KREMI ANNUAL REPORT 2019

Our Vision

THE **#1 ICE CREAM COMPANY** IN THE CARIBBEAN.

Mission Statement

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

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 to meet the growing demand.

We are excited to announce our new line of icicles sure to make the kids and kids-at-heart happy with their irresistible flavour options. Just ask our mascot, "Mee", he would be the first to guarantee memorable moments every time you open one of our frozen treats. Our consumers have been attracted to our bold new packaging and as always the same great, high quality Kremi taste!

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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 165g size at 12 per case.

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

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2019 Annual General Meeting of CARIBBEAN CREAM LIMITED will be held at The Knutsford Court Hotel, 16 Chelsea Avenue, Kingston 5, New Kingston on Tuesday, September 24, 2019 at 10 a.m. for the purpose of transacting the following business:

1. To receive the Audited Accounts for the year ended February 28, 2019 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, 2019, 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. Wayne Wray, Mark McKenzie and Dr. Matthew Clarke, who being eligible for re-election, offer themselves for re-election.

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

   Resolution No. 2
   "That the Directors, retiring by rotation, be re-elected by a Single Resolution."

   Resolution No. 3
   "That Messrs. Wayne Wray, Mark McKenzie and Dr. Matthew Clarke be and are hereby re-elected as Directors of the Company."

3. To ratify interim dividends

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

   Resolution No. 4
   "That the interim dividend of 4.8 cents ($0.048) paid on September 21, 2018 is hereby ratified and declared final for 2018."

4. To approve the Remuneration of the Directors.

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

   Resolution No. 5
   "That the amount shown in the Audited Accounts of the Company for the year ended February 28, 2019 as fees of the Directors for their services as Directors,

be and are hereby approved."

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

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 8, 2019
By Order of the Board

Denise Douglas
Company Secretary
Registered Office
3 South Road
Kingston 10

NOTE:

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

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

Company Profile

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

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

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

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

Today, Kremi distributes most of its products, including its newly launched local brand of novelties, through wholesale and retail outlets, as well as by mobile vendors, known locally as 'fudgies'.

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

“a remarkable year”

Chairman's Message

The year under review marks another remarkable milestone in the 14-year life of Caribbean Cream Limited and its Kremi brand.

Our 2018 investment in new equipment resulted in the production of icicles in March 2019, under our own Kremi brand in local, popular flavours. These include Kola Champagne, Grape, Water Melon, Sour Cherry and Green Apple, all favourites among Jamaicans. We also introduced the fun mascot, "Mee", to give life to the marketing of the icicle product lines, primarily to the youth segment.

This is the first time in decades that a Jamaican novelties manufacturer has produced iced treats and we are proud to have been able to respond to the needs of our customers.

Caribbean Cream Limited invested over US$500,000 in this new line, which has the capacity to supply the current Jamaican market, as well as export markets with additional novelty products.

These new products will be distributed through all our depots, as well as through our major distributors. In addition, Caribbean Cream is embarking on the build-out of a variety of frozen treats over the coming year.

We are also pleased that for the first time since the establishment of our company, we were able to identify a special education project aimed at developing young minds for the future. In August, 2018 we signed a Memorandum of Understanding with the Early Childhood Commission to contribute a total of $3 million towards the improvement and subsequent certification of 27 early childhood institutions. By upgrading these facilities, our children can better learn in a cleaner, more comfortable environment, in preparation to contribute to the building of our nation. Of course, this is in addition to our continuous support of numerous community events and school projects, including ice cream days.

During this financial year, revenue grew to J$1.5 billion, an increase of 13 per cent, while net profit before tax stood at J$103 million, up by 14 per cent. Property, plant and equipment moved from J$514,628,000 to J$705,454,000, while our bulk products grew by 50 per cent.

In this remarkable year, we commenced paying 50% of the applicable income tax rate in keeping with the eligible tax moratorium for Junior Market companies. Up to this point, we had reinvested our profits in retooling and upgrading strategies and with the installation of new machinery, we hired and trained staff in the areas of maintenance and machine operation.

We continue to maintain a leading share of the local market, but Caribbean Cream Limited sees opportunities for further growth, to which we intend to respond in a strategic way to the benefit of our shareholders.

In closing, let me express on behalf of the Board and Management of this organisation our sincere appreciation for the continued support of the Jamaican public, as well as our team members who have worked tirelessly to make our company the success it is today.

Carol Clarke-Webster

Carol Clarke-Webster
Chairman

Directors' Report

The Directors are pleased to present their report for the financial year ended February 28, 2019. The following are highlights of the Audited Financial statements:

	Year ended Feb 2019 $'000	Year ended Feb 2018 $'000
Revenue	1,552,905	1,373,279
Gross profit	519,539	420,325
Profit before taxation	102,646	89,759
Profit, being total comprehensive income for the year	88,675	89,759
Net Current Assets	141,486	185,967
Accumulated profits	596,421	526,080
Earnings per stock unit	$0.23	$0.24

The Directors as at February 28, 2019 were as follows:
Christopher Clarke
Wayne Wray
Carol Clarke-Webster
Mark McKenzie
Matthew Clarke
Michael Vaccianna

In accordance with Regulation 105 of the Company's Articles of Incorporation, Directors Wayne Wray, Mark McKenzie and Matthew Clarke will retire by rotation and, being eligible, offer themselves for re-election.

Dividend

A dividend of 4.8 cents ($0.048) per share was paid on September 21, 2018 to shareholders registered at the close of business on September 7, 2018.

Auditors

The company auditors, KPMG Chartered Accountants, have indicated a willingness to continue in office pursuant to 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

Carol Clarke-Webster
Chairman

Company Data & Advisors

Registered Office
3 South Road, Kingston 10

Registrar & Secretarial Agents
Jamaica Central Securities Depository
40 Harbour Street, Kingston

Company Secretary
Denise Douglas

External Auditors
KPMG
Chartered Accountants
6 Duke Street, Kingston

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

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

Bankers
Bank of Nova Scotia Jamaica Limited


Kremi
mD&a

Seven-Year Financial Review

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
STATEMENT OF PROFIT OR LOSS							
Revenue	675,708	855,568	1,012,861	1,134,933	1,213,549	1,373,279	1,552,905
Gross Profit	130,083	205,930	279,248	453,640	461,837	420,325	519,539
GP Margin	19.3%	24%	28%	40%	38%	31%	33%
Net (Loss)/Profit before tax	(3,257)	38,525	60,214	167,190	176,185	89,759	102,646
(Loss)/Profit, being total comprehensive income for the year	(3,257)	38,525	60,214	167,190	176,185	89,759	88,675
STATEMENT OF FINANCIAL POSITION							
Property, plant and equipment	224,219	324,443	353,274	337,191	401,245	514,628	705,454
Cash & cash equivalents	12,342	6,441	1,757	152,523	176,182	174,735	129,995
Net Current (Liabilities)/Assets	(24,430)	(25,510)	18,555	178,240	250,846	185,967	141,486
Total Borrowings	85,591	134,972	150,237	125,456	101,830	81,645	162,761
Number of shares	302,854	378,568	378,568	378,568	378,568	378,568	378,568
Stockholder's equity	115,885	185,784	245,999	413,189	570,446	637,491	707,832
Dividend payment	-	-	-	-	18,928	22,714	18,171
	2012-13	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**
Earnings per stock unit	($0.01)	$0.10	$0.16	$0.44	$0.47	$0.24	$0.23
Share price	-	0.83	0.76	4.25	7.48	6.62	5.28

Company Overview

CCL, which is incorporated and domiciled in Jamaica since 2006, is listed on the Junior Market of the Jamaica Stock Exchange. At February 28, 2019, Scoops Unlimited Limited, 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.

