CARIBBEAN CREAM LIMITED

FINANCIAL STATEMENTS

FEBRUARY 29, 2016

KPMG
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the Members of
CARIBBEAN CREAM LIMITED

Report on the Financial Statements

We have audited the financial statements of Caribbean Cream Limited, set out on pages 3 to 26, which comprise the statement of financial position as at February 29, 2016, and the statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Managements Responsibility for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

KPMG

INDEPENDENT AUDITORS' REPORT

To the Members of
CARIBBEAN CREAM LIMITED

Report on the Financial Statements, cont'd

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Caribbean Cream Limited as at February 29, 2016, and of its financial performance, and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Jamaican Companies Act.

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.

KPMG

Chartered Accountants
Kingston, Jamaica

May 11, 2016

CARIBBEAN CREAM LIMITED

Statement of Financial Position
February 29, 2016

	Notes	2016	2015
NON-CURRENT ASSET			
Property, plant and equipment	3	361,327,659	394,047,280
CURRENT ASSETS			
Cash and cash equivalents	4	152,523,086	1,756,896
Director's current account	5	-	2,025,849
Trade and other receivables	6	46,963,856	33,047,695
Inventories	7	73,343,031	79,993,317
Total current assets		272,829,973	116,823,757
CURRENT LIABILITIES			
Trade and other payables	8	71,376,204	68,386,799
Taxation payable		-	898,293
Current portion of long-term loans	10	23,214,227	24,407,428
Bank overdraft	9	-	4,576,530
Total current liabilities		94,590,431	98,269,050
Net current assets		178,239,542	18,554,707
Total assets less current liabilities		$539,567,201	412,601,987
NON-CURRENT LIABILITY			
Long-term loans	10	102,242,047	125,829,649
EQUITY			
Share capital	11	111,411,290	111,411,290
Revaluation reserve	12	34,480,236	47,669,736
Accumulated profits		291,433,628	127,691,312
Total equity		437,325,154	286,772,338
Total non-current liability and equity		$539,567,201	412,601,987

The financial statements on pages 3 to 26 were approved for issue by the Board of Directors on May 11, 2016 and signed on its behalf by:

Carol Clarke-Webster Director
Carol Clarke-Webster

C. Clarke Director
Christopher Clarke

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 29, 2016

	Notes	2016	2015
Gross operating revenue	13	1,134,933,221	1,012,860,965
Cost of operating revenue	14	(684,741,583)	(737,060,605)
Gross profit		450,191,638	275,800,360
Other income		2,117,995	2,497,610
		452,309,633	278,297,970
Administrative, selling and distribution expenses:			
Administrative		(229,722,231)	(156,316,264)
Selling and distribution		(42,745,017)	(38,184,264)
	14	(272,467,248)	(194,500,528)
Operating profit before finance costs and taxation		179,842,385	83,797,442
Interest income		1,719,065	-
Finance costs	15	(17,762,547)	(27,031,142)
Profit before taxation		163,798,903	56,766,300
Taxation	16	(56,587)	-
Profit for the year		163,742,316	56,766,300
Other comprehensive loss:			
Items that will never be reclassified subsequently to profit or loss			
Adjustment to revalued property, plant and equipment		(13,189,500)	-
Total comprehensive income for the year		$ 150,552,816	56,766,300
Earnings per stock unit	18	$ 0.43	0.15

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

CARIBBEAN CREAM LIMITED

Statement of Changes in Equity
Year ended February 29, 2016

	Share capital	Revaluation reserve	Accumulated profits	Total
Balances as at February 28, 2014	111,411,290	47,669,736	70,925,012	230,006,038
Profit, being total comprehensive income for the year	-	-	56,766,300	56,766,300
Balances as at February 28, 2015	111,411,290	47,669,736	127,691,312	286,772,338
Total comprehensive income:				
Profit for the year	-	-	163,742,316	163,742,316
Adjustment to revalued property, plant and equipment (note 3)	-	(13,189,500)	-	(13,189,500)
Total comprehensive income for the year	-	(13,189,500)	163,742,316	150,552,816
Balances as at February 29, 2016	$111,411,290	34,480,236	291,433,628	437,325,154

