are presented in Jamaica dollars, which is the functional currency of the company.

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

(c) Use of estimates and judgements:

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

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

Judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

(i) Allowance for impairment losses on receivables:

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

(ii) Net realisable value of inventories:

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

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

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

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

## CARIBBEAN CREAM LIMITED

### Notes to the Financial Statements (Continued)

Year ended February 28, 2017  
(Expressed in Jamaica dollar)

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

##### (d) Segment reporting:

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

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

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

###### (i) At cost:

Items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses. Costs include expenditures that are directly attributable to the acquisition of the assets. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be reliably measured. The cost of day-to-day servicing of property, plant and equipment is recognised in profit or loss as incurred.

###### (ii) At revaluation:

Certain classes of machinery and equipment are stated at their revalued amounts being the fair value at the date of revaluation, less accumulated depreciation and accumulated impairment losses, if any. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using the fair values at the reporting date.

Any revaluation increase arising on the revaluation of such assets is credited to revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such assets is charged to profit or loss to the extent that it exceeds the balance, if any, held in revaluation reserve relating to a previous revaluation of that asset.

###### (iii) Depreciation:

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

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

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

## CARIBBEAN CREAM LIMITED

### Notes to the Financial Statements (Continued)

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Year ended February 28, 2017

(Expressed in Jamaica dollar)

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

(f) Cash and cash equivalents:

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

(g) Trade and other receivables:

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

(h) Inventories:

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

(i) Trade and other payables:

Trade and other payables are measured at cost.

(j) Borrowings:

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

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

(k) Share capital:

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

## CARIBBEAN CREAM LIMITED

### Notes to the Financial Statements (Continued)

Year ended February 28, 2017  
(Expressed in Jamaica dollar)

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

##### (l) Revenue:

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

##### (m) Taxation:

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

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

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

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

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

##### (n) Related parties:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 Related Party Disclosures as the "reporting entity" in this case the company).

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

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

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

(n) Related parties (cont'd):

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

- (i) The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company.
- (vi) The entity is controlled, or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is apart, provides key management services to the company.

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

(o) Foreign currencies:

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

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

(p) Impairment:

(i) Non-financial assets:

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

## CARIBBEAN CREAM LIMITED

### Notes to the Financial Statements (Continued)

Year ended February 28, 2017  
(Expressed in Jamaica dollar)

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

##### (p) Impairment (cont'd):

##### (i) Non-financial assets (cont'd):

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

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

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

##### (ii) Financial assets:

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

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

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

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

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

Year ended February 28, 2017  
*(Expressed in Jamaica dollar)*

3. Property, plant and equipment

	Freehold land & buildings	Leasehold improvements	Motor vehicles	Machinery and equipment	Computer equipment	Construction in progress	Security systems	Total
<b>Cost or valuation:</b>								
February 28, 2015	109,053,554	7,430,750	16,340,943	301,723,652	10,714,814	47,895,838	1,337,904	494,497,455
Additions	-	373,710	-	23,087,636	2,086,947	21,634,829	-	47,183,122
Transfers	2,585,335	-	-	58,632,866	-	(61,873,201)	655,000	-
Valuation adjustment	-	-	-	(13,189,500)	-	-	-	(13,189,500)
Write-off	-	(55,000)	-	(447,628)	-	-	-	(502,628)
February 29, 2016	111,638,889	7,749,460	16,340,943	369,807,026	12,801,761	7,657,466	1,992,904	527,988,449
Additions	1,689,156	226,248	-	15,627,539	1,068,670	93,525,119	-	112,136,732
Disposals	-	-	(9,509,130)	-	-	-	-	(9,509,130)
February 28, 2017	113,328,045	7,975,708	6,831,813	385,434,565	13,870,431	101,182,585	1,992,904	630,616,051
<b>Depreciation:</b>								
February 28, 2015	22,854,695	2,142,710	9,259,427	57,927,033	7,595,566	-	670,744	100,450,175
Charge for the year	4,740,909	774,946	2,222,133	38,062,263	2,042,618	-	167,746	48,010,615
Impairment	-	-	-	18,200,000	-	-	-	18,200,000
February 29, 2016	27,595,604	2,917,656	11,481,560	114,189,296	9,638,184	-	838,490	166,660,790
Charge for the year	4,825,367	797,571	841,726	39,740,751	2,142,513	-	167,745	48,515,673
Eliminated on disposal	-	-	(6,493,206)	-	-	-	-	(6,493,206)
February 28, 2017	32,420,971	3,715,227	5,830,080	153,930,047	11,780,697	-	1,006,235	208,683,257
<b>Net book values:</b>								
February 28, 2017	80,907,074	4,260,481	1,001,733	231,504,518	2,089,734	101,182,585	986,669	421,932,794
February 29, 2016	84,043,285	4,831,804	4,859,383	255,617,730	3,163,577	7,657,466	1,154,414	361,327,659

Freehold land and buildings include land at cost of \$17,800,000 (2016: \$17,800,000).  
 Certain assets of the company are pledged as securities for bank overdraft and other loans (see note 8).