Management's Responsibility

The Management of CCL is responsible for the accuracy and reliability of the information contained in the Management Discussion and Analysis (MD&A). The financial information presented, is consistent with the requirements of the Audited Financial Statements which is also included in the Annual Report.

The objective of the MD&A is to provide stakeholders with more in-depth information regarding the operations of the Company for the year ended February 28, 2019. The amounts presented in Jamaican dollars have been derived mainly from our Audited Financial Statements, which are prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act of Jamaica.

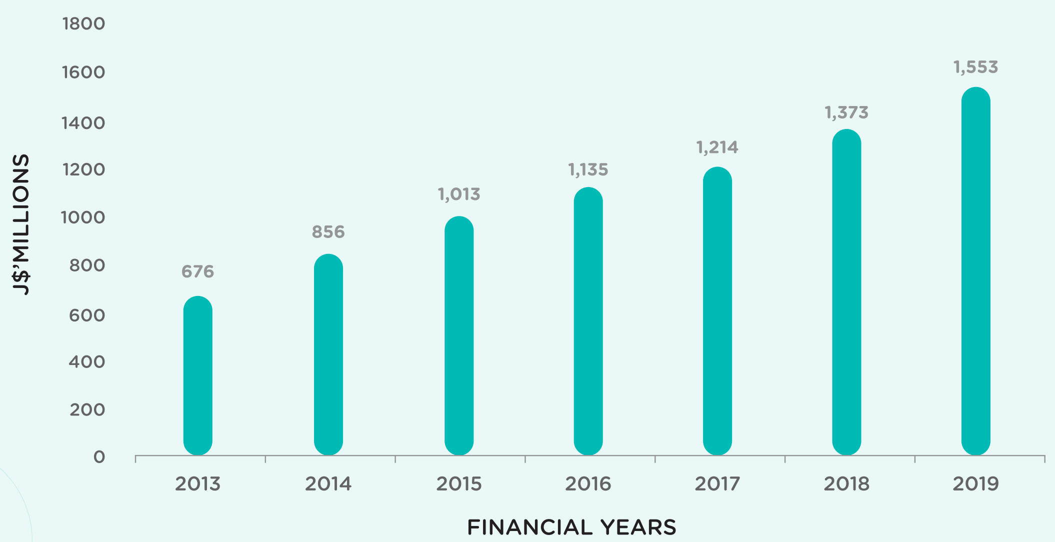
Financial Performance Overview

The country's economic environment was relatively stable in the year under review. There was growth in some sectors of the economy and inflation remained in the single digit category. The foreign exchange market fluctuated within the period, which negatively impacted Kremi, as most of the major raw materials are sourced overseas.

Sales Revenue

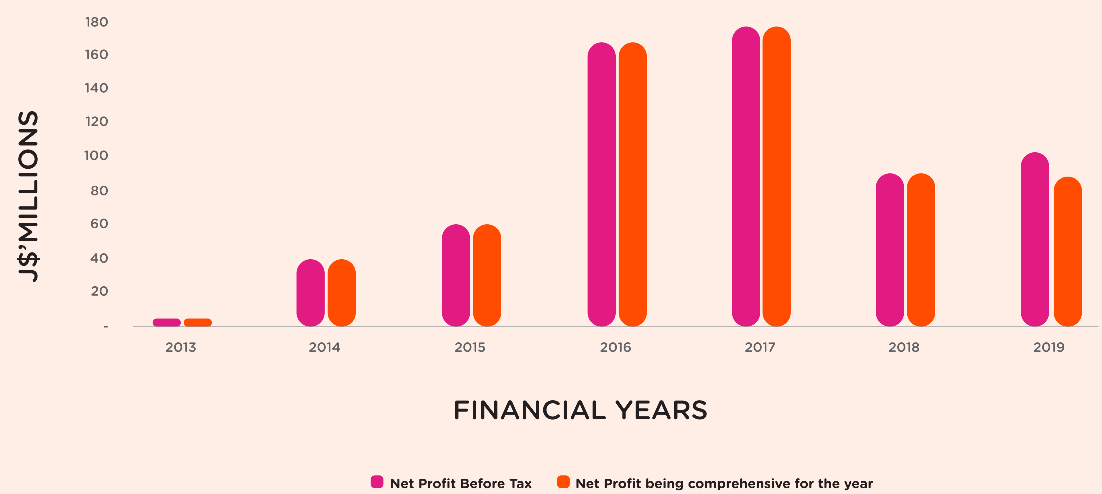
The company's Sales Revenue was $1,553 million compared to $1,373 million in the previous year, representing an increase of $180 million or 13%. The company continued its sales and marketing thrusts enabling further expansion of our market penetration and 'top of the mind' awareness. The Sales objective for the year was to "get closer" to the end consumer, and this was achieved by increasing the number of locations and size of our company owned Depots and deepening our relationships with leading wholesalers in targeted areas.

Sales Revenue



Net Profit and Taxation

The Company, being listed on the Junior Market Stock Exchange, was allowed an initial 100% remission of income tax for the period May 17, 2013 – May 16, 2018. Coming into effect for this financial year, the Company has a 50% remission of income tax therefore giving rise to an income tax expense of $13.9 million. Net Profit before tax was $102.6 million and Profit, being total comprehensive income for the year was $88.6 million. Earnings per share for the company was $0.23.



	2013	2014	2015	2016	2017	2018	2019
				J$' Millions			
Net (Loss)/Profit before tax	(3)	39	60	167	176	90	103
(Loss)/Profit, being total comprehensive Income for the year	(3)	39	60	167	176	90	89

Cost of Operating Revenue

The company's strategic objective is improving on its operational efficiency. Over the years the company has been making strides in ensuring that this objective is achieved. Cost of Operating Revenue was $1,033 million compared to $953 million in the previous year an increase of $80 million or 8% arising from increased prices on local raw materials and the fluctuation of the dollar on the foreign exchange market. The company continues in its pursuit of HAACP certification, therefore, there were one-off maintenance costs incurred as a result of this activity. There was also an initial 'spike' in the utilities due to the company investing in its own Novelty Line and Ammonia Compressor plant. The company continues to upgrade its equipment with the main purpose of reducing cost of operating revenue.

Cost of operating revenue

	2013	2014	2015	2016	2017	2018	2019
				J$' Millions			
Cost of Operating Revenue	546	650	734	681	752	953	1,033
%age increase		19%	13%	-7%	10%	27%	8%

Operating Expenses

Operating expenses for the year was $404 million in comparison to the previous year of $322 million, an increase of $82 million or 25%.

(1) Staff costs of $152 million increased by $20 million or 15% above last year due to normal salary increases and the company investing in a retirement scheme for the long-term benefit of its employees.

(2) The Company continues to strengthen its focus on New Product Research and Development whilst also preparing itself to become HACCP compliant.

(3) Rental of property to facilitate the expansion of refrigeration facilities and additional storage and the upgrade of the depots.

(4) In line with the Company's commitment to its Corporate Social Responsibilites, an agreement was signed with the Early Childhood Commission for the support of child development in Jamaica.