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

CARIBBEAN CREAM LIMITED

Statement of Cash Flows
Year ended February 29, 2016

	Notes	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		163,742,316	56,766,300
Adjustments for:			
Depreciation	3	48,010,615	39,653,396
Interest expense	15	15,642,768	17,054,874
Interest income		(1,719,065)	-
Taxation	16	56,587	-
Write-off of property, plant and equipment	3	502,628	-
Impairment of property, plant and equipment	3	18,200,000	-
Loss on disposal of property, plant and equipment		-	344,000
Operating profit before changes in working capital		244,435,849	113,818,570
Trade and other receivables		(13,766,450)	(2,327,206)
Inventories		6,650,286	(13,834,862)
Trade and other payables		2,989,405	(16,904,422)
Taxation paid		(954,880)	(3,676,714)
Interest paid		(15,642,768)	(17,054,874)
Interest received		1,569,354	-
Net cash provided by operating activities		225,280,796	60,020,492
CASH FLOWS USED BY INVESTING ACTIVITY			
Additions to property, plant and equipment	3	(47,183,122)	(65,379,775)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank loans		(24,780,803)	(14,734,625)
Proceeds from loans		-	30,000,000
Director's current account		2,025,849	(7,621,058)
Net cash (used)/provided by financing activities		(22,754,954)	7,644,317
Net increase in cash and cash equivalents		155,342,720	2,285,034
Cash and cash equivalents at beginning of the year		(2,819,634)	(5,104,668)
Cash and cash equivalents at end of the year		$152,523,086	(2,819,634)
Comprised of:			
Cash and bank balances	4	89,462,717	1,756,896
Fixed deposits	4	63,060,369	-
Bank overdraft	10	-	(4,576,530)
		$152,523,086	(2,819,634)

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

1. The company

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

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

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

2. Basis of preparation and significant accounting policies

(a) Statement of compliance:

The financial statements as at and for the year ended February 29, 2016 (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 and interpretations effective during the year

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

New and amended standards and interpretations that are not yet effective

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

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

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

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

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

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

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

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

- IAS 1, *Presentation of Financial Statements*, effective for accounting periods beginning on or after January 1, 2016, has been amended to clarify or state the following:

  - specific single disclosures that are not material do not have to be presented even if they are a minimum requirement of a standard.
  - the order of notes to the financial statements is not prescribed.
  - line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Line items can be aggregated if they are not material.
  - specific criteria is now provided for presenting subtotals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirements for the statement of profit or loss and OCI.
  - the presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method follows IAS 1 approach of splitting items that may, or that will never, be reclassified to profit or loss.

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

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

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

- Amendments to IAS 16 and IAS 38, *Clarification of Acceptable Methods of Depreciation and Amortisation,* are effective for accounting periods beginning on or after January 1, 2016.

  - The amendment to IAS 16, *Property, Plant and Equipment,* explicitly states that revenue-based methods of depreciation cannot be used. This is because such methods reflect factors other than the consumption of economic benefits embodied in the assets.

  - The amendment to IAS 38, *Intangible Assets,* introduces a rebuttable presumption that the use of revenue-based amortisation methods is inappropriate for intangible assets.

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

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

- *Improvements to* IFRS *2012-2014* cycle, contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2016. The main amendment applicable to the company is as follows:

  - IAS 34, *Interim Financial Reporting,* has been amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements, may be disclosed "elsewhere in the interim financial report". The interim financial report is incomplete if the interim financial statements and any disclosures incorporated by cross-reference are not made available to users of the interim financial statements on the same terms and at the same time.

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

CARIBBEAN CREAM LIMITED

Notes to the Financial Statements (Continued)
February 29, 2016

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

(b) Basis of measurement and functional currency:

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

(c) Use of estimates and judgements:

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

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

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

(i) Allowance for impairment losses on receivables:

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

(ii) Net realisable value of inventories:

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

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

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

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

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

(d) Segment reporting:

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

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

(e) Property, plant and equipment:

(i) At cost:

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

(ii) At revaluation:

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

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

CARIBBEAN CREAM LIMITED

Notes to the Financial Statements (Continued)
February 29, 2016

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

(e) Property, plant and equipment (cont'd):

(iii) Depreciation:

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

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

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

(f) Cash and cash equivalents:

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

(g) Trade and other receivables:

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

(h) Inventories:

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

(i) Trade and other payables:

Trade and other payables are stated at cost.