## CARIBBEAN CREAM LIMITED

### Notes to the Financial Statements (Continued)

Year ended February 28, 2017  
(Expressed in Jamaica dollar)

#### 4. Cash and cash equivalents

	2017	2016
Bank balances	61,855,101	89,321,717
Cash in hand	116,000	141,000
	<u>61,971,101</u>	<u>89,462,717</u>
Fixed deposits	114,211,036	63,060,369
	<u>176,182,137</u>	<u>152,523,086</u>

#### 5. Trade and other receivables

	2017	2016
Trade receivables	37,315,286	40,088,908
Less provision for impairment losses	( 597,951)	( 813,690)
	<u>36,717,335</u>	<u>39,275,218</u>
Prepayments and deposits	14,993,086	7,266,969
Other receivables	972,681	421,669
	<u>52,683,102</u>	<u>46,963,856</u>

Included in trade receivables is \$5,483,815 (2016: \$10,220,108) due from a related party in the ordinary course of business (see note 15).

The aging of trade receivables at the reporting date was:

	2017		2016	
	Gross	Impairment	Gross	Impairment
Not past due	-	-	6,629,945	-
Past due 30 days	35,843,446	-	25,996,916	-
Past due 60 days	609,655	-	6,813,944	165,587
Past due 90 days	411,066	146,832	94,473	94,473
Over 90 days	451,119	451,119	553,630	553,630
	<u>37,315,286</u>	<u>597,951</u>	<u>40,088,908</u>	<u>813,690</u>

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

Year ended February 28, 2017  
*(Expressed in Jamaica dollar)*

5. Trade and other receivables (cont'd)

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

	2017	2016
Balance at beginning of year	813,690	813,690
Amount written off, net of recoveries	(215,739)	-
	<u>597,951</u>	<u>813,690</u>

6. Inventories

	2017	2016
Raw materials	111,674,126	40,928,981
Finished goods	19,050,102	15,334,652
Goods in transit	30,497,092	17,079,398
	<u>161,221,320</u>	<u>73,343,031</u>

7. Trade and other payables

	2017	2016
Trade payables	79,680,254	39,637,364
Other payables	39,374,446	31,738,840
	<u>119,054,700</u>	<u>71,376,204</u>

Other payables include \$105,607 (2016: \$651,900) payable to a director for vacation leave and \$82,677 (2016: Nil) due to a related company (see note 15).

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

Year ended February 28, 2017  
*(Expressed in Jamaica dollar)*

8. Long-term loans

	2017	2016
The following loans are with the Bank of Nova Scotia Jamaica Limited:		
(i) Term loan– cold room construction	58,622,219	74,088,887
(ii) Term loan – equipment	1,870,000	7,454,404
(iii) Mortgage loans – Suthermere Road and South Road	41,338,264	43,912,983
	<u>101,830,483</u>	<u>125,456,274</u>
Less current portion	<u>( 20,185,504)</u>	<u>( 23,214,227)</u>
	<u>81,644,979</u>	<u>102,242,047</u>

- (i) This loan is repayable in monthly installments by October 2020 with fixed interest rate of 9.5% per annum.
- (ii) This loan is repayable in monthly installments by 2017 with interest rates ranging from 8.95 to 9.95% per annum.
- (iii) The mortgage loan is repayable in monthly installments by 2027 with interest rate at 15.75% per annum.

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

- (a) First legal mortgage stamped for \$35,000,000 over commercial properties located at 2A & 2D Suthermere Road, Kingston, Vols. 1293, 1288 and Folios 575, 348.
- (b) Stamped collateral to assignment of Sagicor Life Insurance Policies on the life of a director with face value \$36,500,000.
- (c) First legal mortgage stamped for \$50,000,000 over commercial property located at 3 South Road Kingston 10, St. Andrew Vol. 1101 and Folio 714.
- (d) Second legal mortgage stamped for \$4,800,000 over property located at Braemar Avenue Kingston 10, St. Andrew Vol. 1402 and Folio 485, registered in the name of a director.
- (e) Peril insurance over real estate at Suthermere Road and real estate and equipment at South Road.
- (f) Bills of sale over motor vehicles and equipment owned by the company.
- (g) Guarantees by a director.

9. Share capital

	2017	2016
Authorised:		
5,100,000,000 ordinary shares of no par value		
Issued and fully paid:		
378,568,115 ordinary shares of no par value	<u>111,411,290</u>	<u>111,411,290</u>

## CARIBBEAN CREAM LIMITED

### Notes to the Financial Statements (Continued)

Year ended February 28, 2017  
(Expressed in Jamaica dollar)

#### 10. Revaluation reserve

This represents unrealised surplus on revaluation of certain property, plant and equipment.