Statement of Financial Position

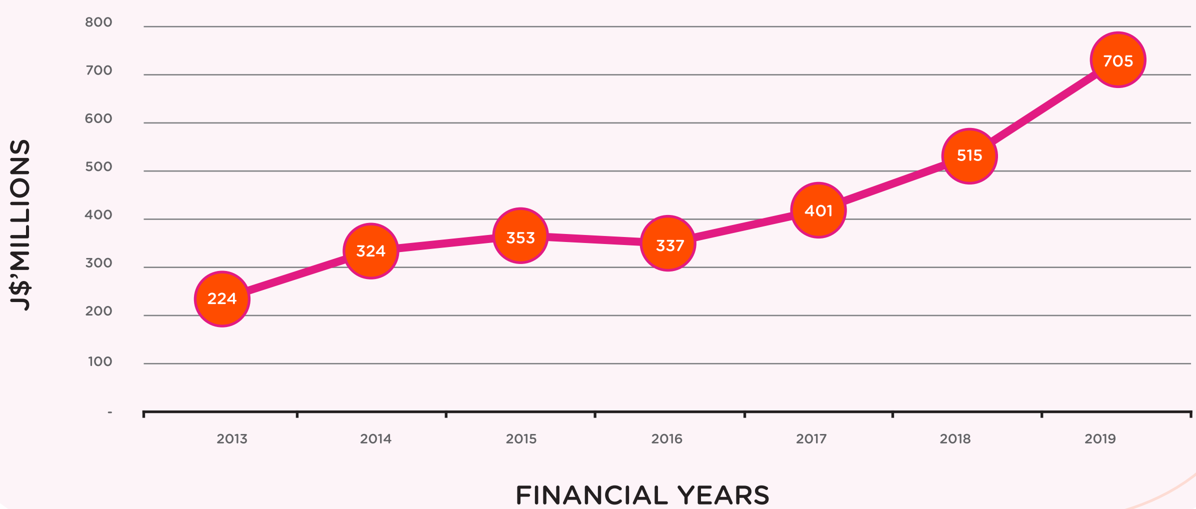
The statement of financial position reflects the growth plan for the company.

Total assets less current liabilities totaled $847 million, an increase of $146 million or 21% above last year. Property, Plant & Equipment (PP&E) increased to $705 million where the company invested and commissioned during the year, the Novelty Line and the Ammonia Compressor Plant. Cash at the year-end was reduced to a balance of $130 million which aided with the increase in PP&E. Inventory increased by $48 million or 51% as we prepared for the upcoming Easter season. Current liabilities were $195 million, an increase of $48 million or 33%. The increase is due to:

1) Taxation payable of $7 million where the company is now required to remit 50% of current income tax.
2) Trade and other payables of $158 million, increasing by $29 million or 22% which arise from year-end purchases.
3) Increase in the current portion of long-term loans of $12 million where the company had taken out a loan to facilitate the purchase of the Novelty Line and the Ammonia Compressor plant.

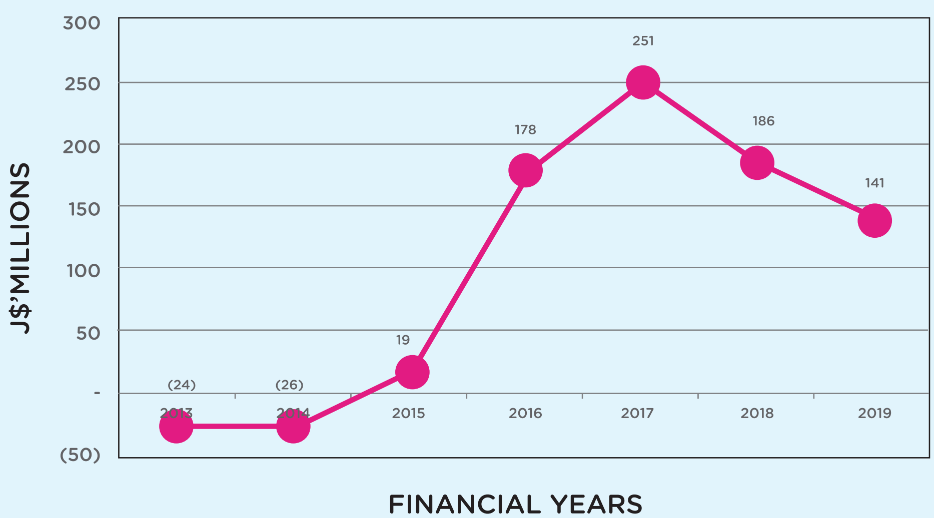
Total non-current liabilities and equity increased by $146 million mainly due to, (1) increase in long-term loans of $100 million, (2) the deferred tax liability of $6.9 million which is an **income tax obligation** arising from a temporary difference between book expenses and tax deductions and (3) the balance being a reinvestment of profits in the business.

Property, plant & equipment



The company continues its investment in the Property, Plant and Equipment with the goal of reducing cost of operating revenue.

Net current assets



Cash & cash equivalents

	2013	2014	2015	2016	2017	2018	2019
J$' Millions							
	12,342	6,441	1,757	152,523	176,182	174,735	129,995

Reduction in the net current assets and cash due to continued investment in property, plant and equipment.

Risk Management and Internal Controls

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

Because the nature of the business is to manufacture and distribute its products, the company is subjected to various financial risks such as credit, liquidity, foreign exchange and interest rates. A summary of these risks are highlighted, although a detailed report is given in the Audited Financial Statements.

Credit Risk

Credit risk is the risk of financial loss to the company if a customer or counter-party to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers and cash and cash equivalents. The company generally does not require collateral in respect of financial assets, materially trade receivables. Management has a credit policy in place to minimise exposure to credit risk. Credit evaluations are performed on all customers requiring credit.

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.

Currency Risk

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

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

Interest Rate Risk

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

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

Other Risk – Quality, Environment and Safety

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

Critical Accounting Policies and Use of Estimates

During the year, there were changes in the Company's accounting policies as it relates to the adoption of. IFRS 9 - Financial Instruments, which came into effect March 1, 2018.

This standard contains three main topics:

- Classification and measurement of financial instruments
- Impairment of financial assets and
- Hedge accounting.

As a result, this led to a difference with the previous standard IAS 39, that we operated by. The main difference between the two accounting standards is that the new standard (IFRS 9) requires a recognition of credit loss allowances on initial recognition of financial assets, whereas previously under IAS 39, impairment is recognized at a later stage, when a credit loss event has occurred. Due to the nature of Caribbean Cream Ltd. operations, the standard would have affected Trade Receivables, considering how impairment is accounted. With the adoption of the standard the impairment has increased by a total of $171,047.

Corporate and Social Responsibility

KREMI DONATES $3 M TO UPGRADE 27 EARLY CHILDHOOD INSTITUTIONS ACROSS THE ISLAND

During the current financial year, Caribbean Cream Limited, through its Kremi brand, contributed $3 million to the improvement of 27 early childhood institutions across the island, under a Memorandum of Understanding (MOU) between the company and the Early Childhood Commission. The MOU became effective August 31, 2018.

During the six months leading up to February, 2019, half of the total amount contributed had been spent on improving the infrastructure of 11 of the 27 selected Early Childhood Institutions and Brain Builders Centres, to bring them to the standard where they could receive Certifications of Registration by the Commission. There are 166 certified early childhood institutions throughout Jamaica.

Among the items that have been donated for the improvement of the institutions are: painting, construction, plumbing and electrical materials; perimeter fencing; books; developmental toys; first aid kits and sleeping mats.