(j) Borrowings:

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

(k) Share capital:

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

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

(l) Revenue:

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

(m) Taxation:

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

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

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

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

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

(n) Related parties:

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

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

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

(ii) has significant influence over the company; or

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

CARIBBEAN CREAM LIMITED

Notes to the Financial Statements (Continued)
February 29, 2016

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

(n) Related parties (cont'd):

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

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

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

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company.

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

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

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

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

(o) Foreign currencies:

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

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

(p) Impairment:

(i) Non-financial assets:

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

CARIBBEAN CREAM LIMITED

Notes to the Financial Statements (Continued)
February 29, 2016

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

(p) Impairment (cont'd):

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

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

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

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

(ii) Financial assets:

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

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

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

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

3. Property, plant and equipment

	Freehold land & buildings	Leasehold improvements	Motor vehicles	Machinery and equipment	Computer equipment	Construction in progress	Security systems	Total
Cost or valuation:								
February 28, 2014	109,053,554	7,430,750	16,340,943	138,797,909	10,283,085	146,303,535	1,337,904	429,547,680
Additions	-	-	-	16,219,966	431,729	48,728,080	-	65,379,775
Transfers	-	-	-	147,135,777	-	(147,135,777)	-	-
Disposals	-	-	-	(430,000)	-	-	-	(430,000)
February 28, 2015	109,053,554	7,430,750	16,340,943	301,723,652	10,714,814	47,895,838	1,337,904	494,497,455
Additions	-	373,710	-	23,087,636	2,086,947	21,634,829	-	47,183,122
Transfers	2,585,335	-	-	58,632,866	-	(61,873,201)	655,000	-
Valuation adjustment	-	-	-	(13,189,500)	-	-	-	(13,189,500)
Write-off	-	(55,000)	-	(447,628)	-	-	-	(502,628)
February 29, 2016	111,638,889	7,749,460	16,340,943	369,807,026	12,801,761	7,657,466	1,992,904	527,988,449
Depreciation:								
February 28, 2014	18,292,017	1,399,635	7,216,809	27,840,668	5,565,149	-	568,501	60,882,779
Charge for the year	4,562,678	743,075	2,042,618	30,172,365	2,030,417	-	102,243	39,653,396
Disposals	-	-	-	(86,000)	-	-	-	(86,000)
February 28, 2015	22,854,695	2,142,710	9,259,427	57,927,033	7,595,566	-	670,744	100,450,175
Charge for the year	4,740,909	774,946	2,222,133	38,062,263	2,042,618	-	167,746	48,010,615
Impairment	-	-	-	18,200,000	-	-	-	18,200,000
February 29, 2016	27,595,604	2,917,656	11,481,560	114,189,296	9,638,184	-	838,490	166,660,790
Net book values:								
February 29, 2016	$ 84,043,285	4,831,804	4,859,383	255,617,730	3,163,577	7,657,466	1,154,414	361,327,659
February 28, 2015	$ 86,198,859	5,288,040	7,081,516	243,796,619	3,119,248	47,895,838	667,160	394,047,280

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

CARIBBEAN CREAM LIMITED

Notes to the Financial Statements (Continued)
February 29, 2016

4. Cash and cash equivalents

	2016	2015
Bank balances	89,321,717	1,615,896
Cash in hand	141,000	141,000
	89,462,717	1,756,896
Fixed deposits	63,060,369	-
	$152,523,086	1,756,896

5. Director's current account

The amount due from director was unsecured, interest-free and was fully repaid during the year.

6. Trade and other receivables

	2016	2015
Trade receivables	40,088,908	28,290,720
Less provision for impairment losses	(813,690)	(813,690)
	39,275,218	27,477,030
Prepayments and deposits	7,266,969	5,348,959
Other receivables	421,669	221,706
	$46,963,856	33,047,695

Included in trade receivables is $10,220,108 (2015: $Nil) due from a related party in the ordinary course of business (see note 17).

The aging of trade receivables at the reporting date was:

	2016		2015	
	Gross	Impairment	Gross	Impairment
Not past due	6,629,945	-	1,655,565	-
Past due 30 days	25,996,916	-	21,265,720	-
Past due 60 days	6,813,944	165,587	4,639,501	83,756
Past due 90 days	94,473	94,473	87,650	87,650
Over 90 days	553,630	553,630	642,284	642,284
	$40,088,908	813,690	28,290,720	813,690

6. Trade and other receivables (cont'd)

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

	2016	2015
Balance at beginning of year	813,690	1,243,701
Amount written off, net of recoveries	-	(430,011)
	$813,690	813,690

During the year, other receivables of $Nil (2015: $192,116) was written off to profit or loss as impairment losses.

