CARIBBEAN CREAM LIMITED

FINANCIAL STATEMENTS

FEBRUARY 29, 2020

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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 8 to 45, which comprise the statement of financial position as at February 29, 2020, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at February 29, 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

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

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.

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 requirements of IFRS 9, *Financial Instruments*. • Considering the adequacy of the disclosures 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 6 to 7, 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

May 15, 2020

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.

To the Members of
CARIBBEAN CREAM LIMITED

Appendix to the Independent Auditors' report (continued)

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

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

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

CARIBBEAN CREAM LIMITED

Statement of Financial Position
February 29, 2020
(Expressed in Jamaica dollar unless otherwise stated)

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

The financial statements on pages 8 to 45 were approved for issue by the Board of Directors on May 15, 2020 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, 2020
(Expressed in Jamaica dollar unless otherwise stated)

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

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

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

	Share capital (note 13)	Accumulated profits	Total
Balances at March 1, 2018	111,411,290	525,917,072	637,328,362
Total comprehensive income:			
Profit, being total comprehensive income for the year	-	88,675,240	88,675,240
Transactions with owners:			
Dividends (note 21)	-	(18,171,270)	(18,171,270)
Balances as at February 28, 2019	111,411,290	596,421,042	707,832,332
Total comprehensive income:			
Profit, being total comprehensive income for the year	-	54,569,399	54,569,399
Transactions with owners:			
Dividends (note 21)	-	(18,171,270)	(18,171,270)
Balances as at February 29, 2020	111,411,290	632,819,171	744,230,461

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

CARIBBEAN CREAM LIMITED

Statement of Cash Flows
Year ended February 29, 2020
(Expressed in Jamaica dollar unless otherwise stated)

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

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

CARIBBEAN CREAM LIMITED

Notes to the Financial Statements
February 29, 2020
(Expressed in Jamaica dollar unless otherwise stated)

1. Identification

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

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

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

2. Basis of preparation

(a) Statement of compliance:

The financial statements as at and for the year ended February 29, 2020 (the reporting date) are prepared in accordance with International Financial Reporting Standards (IFRS) and comply with the provisions of the Jamaican Companies Act.

New and amended standards that became effective during the year

Certain new and amended standards that were in issue came into effect during the current financial year. This is the first set of the company's annual financial statements in which IFRS 16, *Leases* has been applied from March 1, 2019. Changes to significant accounting policies are described in note 3.

New and amended standards issued that are not yet effective

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

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

2. Basis of preparation (continued)

(a) Statement of compliance (continued):

New and amended standards issued that are not yet effective (continued)

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

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

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

  The main change relates to how and when assets and liabilities are recognised and 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.

(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.

CARIBBEAN CREAM LIMITED

Notes to the Financial Statements (Continued)
February 29, 2020
(Expressed in Jamaica dollar unless otherwise stated)

2. Basis of preparation (continued)

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

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

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

(i) Judgements:

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

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

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

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

Allowance for impairment losses:

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

2. Basis of preparation (continued)

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

Net realisable value of inventories:

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

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

Residual value and useful life of property, plant and equipment:

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

3. Changes in significant accounting policies

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

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

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

(a) IFRS 16, *Leases*

Definition of a lease

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

3. Changes in significant accounting policies (continued)

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

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

(b) As a lessee

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

At commencement or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of property, the company has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Leases classified as operating leases under IAS 17

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

Right-of-use assets are measured at either:

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

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

3. Changes in significant accounting policies (continued)

(b) As a lessee (continued)

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

– did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;

– did not recognise right-of-use assets and liabilities for leases of low value assets;

– excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and

– used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Impact on transition

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

4. Significant accounting policies

(a) Segment reporting:

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

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

(b) Property, plant and equipment:

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

CARIBBEAN CREAM LIMITED

Notes to the Financial Statements (Continued)
February 29, 2020
(Expressed in Jamaica dollar unless otherwise stated)

4. Significant accounting policies (continued)

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

(ii) Depreciation:

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

Buildings	5%
Leasehold improvements	lease period
Motor vehicles	12.5%
Machinery and equipment	10%
Computer equipment	25%
Security systems	10%
Right of use assets	10%-20%

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

(c) Cash and cash equivalents:

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

(d) Trade and other receivables:

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

(e) Inventories:

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

(f) Trade and other payables:

Trade and other payables are measured at amortised cost.

(g) Borrowings:

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

4. Significant accounting policies (continued)

(g) Borrowings (continued):

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

(h) Share capital:

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

(i) Revenue recognition:

Performance obligations and revenue recognition policies:

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

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

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

4. Significant accounting policies (continued)

(j) Taxation:

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

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

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

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

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

(k) Related parties:

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

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

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

(ii) has significant influence over the company; or

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

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

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

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

4. Significant accounting policies (continued)

(k) Related parties (continued):

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

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

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

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

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

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

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

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

(l) Foreign currencies:

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

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

(m) Impairment:

Financial assets

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

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

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

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

4. Significant accounting policies (continued)

(m) Impairment (continued):

Financial assets (continued)

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

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

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

- the borrower is unlikely to pay its credit obligations to the company in full, without recourse by the company to action such as realising security if any is held; or

- the financial asset is more than 90 days past due.