The institutions which have benefitted from the Kremi project so far are: New Town Phase 1, Clarendon; Kiddies Corner Basic School, Manchester; Montpelier Basic School, Manchester; Waltham Early Childhood Institution, Manchester; Ketto Early Childhood Institution, Westmoreland; Wire Fence Basic School, Trelawny; Wallen's Basic School, St. Catherine; Bourne's Little Angel Nursery and Pre-school, St. Catherine; J&D Learning Centre, Clarendon; New Vision Day Care & Pre-school, Trelawny and Williams Richard Memorial Early Childhood Institution, Westmoreland.

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

Future Outlook

The year saw the company laying the foundation for future growth and expansion. With the investment in the Novelty Line, CCL has positioned itself to be 'Lickin' the market' with its brand of Kremi novelties. The major objective of reaching its end consumer will see the company advancing with various activities to realise this goal.

We continue the strategic path we have started with the intention to fulfill our objectives of:

- Increasing overall sales volume.
- Achieving operational efficiencies through capital investment.
- Developing new products.
- Meeting HACCP compliance standards.
- Training and developing our team.

We maintain our determination and commitment to achieving the goals that will help us to be the #1 ice cream company in the Caribbean, by the grace of God.

We are extremely thankful to all our stakeholders who have been supportive and committed to the continued development and growth of Kremi Ice Cream and Novelties.

Corporate Governance

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

Board of Directors Composition

As of February 28, 2019, the Board of Directors is comprised of 5 non-executive directors and 1 executive director, who are qualified, objective, committed, possess diverse skill sets and the background to effectively serve on the various Board Committees. The names of the directors and their qualifications are set out in the Directors' Profile section of this report. The definitions of these directors are:

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

The Board and its Committees -

Board of Directors

Carol Clarke-Webster – Chairman
Mark McKenzie
Christopher Clarke
Michael Vaccianna
Matthew Clarke
Wayne Wray

Audit Committee

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

The Audit Committee consists of 4 directors:

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

Compensation Committee

The Compensation Committee is a sub-committee of the company's board of directors. It is mainly responsible for setting the compensation levels of senior management. It also assists in providing oversight for all matters relating to compensation for all other staff and will make recommendations as are necessary to ensure that compensation is fair and equitable at all levels of the organization. In addition, the Committee shall ensure that compensation levels are competitive within the industry and environment, in order to allow the company to attract and retain qualified, experienced and proficient persons.

The Compensation Committee consists of 3 directors:

Mark McKenzie – Non-Executive Chairman
Carol Clarke-Webster – Non-Executive Director
Wayne Wray – Non-Executive Director

The Members of the Committee and their attendance at the respective meetings for the 2019 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	4	4	3
Christopher Clarke	1	4	4	2
Matthew Clarke	1	4	1	-
Carol Clarke-Webster	1	4	-	3
Mark McKenzie	1	4	4	3
Michael Vaccianna	1	2	3	-
Wayne Wray	1	4	4	3

Board of Directors

Mrs. Carol Clarke-Webster
Chairman

Mr. Christopher Clarke
Managing Director & Chief Executive Officer

Dr. Matthew Clarke
Director

Mr. Mark McKenzie
Non-Executive
Director

Mr. Michael Vaccianna
Non-Executive
Director

Mr. Wayne Wray
Non-Executive
Director & Mentor

Senior Management

Karen M. Williams
Financial Controller

Dean Clarke
Chief Sales and Distribution Officer

Fay Williams
Human Resource Manager

Christopher Clarke
Managing Director &
Chief Executive Officer

David Radlein
Chief Marketing Officer

Stephen Lloyd
Chief Operations Officer

Our efficient stick line for the production of novelties.

Upgraded Equipment for Enhanced Safety & Efficiency

The new automatic filler used in the filling of quarts and pints of Kremi Ice Cream.

List of Top Ten (10) Largest Shareholers as At February 28, 2019

Shareholder		Units
1.	Scoops Un-Limited Limited	122,535,449
2.	Matthew G. Clarke	60,055,425
3.	Carol Webster/Christopher Clarke	58,521,764
4.	Christopher A. Clarke	35,133,399
5.	Resource In Motion Limited	32,479,583
6.	Mayberry Jamaican Equities Limited	8,542,054
7.	Everton J. Smith	8,350,000
8.	JI Limited	5,000,000
9.	Mayberry Inv. Ltd. Retirement Scheme	2,331,436
10.	Mayberry Investments Ltd. Pension Scheme	2,114,077

Shareholdings of Directors, Officers and Connected Parties as At February 28, 2019

Director	Shareholdings	Connected Parties	Shareholdings
Carol Webster	58,521,764	Christopher Clarke Scoops Un-Limited Limited	 122,535,449
Matthew G. Clarke	60,055,425	Scoops Un-Limited Limited	122,535,449
Christopher A. Clarke Christopher A. Clarke	30,133,399 5,000,000	 Kamoy S. Clarke (joint holder) Scoops Un-Limited Limited	 122,535,449
Mark McKenzie	1,287,558	---	
Wayne Wray	200,000 1,043,249 6,835	 Christine Randle Craig A. Singh	
Michael Vaccianna	0		
Denise Douglas	2,895	Ryan McCalla	

Shareholdings of Senior Managers and Connected Parties as At February 28, 2019

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

AUDITED FINANCIAL STATEMENTS

KPMG
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INDEPENDENT AUDITORS' REPORT

To the Members of
CARIBBEAN CREAM LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Caribbean Cream Limited ("the company"), set out on pages 39 to 74, which comprise the statement of financial position as at February 28, 2019, 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, 2019, 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
CARIBBEAN CREAM LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matter

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

Carrying amount of trade receivables

Key Audit Matter	*How the matter was addressed in our audit*
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: • Testing the company's recording and ageing of trade receivables. • Using the appropriate KPMG specialist, we reviewed the expected credit loss (ECL) model calculations and agreed the data inputs. • Comparing the definition of default for the ECL measurement, as outlined in the accounting policy, against the definition that management uses for credit risk arrangements. • Evaluating the appropriateness of economic parameters including the use of forward looking information.

KPMG

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
CARIBBEAN CREAM LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matter (continued)

Carrying amount of trade receivables (continued)

Key Audit Matter	*How the matter was addressed in our audit*
	Our audit procedures in response to this matter, included (continued): • Testing the accuracy of the ECL calculation. • Evaluating the adequacy of the allowance for impairment recognized in respect of the company's trade receivables by assessing management's assumptions used including determining compliance with the new requirements of IFRS 9, *Financial Instruments.* • Considering the adequacy of the disclosers about the degree of estimation involved in arriving at the allowance for impairment.

Other information

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
CARIBBEAN CREAM LIMITED

Report on the Audit of the Financial Statements (continued)

Other information (continued)

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

KPMG

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
CARIBBEAN CREAM LIMITED

Report on the Audit of the Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditors' report. This description, which is located at pages 37 to 38, forms part of our auditors' report.

Report on additional matters as required by the Jamaican Companies Act

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

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

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

KPMG

Chartered Accountants
Kingston, Jamaica

April 29, 2019

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.