7. Inventories

	2016	2015
Raw materials	40,928,981	56,505,587
Finished goods	15,334,652	19,279,193
Goods in transit	17,079,398	4,208,537
	$73,343,031	79,993,317

8. Trade and other payables

	2016	2015
Trade payables	39,637,364	49,679,914
Due to related party (note 17)	-	917,024
Other payables	31,738,840	17,789,861
	$71,376,204	68,386,799

Other payables include $651,900 (2015: $646,113) payable to a director for vacation leave (see note 17).

9. Bank overdraft

The company has a bank overdraft facility of $13 million (2015: $13 million), which attracts interest of 15.75% (2015: 15.75%) per annum. See note 10 for information on securities.

10. Long-term loans

		2016	2015
The following loans are with the Bank of Nova Scotia Jamaica Limited:			
(i)	Demand loan	-	697,740
(ii)	Demand loan– cold room construction	74,088,887	89,555,555
(iii)	Demand loans – equipment	7,454,404	13,038,808
(iv)	Mortgage loans – Suthermere Road and South Road	43,912,983	46,944,974
		125,456,274	150,237,077
Less current portion		(23,214,227)	(24,407,428)
		$102,242,047	125,829,649

(i) This loan attracted interest at rates ranging from 8.95% to 14.75% per annum and was repaid during the year

(ii) Repayable in monthly installments by October 2020 with fixed interest rate of 9.5% per annum.

(iii) Repayable in monthly installments by 2017 with interest rates ranging from 8.95 to 9.95% per annum.

(iv) The mortgage is repayable in monthly installments by 2027 with interest rate at 15.75% per annum.

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

(a) First legal mortgage stamped for $35,000,000 over commercial properties located at 2A & 2D Suthermere Road, Kingston, Vols. 1293, 1288 and Folios 575, 348.

(b) Stamped collateral to assignment of Sagicor Life Insurance Policies on the life of a director with face value $36,500,000.

(c) First legal mortgage stamped for $50,000,000 over commercial property located at 3 South Road Kingston 10, St. Andrew Vol. 1101 and Folio 714.

(d) Second legal mortgage stamped for $4,800,000 over property located at Braemar Avenue Kingston 10, St. Andrew Vol. 1402 and Folio 485, registered in the name of a director.

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

(f) Bills of sale over motor vehicles and equipment owned by the company.

(g) Guarantees by a director.

11. Share capital

	2016	2015
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

12. Revaluation reserve

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

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

	2016	2015
Administrative:		
Audit fees	1,400,000	1,400,000
Cleaning and sanitation	24,250,807	10,819,125
Depreciation	12,361,551	11,178,881
Directors' remuneration		
- Fees	1,889,439	2,298,944
- Management remuneration	9,158,662	7,995,000
Impairment of property, plant and equipment	18,200,000	-
Other administrative expenses	20,590,102	30,228,286
Repairs and maintenance	8,758,183	6,076,894
Security	15,067,876	13,477,608
Staff costs (note 19)	102,984,545	66,882,828
Utilities	15,061,066	5,958,698
	229,722,231	156,316,264

	2016	2015
Selling and distribution:		
Advertising and promotion	16,340,892	17,395,643
Licenses and permits	454,206	102,900
Motor vehicle expenses	14,622,399	14,639,083
Subsistence allowance	561,594	805,361
Travelling and entertainment	1,284,324	1,077,949
Transportation and delivery	9,481,602	4,163,328
	42,745,017	38,184,264
Total administrative and selling and distribution expenses	$272,467,248	194,500,528

14. Expenses by nature (cont'd)

	2016	2015
Cost of operating revenue:		
Depreciation	35,649,064	28,474,515
Other costs of operating revenue	57,700,974	50,189,118
Raw materials and consumables	461,447,699	519,691,532
Repairs and maintenance	21,539,330	15,806,814
Staff costs (note 19)	51,529,894	58,790,855
Utilities	56,874,622	64,107,771
	$684,741,583	737,060,605

15. Finance costs

	2016	2015
Bank and other charges	2,861,738	4,589,886
Interest expense	15,642,768	17,054,874
Commitment fees	-	219,371
Net foreign exchange (gain)/loss	(741,959)	5,167,011
	$17,762,547	27,031,142