#### 11. Gross operating revenue

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

#### 12. Expenses by nature

	2017	2016
<b>Cost of operating revenue:</b>		
Depreciation	36,304,095	35,649,064
Other costs of operating revenue	64,970,271	57,700,974
Raw materials and consumables	488,863,604	461,447,699
Repairs and maintenance	38,519,819	21,539,330
Staff costs (note 17)	67,319,453	51,529,894
Utilities	59,183,124	56,874,622
	<u>755,160,366</u>	<u>684,741,583</u>
	2017	2016
<b>Administrative:</b>		
Audit fees	1,550,000	1,400,000
Cleaning and sanitation	23,288,568	24,250,807
Depreciation	12,211,578	12,361,551
Directors' emoluments		
- Fees	1,770,085	1,889,439
- Management remuneration	9,418,980	9,158,662
Impairment of property, plant and equipment	-	18,200,000
Other administrative expenses	22,034,035	20,590,102
Repairs and maintenance	9,476,068	8,758,183
Security	18,355,896	15,067,876
Staff costs (note 17)	118,120,506	102,984,545
Utilities	15,563,553	15,061,066
	<u>231,789,269</u>	<u>229,722,231</u>
	2017	2016
<b>Selling and distribution:</b>		
Advertising and promotion	16,963,127	16,340,892
Licenses and permits	342,980	454,206
Motor vehicle expenses	9,837,815	14,622,399
Subsistence allowance	396,320	561,594
Travelling and entertainment	279,010	1,284,324
Transportation and delivery	19,957,851	9,481,602
	<u>47,777,103</u>	<u>42,745,017</u>
Total administrative and selling and distribution expenses	<u>279,566,372</u>	<u>272,467,248</u>

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

Year ended February 28, 2017  
 (Expressed in Jamaica dollar)

13. Finance costs, net

	2017	2016
Bank and other charges	3,246,271	2,861,738
Interest expense	11,480,042	15,642,768
Net foreign exchange gain	<u>( 1,316,668)</u>	<u>( 741,959)</u>
	<u>13,409,645</u>	<u>17,762,547</u>

14. Taxation

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

Under provision in prior year	-	<u>56,587</u>
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- (b) Reconciliation of effective tax rate:

	2017	2016
Profit before taxation	<u>172,737,422</u>	<u>163,798,903</u>
Computed 'expected' tax at 25% (2016: 25%)	43,184,356	40,949,726
Difference between profit for financial statements and tax reporting purposes on:		
Expenses not deductible for tax purposes	4,617,391	5,550,681
Remission of income taxes [note (c)]	( 47,801,747)	( 46,500,407)
Under provision in prior year	-	56,587
Actual tax charge	<u>-</u>	<u>56,587</u>

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

- (i) The company's shares remain listed for at least 15 years and is not suspended from the JSE for any breaches of its rules.
- (ii) The subscribed participating voting share capital of the company does not exceed \$500 million.
- (iii) The company has at least 50 participating voting shareholders.

The remission will apply in the following proportions:

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

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

## CARIBBEAN CREAM LIMITED

### Notes to the Financial Statements (Continued)

Year ended February 28, 2017  
(Expressed in Jamaica dollar)

#### 15. Related party balances and transactions

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

	2017	2016
(i) Due to related party, Scoops Unlimited Limited (note 7)	82,677	-
(ii) Due to director (note 7)	105,607	651,900
(iii) Due from related party, Scoops Unlimited Limited (note 5)	5,483,815	10,220,108
(iv) Staff loan, net	157,681	( 23,198)
(v) Sale of ice cream	<u>77,123,475</u>	<u>70,414,964</u>

#### 16. Earnings per share

Earnings per share is computed by dividing the profit for the year by the number of shares of 378,568,115 (2016: 378,568,115) in issue for the year.

#### 17. Staff costs

	2017	2016
Employer's statutory contributions	14,551,396	11,246,400
Salaries, wages and other staff benefits	<u>170,888,563</u>	<u>143,268,039</u>
	<u>185,439,959</u>	<u>154,514,439</u>
Included in profit or loss as follows:		
Administration	118,120,506	102,984,545
Direct labour	<u>67,319,453</u>	<u>51,529,894</u>
	<u>185,439,959</u>	<u>154,514,439</u>

#### 18. Dividends

During the year, dividends of \$0.05 per share were declared and paid to the shareholders.