KPMG

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, 2019
(Expressed in Jamaica dollar unless otherwise stated)

	Notes	2019	2018
NON-CURRENT ASSET			
Property, plant and equipment	5	705,454,071	514,627,524
CURRENT ASSETS			
Cash and cash equivalents	6	129,994,894	174,734,550
Trade and other receivables	7	66,572,017	65,956,407
Inventories	8	140,444,004	92,709,122
Total current assets		337,010,915	333,400,079
CURRENT LIABILITIES			
Trade and other payables	9	157,900,769	128,891,940
Taxation payable		7,065,430	-
Current portion of long-term loans	10	30,558,631	18,541,270
Total current liabilities		195,524,830	147,433,210
Net current assets		141,486,085	185,966,869
Total assets less current liabilities		846,940,156	700,594,393
NON-CURRENT LIABILITIES			
Long-term loans	10	132,202,485	63,103,262
Deferred tax liability	11	6,905,339	-
Total non-current liabilities		139,107,824	63,103,262
EQUITY			
Share capital	12	111,411,290	111,411,290
Accumulated profits		596,421,042	526,079,841
Total equity		707,832,332	637,491,131
Total non-current liabilities and equity		846,940,156	700,594,393

The financial statements on pages 39 to 74 were approved for issue by the Board of Directors on April 29, 2019 and signed on its behalf by:

Carol Clarke Webster

Carol Clarke Webster Director

C. Clarke

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, 2019

(Expressed in Jamaica dollar unless otherwise stated)

	Notes	2019	2018
Gross operating revenue	13	1,552,904,985	1,373,279,233
Cost of operating revenue	14(a)	(1,033,365,779)	(952,953,996)
Gross profit		519,539,206	420,325,237
Other income		2,342,500	2,247,921
		521,881,706	422,573,158
Administrative, selling and distribution expenses:			
Administrative	14(b)	(345,947,271)	(275,031,285)
Selling and distribution	14(c)	(57,920,480)	(46,643,441)
		(403,867,751)	(321,674,726)
Operating profit before finance costs and taxation		118,013,955	100,898,432
Finance income - interest		2,519,981	4,123,161
Finance costs, net	15	(17,887,927)	(15,262,405)
Profit before taxation		102,646,009	89,759,188
Taxation	16	(13,970,769)	-
Profit, being total comprehensive income for the year		88,675,240	89,759,188
Earnings per stock unit	17	0.23	0.24

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

CARIBBEAN CREAM LIMITED

Statement of Changes in Equity
Year ended February 28, 2019

(Expressed in Jamaica dollar unless otherwise stated)

	Share capital	Accumulated profits	Total
	(Note 12)		
Balances as at February 28, 2017	111,411,290	459,034,740	570,446,030
Total comprehensive income:			
Profit, being total comprehensive income for the year	-	89,759,188	89,759,188
Transactions with owners:			
Dividend distribution (note 20)	-	(22,714,087)	(22,714,087)
Balances as at February 28, 2018	111,411,290	526,079,841	637,491,131
Adjustment on initial application of IFRS 9 (note 3)	-	(162,769)	(162,769)
Adjusted balance at March 1, 2018	111,411,290	525,917,072	637,328,362
Total comprehensive income:			
Profit, being total comprehensive income for the year	-	88,675,240	88,675,240
Transactions with owners:			
Dividends (note 20)	-	(18,171,270)	(18,171,270)
Balances as at February 28, 2019	111,411,290	596,421,042	707,832,332

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

CARIBBEAN CREAM LIMITED

Statement of Cash Flows
Year ended February 28, 2019
(Expressed in Jamaica dollar unless otherwise stated)

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		88,675,240	89,759,188
Adjustments for:			
Depreciation	5	52,998,264	53,940,302
Interest expense	15	11,952,960	10,390,648
Interest income		(2,519,981)	(4,123,161)
Taxation	16	13,970,769	-
Operating profit before changes in working capital		165,077,252	149,966,977
Trade and other receivables		(720,665)	(13,155,139)
Inventories		(47,734,882)	68,512,198
Trade and other payables		29,008,829	9,837,240
Interest paid		(11,952,960)	(10,390,648)
Interest received		2,462,267	4,004,995
Net cash provided by operating activities		136,139,841	208,775,623
CASH FLOWS USED BY INVESTING ACTIVITY			
Additions to property, plant and equipment, being net cash used by investing activity	5	(243,824,811)	(167,323,172)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank loans		100,000,000	-
Repayment of bank loans		(18,883,416)	(20,185,951)
Dividends	20	(18,171,270)	(22,714,087)
Net cash provided/(used) by financing activities		62,945,314	(42,900,038)
Net decrease in cash and cash equivalents		(44,739,656)	(1,447,587)
Cash and cash equivalents at beginning of the year		174,734,550	176,182,137
Cash and cash equivalents at end of the year		129,994,894	174,734,550

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

1. Identification

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

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

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

2. Basis of preparation

(a) Statement of compliance:

The financial statements as at and for the year ended February 28, 2019 (the reporting date) are prepared in accordance with International Financial Reporting Standards (IFRS) and comply with the provisions of the Jamaican Companies Act.

New and amended standards that became effective during the year

Certain new and amended standards that were in issue came into effect during the current financial year. This is the first set of the company's annual financial statements in which IFRS 9, *Financial Instruments*, and IFRS 15, *Revenue from Contracts with Customers*, have been applied from March 1, 2018. Changes to significant accounting policies are described in note 3.

New and amended standards and interpretations issued that are not yet effective

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

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

2. Basis of preparation (cont'd)

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

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

   - IFRS 16, *Leases* (cont'd)

     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.

     The company plans to apply IFRS 16 initially on March 1, 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balances of retained earnings as of March 1, 2019 with no restatement of comparative information.

   - Amendments to IFRS 9, *Financial Instruments*, effective retrospectively for annual periods beginning on or after January 1, 2019 clarifies the treatment of:

     (i) Prepayment features with negative compensation:

     Financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.

     (ii) Modifications to financial liabilities:

     If the initial application of IFRS 9 results in a change in accounting policy arising from modified or exchanged fixed rate financial liabilities, retrospective application is required, subject to particular transitional reliefs. There is no change to the accounting for costs and fees when a liability has been modified, but not substantially. These are recognised as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

   - IFRIC 23, *Uncertainty Over Income Tax Treatments*, is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

     An entity has to consider whether it is probable that the relevant tax authority would accept the tax treatment that is adopted in its income tax filing.

2. Basis of preparation (cont'd)

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

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

- IFRIC 23, *Uncertainty Over Income Tax Treatments* (cont'd)

  If the entity concludes that it is probable that the tax authority will accept a particular tax treatment in the tax return, the entity will determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings and record the same amount in the financial statements. The entity will disclose uncertainty.

  If the entity concludes that it is not probable that a particular tax treatment will be accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better prediction of the resolution of the uncertainty.

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

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

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

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

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

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

2. Basis of preparation (cont'd)

(b) Basis of measurement and functional currency:

The financial statements are prepared on the historical cost basis and are presented in Jamaica dollars, which is the functional currency of the company.

(c) Use of estimates and judgements:

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

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

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

(i) Judgements:

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

– Applicable to 2019 only:

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

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

2. Basis of preparation (cont'd)

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

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

– Applicable to 2019 only:

Allowance for impairment losses:

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

(iii) Net realisable value of inventories:

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

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

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

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

3. Changes in accounting policies

The company has initially adopted IFRS 9 *Financial Instruments* and IFRS 15, *Revenue from Contracts with Customers* from March 1, 2018.

A number of other new standards were also effective from March 1, 2018 but they do not have a material effect on the company's financial statements.

3. Changes in accounting policies (cont'd)

Due to the transition method chosen by the company in applying IFRS 9 and IFRS 15, comparative information throughout these financial statements has not generally been restated to reflect the requirements of these new standards.

The effect of initially applying these standards is mainly attributed to the following:

- additional disclosures related to IFRS 9 [see notes 4(m), (n) and 21(a)(i)];
- additional disclosures related to IFRS 15 [see note 4(i)].

Except for the changes below, the company has consistently applied the accounting policies as set out in note 4 to all periods presented in these financial statements.