16. Taxation

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

	2016	2015
Under provision in prior year	$ 56,587	-

(b) Reconciliation of effective tax rate:

	2016	2015
Profit before taxation	$163,798,903	56,766,300
Computed 'expected' tax at 25% (2015: 25%)	40,949,726	14,191,575
Difference between profit for financial statements and tax reporting purposes on:		
Expenses not deductible for tax purposes	5,550,681	4,779,844
Remission of income taxes [see note 16 (c)]	(46,500,407)	(18,971,419)
Under provision in prior year	56,587	-
Actual tax charge	$ 56,587	-

16. Taxation (cont'd)

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

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

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

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

The remission will apply in the following proportions:

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

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

17. 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:

		2016	2015
		$	$
(i)	Due to related party, Scoops Unlimited Limited (note 8)	-	917,024
(ii)	Due to director (note 8)	651,900	646,113
(iii)	Due from related party, Scoops Unlimited Limited (note 6)	10,220,108	-
(iv)	Director's current account (note 5)	-	2,025,849
(v)	Staff loan, net	(23,198)	159,882
(vi)	Sale of ice cream	70,414,964	55,386,888

18. Earnings per share

Earnings per share is computed by dividing the profit for the year by the number of shares of 378,568,115 (2015: 378,568,115) in issue for the year.

19. Staff costs

	2016	2015
Employer's statutory contributions	11,246,400	9,661,794
Salaries, wages and other staff benefits	91,738,145	57,221,034
	102,984,545	66,882,828
Salaries – direct labour	51,529,894	58,790,856
	$154,514,439	125,673,684

20. Financial risk management

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

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

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

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

(a) Credit risk:

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

(i) Accounts receivable

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

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

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

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

20. Financial risk management (cont'd)

(a) Credit risk (cont'd):

(ii) Cash and cash equivalents

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

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

(b) Liquidity risk:

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

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

	2016				
	Carrying amount	Contractual cash flows	Less than 1 year	2 to 5 years	over 5 years
Loans	125,456,274	168,142,279	37,175,247	108,071,451	22,895,581
Trade and other payables	71,376,204	71,376,204	71,376,204	-	-
	$196,832,478	239,518,483	108,551,451	108,071,451	22,895,581

	2015				
	Carrying amount	Contractual cash flows	Less than 1 year	2 to 5 years	over 5 years
Bank overdraft	4,576,530	4,576,530	4,576,530	-	-
Loans	150,237,077	227,908,290	39,248,616	121,907,115	66,752,559
Trade and other payables	68,386,799	68,386,799	68,386,799	-	-
	$223,200,406	300,871,619	112,211,945	121,907,115	66,752,559

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.

CARIBBEAN CREAM LIMITED

Notes to the Financial Statements (Continued)
February 29, 2016

20. Financial risk management (cont'd)

(c) Market risk:

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

(i) Currency risk:

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

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

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

Exposure to currency risk:

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

	2016			2015		
	J$ Equivalent	US$	CDN$	J$ Equivalent	US$	CDN$
Financial assets	73,593,637	515,443	119,798	1,378,799	6,857	6,365
Financial liabilities	(18,870,984)	(108,546)	(62,667)	(23,887,981)	(159,235)	(57,500)
Net assets/(liabilities)	54,722,653	406,897	57,131	(22,509,182)	(152,378)	(51,135)

Sensitivity analysis:

Exchange rates in terms of the Jamaica dollar as at the reporting date were US$1: J$121.51 (2015: US$1: J$115.40) and CDN$1: J$92.04 (2015: CDN$1: J$87.90).

An 8% (2015: 10%) weakening of the US$ and CDN$ against the J$ would increase profit for the year by $4,357,029 (2015: $2,230,618).

A 1% (2015: 1%) strengthening of the US$ and CDN$ against the J$ would decrease profit for the year by $544,628 (2015: $223,062). The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is done on the same basis as for 2015.

20. Financial risk management (cont'd)

(c) Market risk (cont'd):

(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.

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	
	2016	2015
Fixed rate:		
Financial assets	139,500,450	1,756,896
Financial liabilities	(125,456,274)	(154,813,607)
	$ 14,041,176	(153,056,711)

Fair value sensitivity analysis for financial instruments:

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

Cash flow sensitivity analysis for variable rate instruments:

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

(d) Capital management:

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

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

(e) Fair values

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

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

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