#### 19. Financial risk management

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

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

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

## CARIBBEAN CREAM LIMITED

### Notes to the Financial Statements (Continued)

Year ended February 28, 2017  
(Expressed in Jamaica dollar)

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

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

##### (a) Credit risk:

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

##### (i) Accounts receivable

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

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

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

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

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

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

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

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

Year ended February 28, 2017  
*(Expressed in Jamaica dollar)*

19. Financial risk management (cont'd)

(b) Liquidity risk:

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid resources to meet its financial liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. Liquidity risk may result from an inability to sell a financial asset at, or close to, its fair value.

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

	2017				
	Carrying amount	Contractual cash flows	Less than 1 year	2 to 5 years	over 5 years
Loans	101,830,483	119,730,104	29,511,507	90,218,597	-
Trade and other payables	119,054,700	119,054,700	119,054,700	-	-
	<u>220,885,183</u>	<u>238,784,804</u>	<u>148,566,207</u>	<u>90,218,597</u>	<u>-</u>
	2016				
	Carrying amount	Contractual cash flows	Less than 1 year	2 to 5 years	over 5 years
Loans	125,456,274	168,142,279	37,175,247	108,071,451	22,895,581
Trade and other payables	71,376,204	71,376,204	71,376,204	-	-
	<u>196,832,478</u>	<u>239,518,483</u>	<u>108,551,451</u>	<u>108,071,451</u>	<u>22,895,581</u>

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

(c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the company's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while optimising the return on risk.

(i) Currency risk:

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

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

Year ended February 28, 2017  
 (Expressed in Jamaica dollar)

19. Financial risk management (cont'd)

(c) Market risk (cont'd):

(i) Currency risk (cont'd):

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

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

Exposure to currency risk:

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

	2017			2016		
	J\$ Equivalent	US\$	CDN\$	J\$ Equivalent	US\$	CDN\$
Financial assets	83,132,617	486,366	216,536	73,593,637	515,443	119,798
Financial liabilities	(37,406,978)	(22,925)	(352,465)	(18,870,984)	(108,546)	(62,667)
Net assets/(liabilities)	<u>45,725,639</u>	<u>463,441</u>	<u>(135,929)</u>	<u>54,722,653</u>	<u>406,897</u>	<u>57,131</u>

Sensitivity analysis:

Exchange rates in terms of the Jamaica dollar as at the reporting date were US\$1: J\$127.82 (2016: US\$1: J\$121.51) and CDN\$1: J\$96.82 (2016: CDN\$1: J\$92.04).

A 6% (2016: 8%) weakening of the US\$ and CDN\$ against the J\$ would increase profit for the year by \$2,764,543 (2016: \$4,357,029).

A 1% (2016: 1%) strengthening of the US\$ and CDN\$ against the J\$ would decrease profit for the year by \$460,757 (2016: \$544,628). The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is done on the same basis as for 2016.

(ii) Interest rate risk:

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

## CARIBBEAN CREAM LIMITED

### Notes to the Financial Statements (Continued)

Year ended February 28, 2017  
(Expressed in Jamaica dollar)

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

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

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

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

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

	Carrying amount	
	2017	2016
Fixed rate:		
Financial assets	171,596,837	139,500,450
Financial liabilities	(101,830,483)	(125,456,274)
	<u>69,766,354</u>	<u>14,041,176</u>

Fair value sensitivity analysis for financial instruments:

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

Cash flow sensitivity analysis for variable rate instruments:

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

##### (d) Capital management:

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

The company is not subject to any externally-imposed capital requirements, except as shown in note 14(c).

##### (e) Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument. The company has no financial instrument that is carried at fair value and where fair value of financial instruments approximates carrying value, no fair value computation is done.

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

The fair value of long-term loans is assumed to approximate carrying value as the loans bear interest at market rates and all other terms are at no real market terms.

# Laying the Foundation for a Sweeter Future







# FORM OF PROXY

## CARIBBEAN CREAM LIMITED

3 South Road  
Kingston 10, Jamaica (West Indies)

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

in the Parish of \_\_\_\_\_ being Member/members of the above named company hereby appoint \_\_\_\_\_ of \_\_\_\_\_ or failing him/her \_\_\_\_\_ of \_\_\_\_\_ as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at the Knutsford Court Hotel, Grand Caribbean Suite, 16 Chelsea Avenue Kingston 5 on Wednesday, October 4, 2017 at 10 a.m. and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2017

Signature \_\_\_\_\_

### Notes:

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

REGISTRAR AND TRANSFER AGENTS  
Jamaica Central Securities Depository Limited  
40 Harbour Street, Kingston





## Advisors

### External Auditors

KPMG  
The Victoria Mutual Building  
6 Duke Street  
Kingston

### Attorneys-at-Law

Williams & Young  
47E Old Hope Rd  
Kingston 5

### Registrar & Secretarial Agents

Jamaica Central Securities Depository  
40 Harbour Street  
Kingston

### Bankers

Bank of Nova Scotia Jamaica Limited

### Company Secretary

Denise Douglas



Building the  
relational  
network  
structure



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