IFRS 15, *Revenue from Contract with Customers*

Under IFRS 15, an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, following a five step model: Step 1: Identify the contract(s) with a customer (agreement that creates enforceable rights and obligations); Step 2: Identify the different performance obligations (promises) in the contract and account for those separately; Step 3: Determine the transaction price (amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services); Step 4: Allocate the transaction price to each performance obligation based on the relative stand-alone selling prices of each distinct good or service; and Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation by transferring control of a promised good or service to the customer. A performance obligation may be satisfied at a point in time or over time.

IFRS 15 also includes disclosure requirements to provide comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. IFRS 15 was effective on March 1, 2018, and supersedes all existing guidance on revenue recognition.

The adoption of IFRS 15 did not impact the timing or amount of sales from contracts with customers and the related assets and liabilities recognised by the company. Accordingly, the impact on the comparative information is limited to new disclosure requirements.

IFRS 9, *Financial Instruments*

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The requirements of IFRS 9 represent a significant change from IAS 39. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

As a result of the adoption of IFRS 9, the company has adopted consequential amendments to IAS 1 *Presentation of Financial Statements*, which require impairment of financial assets to be presented separate in the statement of profit or loss and OCI.

3. Changes in accounting policies (cont'd)

IFRS 9, *Financial Instruments (cont'd)*

Additionally, the company has adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that are applied to disclosures about 2019, but have not been applied to the comparative information.

Transition

The key changes to the company accounting policies and the full impact resulting from its adoption of IFRS 9 are summarised below.

The impact, net of tax, of transition to IFRS 9 on the opening accumulated profit is as follows:

Accumulated profit	
Closing balance under IAS 39 (February 28, 2018)	526,079,841
Recognition of expected credit losses under IFRS 9:	
Trade receivables	(162,769)
Opening balance under IFRS 9 (March 1, 2018)	525,917,072

Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

For an explanation of how the company classifies and measures financial instruments under IFRS 9, see note 4(n).

The following table and the accompanying note below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the company's financial assets as at March 1, 2018.

CARIBBEAN CREAM LIMITED

Notes to the Financial Statements (Continued)
February 28, 2019
(Expressed in Jamaica dollar unless otherwise stated)

3. Changes in accounting policies (cont'd)

Classification and measurement of financial assets and financial liabilities (cont'd)

	Note	Original classification under IAS 39	New classification under IFRS 9	IAS 39 carrying amount at February 28, 2018	Remeasurement	IFRS 9 carrying amount at March 1, 2018
Financial assets						
Cash and cash equivalents		Loans and receivables	Amortised cost	174,734,550	-	174,734,550
Trade and other receivables	(a)	Loans and receivables	Amortised cost	65,956,407	(162,769)	65,793,638
				240,690,957	(162,769)	240,528,188

(a) Trade and other receivabless that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An increase of $162,769 in the allowance for impairment over these receivables was recognised in opening retained earnings at March 1, 2018 on transition to IFRS 9.

Impairment of financial assets

IFRS 9 replace the "incurred loss" model in IAS 39 with an "expected credit loss" (ECL) model. The new impairment model applies to financial assets measured at amortised cost. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The company has determined that application of IFRS 9's impairment requirements at March 1, 2018 results in an additional allowance for impairment as follows:

Loss allowance at February 28, 2018 under IAS 39	597,591
Additional impairment recognised at March 1, 2018:	
Trade and other receivables as at February 28, 2018	162,769
Loss allowance at March 1 2018 under IFRS 9	760,360

Additional information about how the company measures allowance for impairment is described in [note 21(a) (i)].

3. Changes in accounting policies (cont'd)

IFRS 9, *Financial Instruments* (cont'd)

Transition
Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except that comparative periods generally have not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings as at March 1, 2018. Accordingly, the information presented for 2018, does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2019 under IFRS 9.

4. Significant accounting policies

(a) Segment reporting:

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

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

(b) Property, plant and equipment:

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

(ii) Depreciation:

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

Buildings	5%
Leasehold improvements	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.

4. Significant accounting policies (cont'd)

(c) Cash and cash equivalents:

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

(d) Trade and other receivables:

Trade and other receivables are measured at amortised cost less impairment losses [see note 4(m)].

(e) Inventories:

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

(f) Trade and other payables:

Trade and other payables are measured at amortized cost.

(g) Borrowings:

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

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

(h) Share capital:

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

4. Significant accounting policies (cont'd)

(i) Revenue recognition:

The effect of initially applying IFRS 15 on the company's revenue from contracts is described in note 3.

Performance obligations and revenue recognition policies:

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

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

Type of service	*Nature and timing of satisfaction of performance obligations, including significant payment terms.*	*Revenue recognition under IFRS 15 (applicable from March 1, 2018).*
Sale of Ice cream products	Customers obtain control of goods when the goods are delivered to and accepted by them. Invoices are generated and the revenue is recognized at that point in time. Invoices are usually payable within 30 days.	Revenue is recognised when the goods are delivered and have been accepted by the customers.

Revenue recognition under IAS 18 (applicable before March 1, 2018)

Revenue from the sale of goods 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.

(j) Taxation:

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

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

4. Significant accounting policies (cont'd)

(j) Taxation (cont'd):

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

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

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

(k) Related parties:

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

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

(i) has control or joint control over the company;

(ii) has significant influence over the company; or

(iii) is a member of the key management personnel of the company or of a parent of the company.

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

(i) The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(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.

4. Significant accounting policies (cont'd)

(k) Related parties (cont'd):

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

(vi) The entity is controlled, or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the company or to the parent of the company.

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

(l) Foreign currencies:

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

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

(m) Impairment:

Financial assets

Policy applicable from March 1, 2018

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

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

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

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

4. Significant accounting policies (cont'd)

(m) Impairment (cont'd):

Financial assets (cont'd)

Policy applicable from March 1, 2018 (cont'd)

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

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

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

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

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

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

Measurement of ECLs

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

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

Credit-impaired financial assets

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

4. Significant accounting policies (cont'd)

(m) Impairment (cont'd):

Policy applicable from March 1, 2018 (cont'd)

Credit-impaired financial assets (cont'd)

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

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

Presentation of allowance for ECL in the statement of financial position

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

Write-off

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

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

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

Policy applicable before March 1, 2018

A provision for impairment is established if there is objective evidence that the company will not be able to collect all amounts due according to the original contractual terms. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate.

4. Significant accounting policies (cont'd)

(m) Impairment (cont'd):

Policy applicable before March 1, 2018 (cont'd)

Non- financial assets

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

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

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

(n) Financial instruments:

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

(i) Recognition and initial measurement

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

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

4. Significant accounting policies (cont'd)

(n) Financial instruments (cont'd):

(ii) Classification and subsequent measurement

Financial assets – Policy applicable from March 1, 2018

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

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

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

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

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

- Cash and cash equivalents
- Trade and other receivables

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

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

Financial assets – Business model assessment: Policy applicable from March 1, 2018

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

CARIBBEAN CREAM LIMITED

Notes to the Financial Statements (Continued)
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4. Significant accounting policies (cont'd)

(n) Financial instruments (cont'd):

(ii) Classification and subsequent measurement (cont'd)

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from March 1, 2018

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

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

Financial liabilities

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

Financial assets and liabilities – Subsequent measurement and gains and losses: Policy applicable from March 1, 2018

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

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

Financial assets and liabilities– Policy applicable before March 1, 2018

The company classified non-derivative financial assets as Loans and receivables: measured at amortised cost using the effective interest method.