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

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

Measurement of ECLs

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

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

Credit-impaired financial assets

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

4. Significant accounting policies (continued)

(m) Impairment (continued):

Credit-impaired financial assets (continued)

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

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

Presentation of allowance for ECL in the statement of financial position

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

Write-off

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

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

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

Non- financial assets

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

4. Significant accounting policies (continued)

(m) Impairment (continued):

Non- financial assets (continued)

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

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

(n) Financial instruments:

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

(i) Recognition and initial measurement

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

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

4. Significant accounting policies (continued)

(n) Financial instruments (continued):

(ii) Classification and subsequent measurement

Financial assets

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

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

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

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

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

- Cash and cash equivalents
- Trade and other receivables

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

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

Financial assets – Business model assessment

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

4. Significant accounting policies (continued)

(n) Financial instruments (continued):

(ii) Classification and subsequent measurement (continued)

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

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

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

Financial liabilities

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

Financial assets and liabilities – Subsequent measurement and gains and losses

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

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

4. Significant accounting policies (continued)

(n) Financial instruments (continued):

(iii) Derecognition

Financial assets

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

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

Financial liabilities

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

(iv) Offsetting

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

(o) Leases:

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

Policy applicable from March 1, 2019

At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the company uses the definition of a lease in IFRS16. This policy is applied to contracts entered into, or changed, on or after March 1, 2019.

4. Significant accounting policies (continued)

(o) Leases (continued):

As a lessee

At commencement or modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

The company recognises a right-of-use asset and a lease liability at the commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any direct initial direct costs incurred and an estimate of costs to dismantle and remove underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate.

The company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Short-term leases and leases of low-value assets

For short-term leases and leases of low-value assets, the company has elected not to recognise right-of-use assets and lease liabilities for short term leases of assets that have a lease term of 12 months or less and lease of low-value assets. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

4. Significant accounting policies (continued)

(o) Leases (continued):

Policy applicable before March 1, 2019

As a lessee

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

(p) Fair value measurement:

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

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

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

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 28, 2018	117,070,286	13,796,037	3,150,000	411,206,002	15,282,407	197,221,488	2,050,954	759,777,174
Additions	2,419,883	5,128,858	2,532,189	140,547,468	10,062,174	81,457,960	1,676,279	243,824,811
February 28, 2019	119,490,169	18,924,895	5,682,189	551,753,470	25,344,581	278,679,448	3,727,233	1,003,601,985
Additions	3,597,595	12,735,110	-	60,290,611	6,461,928	76,779,062	1,674,028	161,538,334
Transfers	171,159,609	-	-	91,186,453	9,595,495	(271,941,557)	-	-
Disposals	-	-	(900,000)	-	-	-	-	(900,000)
February 29, 2020	294,247,373	31,660,005	4,782,189	703,230,534	41,402,004	83,516,953	5,401,261	1,164,240,319
Depreciation:								
February 28, 2018	37,433,450	5,094,830	2,542,017	185,797,896	13,101,672	-	1,179,785	245,149,650
Charge for the year	5,206,917	1,892,489	530,757	41,189,685	3,837,243	-	341,173	52,998,264
February 28, 2019	42,640,367	6,987,319	3,072,774	226,987,581	16,938,915	-	1,520,958	298,147,914
Charge for the year	13,822,369	3,166,001	597,773	68,529,289	7,111,989	-	508,579	93,736,000
Disposals	-	-	(787,500)	-	-	-	-	(787,500)
February 29, 2020	56,462,736	10,153,320	2,883,047	295,516,870	24,050,904	-	2,029,537	391,096,414
Net Book Values:								
February 29, 2020	237,784,637	21,506,685	1,899,142	407,713,664	17,351,100	83,516,953	3,371,724	773,143,905
February 28, 2019	76,849,802	11,937,576	2,609,415	324,765,889	8,405,666	278,679,448	2,206,275	705,454,071

Freehold land and buildings include land at cost of $17,800,000 (2019: $17,800,000).
Certain assets of the company are pledged as securities for bank overdraft and other loans (see note 11).

6. Leases

The company leases various properties and equipment to facilitate the sale of its products. The leases include an option to renew after the lease periods have ended. It is expected that in the normal course of business leases that expire generally will be renewed or replaced by similar leases. Lease payments are renegotiated after the end of the contract period to reflect market rentals. Previously, these leases were classified as operating leases under IAS 17.