The company classified non-derivative financial liabilities into the other financial liabilities category. These are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

4. Significant accounting policies (cont'd)

(n) Financial instruments (cont'd):

(iii) Derecognition

Financial assets

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

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

Financial liabilities

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

(iv) Offsetting

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

(o) Fair value measurement:

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

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

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

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5. Property, plant and equipment

	Freehold land & buildings	Leasehold improvements	Motor vehicles	Machinery and equipment	Computer equipment	Construction in progress	Security systems	Total
Cost:								
February 29, 2017	113,328,045	7,975,708	6,831,813	350,954,329	13,870,431	101,182,585	1,992,904	596,135,815
Additions	3,742,241	5,124,131	-	50,730,515	1,202,316	106,465,919	58,050	167,323,172
Transfers	-	696,198	-	9,521,158	209,660	(10,427,016)	-	-
Disposals	-	-	(3,681,813)	-	-	-	-	(3,681,813)
February 28, 2018	117,070,286	13,796,037	3,150,000	411,206,002	15,282,407	197,221,488	2,050,954	759,777,174
Additions	2,419,883	5,128,858	2,532,189	140,547,468	10,062,174	81,457,960	1,676,279	243,824,811
February 28, 2019	119,490,169	18,924,895	5,682,189	551,753,470	25,344,581	278,679,448	3,727,233	1,003,601,985
Depreciation:								
February 29, 2017	32,420,971	3,715,227	5,830,080	140,137,951	11,780,697	-	1,006,235	194,891,161
Charge for the year	5,012,479	1,379,603	393,750	45,659,945	1,320,975	-	173,550	53,940,302
Eliminated on disposals	-	-	(3,681,813)	-	-	-	-	(3,681,813)
February 28, 2018	37,433,450	5,094,830	2,542,017	185,797,896	13,101,672	-	1,179,785	245,149,650
Charge for the year	5,206,917	1,892,489	530,757	41,189,685	3,837,243	-	341,173	52,998,264
February 28, 2019	42,640,367	6,987,319	3,072,774	226,987,581	16,938,915	-	1,520,958	298,147,914
Net Book Values:								
February 28, 2019	76,849,802	11,937,576	2,609,415	324,765,889	8,405,666	278,679,448	2,206,275	705,454,071
February 28, 2018	79,636,836	8,701,207	607,983	225,408,106	2,180,735	197,221,488	871,169	514,627,524

Freehold land and buildings include land at cost of $17,800,000 (2018: $17,800,000).
Certain assets of the company are pledged as securities for bank overdraft and other loans (see note 10).

6. Cash and cash equivalents

	2019	2018
Bank balances	18,092,126	44,685,340
Cash in hand	181,914	149,348
	18,274,040	44,834,688
Fixed deposits	111,720,854	129,899,862
	129,994,894	174,734,550

7. Trade and other receivables

	2019	2018
Trade receivables	40,050,932	41,507,380
Less provision for impairment losses (i)	(768,998)	(597,951)
	39,281,934	40,909,429
Prepayments and deposits	24,247,826	20,814,057
Other receivables	3,042,257	4,232,921
	66,572,017	65,956,407

Included in trade receivables is $7,566,191 (2018: $10,489,028) due from a related party in the ordinary course of business (see note 18).

Allowances for doubtful accounts were established until February 28, 2018 based on incurred loss analyses over delinquent accounts considering aging of balances, the credit history and risk profile of each customer and legal processes to recover accounts receivable. Effective March 1, 2018 such allowances are determined upon origination of the trade accounts receivable based on a model that calculates the expected credit loss ("ECL") of the trade accounts receivable and are recognised over their term.

Under this ECL model, the company uses accounts receivable based on days past due and determines an average rate of ECL, considering actual credit loss experience over the last 12 months and analysis of future delinquency, that is applied to the balance of the accounts receivable. A weighted average ECL rate is used as at February 28, 2019 to apply against the accounts receivable balance [note 21(a)(i)].

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

	2019	2018
Balance as at March 1, 2018	597,951	597,951
Transitional adjustments on initial application of IFRS 9	162,769	-
Impairment loss recognised	8,278	-
Balance as at February 28, 2019	768,998	597,951

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8. Inventories

	2019	2018
Raw materials	76,816,520	46,258,594
Finished goods	62,130,567	27,473,086
Goods in transit	1,496,917	18,977,442
	140,444,004	92,709,122

9. Trade and other payables

	2019	2018
Trade payables	97,364,315	80,309,588
Other payables	60,536,454	48,582,352
	157,900,769	128,891,940

Other payables include $384,376 (2018: $523,150) payable to a director for vacation leave (see note 18).

10. Long-term loans

		2019	2018
The following loans are with the Bank of Nova Scotia Jamaica Limited:			
(i)	Term loan – cold room construction	27,688,883	43,155,551
(ii)	Mortgage loans – Suthermere Road and South Road	35,072,233	38,488,981
(iii)	Term loan – novelty line	70,000,000	-
(iv)	Term loan – ammonia compressor	30,000,000	-
		162,761,116	81,644,532
Less current portion		(30,558,631)	(18,541,270)
		132,202,485	63,103,262

(i) This loan is repayable in monthly installments by October 2021 with fixed interest rate of 9.5% per annum.

(ii) The mortgage loan is repayable in monthly installments by 2027 with interest rate at 7.49% per annum.

(iii) This loan was obtained during the year and is repayable in monthly instalments by 2023 with interest of 7.45% per annum.

(iv) This loan was obtained during the year and is repayable in monthly instalments by 2023 with interest rate at 7.45% per annum.

10. Long-term loans (cont'd)

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

(a) First legal mortgage stamped for $135,000,000 over commercial properties located at 2A & 2D Suthermere Road, Kingston, Vols. 1293, 1288 and Folios 575, 348.

(b) First legal mortgage stamped for $150,000,000 over commercial property located at 3 South Road Kingston 10, St. Andrew Vol. 1101 and Folio 714.

(c) Peril insurance over real estate at Suthermere Road and real estate and equipment at South Road.

(d) First demand debenture stamped on aggregate of 258,000,000 creating a fixed charge over all assets of the company supported by bills of sale over certain equipment owned by the company valued at $132,792,008.

11. Deferred tax liability

Deferred tax liability is attributable to the following:

	2018	Recognised in income	2019
		(note 16)	
Property plant and equipment	-	(7,613,554)	(7,613,554)
Accounts receivable	-	(48,385)	(48,385)
Unrealized foreign exchange loss	-	13,233	13,233
Accounts payables	-	743,367	743,367
	-	(6,905,339)	(6,905,339)

12. Share capital

	2019	2018
Authorised:		
5,100,000,000 ordinary shares of no par value		
Issued and fully paid:		
378,568,115 ordinary shares of no par value	111,411,290	111,411,290