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

(a) Right-of-use assets - Property

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

(b) Lease liabilities

Maturities analysis- contractual undiscounted cash flows:

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

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

Current	19,539,121
Non-current	79,622,207
	99,161,328

(c) Amount recognised in profit or loss

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

(d) Amount recognised in the statement of cash flows

Total cash outflow for leases	(24,228,439)

7. Cash and cash equivalents

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

8. Trade and other receivables

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

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

Under the ECL model, the company uses accounts receivable based on days past due and determines an average rate of ECL, considering actual credit loss experience over the last 12 months and analysis of future delinquency, that is applied to the balance of the accounts receivable. A weighted average ECL rate is used as at February 29, 2020 to apply against the accounts receivable balance [note 22(a)(i)].

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

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

9. Inventories

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

10. Trade and other payables

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

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

11. Long-term loans

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

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

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

(iii) This loan is repayable in monthly instalments by 2023 with fixed interest rate at 7.45% per annum.

(iv) This loan is repayable in monthly instalments by 2023 with fixed interest rate at 7.45% per annum.

11. Long-term loans (continued)

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

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

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

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

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

12. Deferred tax liability

Deferred tax liability is attributable to the following:

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

13. Share capital

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

CARIBBEAN CREAM LIMITED

Notes to the Financial Statements (Continued)
February 29, 2020
(Expressed in Jamaica dollar unless otherwise stated)

14. Gross operating revenue

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

15. Expenses by nature

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

CARIBBEAN CREAM LIMITED

Notes to the Financial Statements (Continued)
February 29, 2020
(Expressed in Jamaica dollar unless otherwise stated)

16. Finance costs

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

17. Taxation

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

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

(b) Reconciliation of actual tax charge:

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

17. Taxation (continued)

(c) Tax remission (continued)

The remission will apply in the following proportions:

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

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

18. Earnings per share

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

19. Related party balances and transactions

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

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

20. Staff costs

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

21. Dividends

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

22. Financial instruments

(a) Financial risk management

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

- credit risk
- liquidity risk
- market risk

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

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

(i) Credit risk:

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

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

Cash and cash equivalents

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

22. Financial instruments (continued)

(a) Financial risk management (continued)

(i) Credit risk (continued):

Exposure to credit risk:

Cash and cash equivalents (continued)

Impairment on cash and cash equivalents have been measured at 12 months expected loss basis and reflects the short maturities of the exposures. The company considered that cash and cash equivalents have low credit risk. No impairment allowances were recognised as at February 29, 2020 and February 28, 2019.

Trade receivables

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

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

Expected credit loss assessment

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

22. Financial instruments (continued)

(a) Financial risk management (continued)

(i) Credit risk (continued):

Exposure to credit risk (continued):

Trade receivables (continued)

Expected credit loss assessment (continued)

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

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

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

The following table provides information about the exposure to credit risk and ECL for trade receivables as at the reporting period:

	2020			
Age categories	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
Current (not past due)	0.09%	42,516,481	37,118	No
Past due 31 - 60 days	1.25%	55,676	696	No
Past due 61- 90 days	2.50%	24,728	618	No
More than 90 days	100%	3,403,695	3,403,695	Yes
		46,000,580	3,442,127	

22. Financial instruments (continued)

(a) Financial risk management (continued)

(i) Credit risk (continued):

Exposure to credit risk (continued):

Trade receivables (continued)

Expected credit loss assessment (continued)

The following table provides information about the exposure to credit risk and ECL for trade receivables as at the reporting period (continued):

	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	

(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.

22. Financial instruments (continued)

(a) Financial risk management (continued)

(ii) Liquidity risk (continued):

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

	2020				
	Carrying amount	Contractual cash flows	Less than 1 year	2 to 5 years	Over 5 years
Loans	132,414,158	156,763,463	36,426,017	120,337,446	-
Trade and other payables	185,346,512	185,346,512	185,346,512	-	-
Lease liabilities	99,161,328	119,474,968	27,011,214	77,740,306	14,723,448
	416,921,998	461,584,943	248,783,743	198,077,752	14,723,448

	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	-

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.

22. Financial instruments (continued)

(a) Financial risk management (continued)

(iii) Market risk (continued):

(i) Currency risk (continued):

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

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

Exposure to currency risk:

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

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

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

Sensitivity analysis:

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

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

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

(ii) Interest rate risk:

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

22. Financial instruments (continued)

(a) Financial risk management (continued)

(iii) Market risk (continued):

(ii) Interest rate risk (continued):

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

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

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

Fair value sensitivity analysis for financial instruments:

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

Cash flow sensitivity analysis for financial instruments:

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

(b) Capital management:

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

The company is not subject to any externally-imposed capital requirements, except as shown in note 17(c).

23. Subsequent event

The World Health Organization declared the novel Coronavirus (COVID-19) outbreak a pandemic on March 11, 2020 and the Government of Jamaica declared the island a disaster area on March 13, 2020. The pandemic and the measures to control its human impact have resulted in disruptions to economic activity, business operations and asset prices. This could have significant negative financial effects on the company, depending on factors such as (i) the duration and spread of the outbreak, (ii) the restrictions and advisories from Government, (iii) the effects on the financial markets, and (iv) the effects on the economy overall, all of which are highly uncertain and cannot be estimated reliably.

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