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13. Gross operating revenue

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

14. Expenses by nature

	2019	2018
(a) Cost of operating revenue:		
Depreciation	35,055,917	39,837,029
Other costs of operating revenue	103,878,918	87,005,382
Raw materials and consumables	644,855,068	623,460,900
Repairs and maintenance	58,691,020	41,656,015
Staff costs (note 19)	95,530,948	84,660,258
Utilities	95,353,908	76,334,412
	1,033,365,779	952,953,996
(b) Administrative:		
Accounting fees	2,347,815	809,646
Audit fees	2,070,000	1,705,000
Cleaning and sanitation	36,828,865	28,957,458
Corporate social responsibility	3,000,000	-
Depreciation	17,942,347	14,103,273
Directors' emoluments		
- Fees	2,094,491	2,580,160
- Management remuneration	11,267,702	11,253,342
Other administrative expenses	19,261,491	11,493,663
Professional fees	7,911,257	7,452,686
Rent	12,914,116	6,547,305
Repairs and maintenance	28,721,692	18,048,008
Security	19,729,337	18,460,951
Staff costs (note 19)	151,624,097	131,998,177
Utilities	30,234,061	21,621,616
	345,947,271	275,031,285
(c) Selling and distribution:		
Advertising and promotion	20,624,416	12,610,470
Licenses and permits	468,472	469,710
Motor vehicle expenses	5,964,388	5,372,023
Travelling and entertainment	1,445,472	2,541,263
Transportation and delivery	29,417,732	25,649,975
	57,920,480	46,643,441
Total administrative and selling and distribution expenses	403,867,751	321,674,726

15. Finance costs, net

	2019	2018
Bank and other charges	4,704,521	5,398,370
Interest expense	11,952,960	10,390,648
Net foreign exchange loss/(gain)	1,230,446	(526,613)
	17,887,927	15,262,405

16. Taxation

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

	2019	2018
Current tax expense:		
Income tax	7,065,430	-
Deferred tax expense:		
Origination and reversal of temporary differences (note 11)	6,905,339	-
Total taxation expense	13,970,769	-

(b) Reconciliation of actual tax charge:

	2019	2018
Profit before taxation	102,646,009	89,759,188
Computed 'expected' tax at 25% (2018: 25%)	25,661,502	22,439,797
Difference between profit for financial statements and tax reporting purposes on:		
Depreciation and capital allowances	(1,819,546)	3,625,884
Expenses not deductible for tax purposes	1,034,688	2,261,231
Remission of income taxes [note 16(c)]	(10,905,875)	(28,326,912)
Actual tax charge	13,970,769	-

(c) Tax remission

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

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

(ii) The subscribed participating voting share capital of the company does not exceed $500 million.

(iii) The company has at least 50 participating voting shareholders.

16. Taxation (cont'd)

(c) Tax remission (cont'd)

The remission will apply in the following proportions:
(a) Years 1 to 5 (May 17, 2013 – May 16, 2018) – 100%
(b) Years 6 to 10 (May 17, 2018 – May 16, 2023) – 50%

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

17. Earnings per share

Earnings per share is computed by dividing the profit for the year by the number of shares of 378,568,115 (2018: 378,568,115) in issue for the year.

18. Related party balances and transactions

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

		2019	2018
(i)	Due to director (note 9)	384,376	523,150
(ii)	Due from related party, Scoops Unlimited Limited (note 7)	7,566,191	10,489,028
(iii)	Staff loan, net	199,615	319,096
(iv)	Sale of ice cream mix	159,590,000	132,166,160
(v)	Sale of ice cream	13,324,000	-

19. Staff costs

	2019	2018
Employer's statutory contributions	20,584,394	17,623,163
Salaries, wages and other staff benefits	226,570,651	199,035,272
	247,155,045	216,658,435
Included in profit or loss as follows:		
Administration	151,624,097	131,998,177
Direct labour	95,530,948	84,660,258
	247,155,045	216,658,435

20. Dividends

During the year, dividends of \$0.048 (2018: \$0.060) per share were declared and paid to the shareholders.

21. Financial instruments

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

(a) Financial risk management

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

- credit risk
- liquidity risk
- market risk

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk, and the company's management of capital. Further quantitative disclosures are included throughout these financial statements.

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

(i) Credit risk:

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers and cash and cash equivalents. The company generally does not require collateral in respect of financial assets, materially trade receivables. Management has a credit policy in place to minimise exposure to credit risk. Credit evaluations are performed on all customers requiring credit.

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

Cash and cash equivalents

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

21. Financial instruments (cont'd)

(a) Financial risk management (cont'd)

(i) Credit risk (cont'd):

Exposure to credit risk:

Cash and cash equivalents

Impairment on cash and cash equivalents have been measured at 12 months expected loss basis and reflects the short maturities of the exposures. The company considered that cash and cash equivalents have low credit risk. No impairment allowances were recognised on initial adoption of IFRS 9 and there has been no change during the year.

Trade receivables

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

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

Expected credit loss assessment as at March 1, 2018

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

21. Financial instruments (cont'd)

(a) Financial risk management (cont'd)

(i) Credit risk (cont'd):

Exposure to credit risk (cont'd):

Trade receivables (cont'd)

Expected credit loss assessment as at March 1, 2018 (cont'd)

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

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

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

The following table provides information about the exposure to credit risk and ECL for trade receivables as at February 28, 2019.

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

21. Financial instruments (cont'd)

(a) Financial risk management (cont'd)

(ii) Liquidity risk:

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

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.

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

	2018				
	Carrying amount	Contractual cash flows	Less than 1 year	2 to 5 years	over 5 years
Loans	81,644,532	94,374,924	25,623,773	68,749,151	-
Trade and other payables	128,891,940	128,891,940	128,891,940	-	-
	210,536,472	223,266,864	154,515,713	68,749,151	-

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

(iii) Market risk:

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

(i) Currency risk:

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

21. Financial instruments (cont'd)

(a) Financial risk management (cont'd)

(iii) Market risk (cont'd):

(i) Currency risk (cont'd):

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

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

Exposure to currency risk:

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

	2019			2018		
	J$ Equivalent	US$	CDN$	J$ Equivalent	US$	CDN$
Financial assets	31,113,220	225,231	23,111	46,562,974	285,716	103,010
Financial liabilities	(48,857,759)	(379,311)	(276,135)	(8,181,574)	(216,764)	(63,842)
Net (liabilities)/assets	(17,744,539)	(154,080)	(253,024)	38,381,400	68,952	39,168

Exchange rates in terms of the Jamaica dollar as at the reporting date were US$1: J$127.61 (2018: US$1: J$126.14) and CDN$1: J$95.69 (2018: CDN$1: J$97.19).

Sensitivity analysis:

A 4% (2018: 4%) weakening of the US$ and CDN$ against the J$ would increase profit for the year by $1,769,842 (2018: $1,535,256).

A 2% (2018: 2%) strengthening of the US$ and CDN$ against the J$ would decrease profit for the year by $884,921 (2018: $767,628).

The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is done on the same basis as for 2018.

(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.

21. Financial instruments (cont'd)

(a) Financial risk management (cont'd)

(iii) 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	
	2019	2018
Fixed rate:		
Financial assets	117,054,007	151,403,972
Financial liabilities	(162,761,116)	(81,644,532)
	45,707,109	69,759,440

Fair value sensitivity analysis for financial instruments:

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

Cash flow sensitivity analysis for financial instruments:

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

(b) Capital management:

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

The company is not subject to any externally-imposed capital requirements, except as shown in note 16(c).

FORM OF PROXY

CARIBBEAN CREAM LIMITED

3 South Road
Kingston 10, Jamaica (West Indies)

I/We ____of__________________________

____

in the Parish of _________________________________being Member/members of the above named company hereby appoint_______________________________ of ___________________________or failing him/her________________________ of _________________________ as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at the Knutsford Court Hotel,16 Chelsea Avenue, Kingston 5, New Kingston on Tuesday, September 24, 2019 at 10 a.m. and at any adjournment thereof.

Signed this ________________day of _____________________________2019

Signature ____

Notes:

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

REGISTRAR AND TRANSFER AGENTS

Jamaica Central Securities Depository Limited

40 Harbour Street, Kingston

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