Caribbean Flavours
& Fragrances

# Caribbean Flavours and Fragrances Limited

## Review of results for the year ended June 30, 2015

The Board of Directors of Caribbean Flavours and Fragrances Limited are please to present the Audited Financial Statements for the Financial Year ending June 30, 2015. The major highlights are as follows:

1. Revenue of $306.8 million or an increase of $51.4 million over the $255.36 million reported for the 2014 financial year.

2. Gross Profit of $113.45 million or 11.63% ($11.81 million) increase over the $101.63 million reported in 2014.
3. Net Profit of $57.71 million or 21.78% ($10.32 million) increase over the reported 2014 net profit of $47.39 million.

The impressive growth in net profits was driven by our ability to manage the operational expenses of the company whilst growing revenue at double digit rate.

The earnings per share for the 2015 period increased by 14.3% and is now at 64 cents per share compared to the 56 cents per share reported in 2014.

The economic environment has allowed the Company to grow its revenues and profits by securing new markets for fragrances and increasing the volume of sales of flavours to existing customers and new customers in foreign markets

Based on the outlook for the coming year, it is expected that the company will continue to improve its profits whilst increasing its market share in both the domestic and overseas markets.

The Board of Directors
August 26, 2015

**Caribbean Flavours And Fragrances Limited**
**Financial Statements**
**30 June 2015**

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McKENLEY
& ASSOCIATES
CHARTERED ACCOUNTANTS

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To the Members of
Caribbean Flavours and Fragrances Limited

**Independent Auditors' Report**

**Report on the Financial Statements**

We have audited the accompanying financial statements of Caribbean Flavours and Fragrances Limited (the "Company" or CFFL) set out on pages 1 to 32 which comprise the statement of financial position as at June 30, 2015, and the statement of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards of 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 about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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.

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To the Members of
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**Independent Auditors' Report**

**Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of Caribbean Flavours and Fragrances Limited as at June 30, 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and comply with the provisions of the Jamaican Companies Act.

**Other matter**

The Company was listed on the Junior Market of the Jamaica Stock Exchange on 2 October 2013, three (3) months after the beginning of its financial year end 30 June 2014 and as a consequence Caribbean Flavours and Fragrances was liable to pay income tax on profits of its operations for the three (3) months then ended, amounting to $3,153,000. This amount was incorrectly reflected in the statement of financial position as income tax recoverable instead of being expensed in the Company's statement of comprehensive income. The error was corrected and the 2014 figures restated. See note 20 for further details.

**Report on other Legal and Regulatory Requirements**

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

**Comparative information**

The financial statements of the previous year were audited by another firm of Chartered Accountants, who issued an unqualified opinion dated July 24, 2014.

McKenley + Associates

**Chartered Accountants**
**Kingston, Jamaica**

**18 August 2015**

**Caribbean Flavours and Fragrances Limited**
**Statement of Comprehensive Income**
**Year ended 30 June 2015**



| | Note | 2015 $'000 | 2014 $'000 Restated |
|---|---|---|---|
| **Revenue** | 3 | 306,807 | 255,362 |
| Cost of sales | | (193,355) | (153,727) |
| **Gross profit** | | 113,452 | 101,635 |
| Bad debt recovered | | 94 | 23 |
| Impairment of fixed asset | | - | (528) |
| Selling and distribution costs | 4 | (2,133) | (897) |
| Administrative expenses | 5 | (59,257) | (54,793) |
| **Operating profit** | | 52,156 | 45,440 |
| Net finance income | 6 | 5,560 | 5,748 |
| **Profit before tax** | | 57,716 | 51,188 |
| Taxation | 7 | - | * (3,794) |
| **Net profit** | | 57,716 | 47,394 |
| **Other Comprehensive Income** | | | |
| Items that may be subsequently reclassified to profit or loss- | | | |
| Unrealised gain/(loss) on available-for-sale investments | | | - |
| **Total Comprehensive Income for year** | | 57,716 | 47,394 |
| | | | |
| **Earnings per share** | 8 | $0.64 | *$0.56 |

*restated for comparative purposes. See note 20

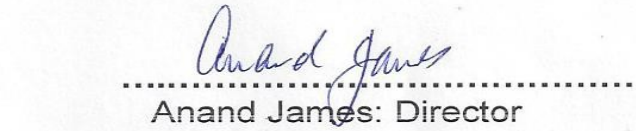
**Caribbean Flavours and Fragrances Limited**
**Statement of Financial Position**
**30 June 2015**

| | Note | 2015 $'000 | 2014 $'000 restated |
|---|---|---|---|
| **Non-Current Assets** | | | |
| Property, plant and equipment | 9 | 1,358 | 1,320 |
| **Current Assets** | | | |
| Inventories | 10 | 62,873 | 41,750 |
| Receivables | 11 | 60,914 | 47,893 |
| Taxation recoverable | | 4,085 | *4,214 |
| Investment | 12 | 50,000 | - |
| Cash and cash equivalents | 13 | 53,488 | 79,897 |
| | | 231,360 | 173,754 |
| **Current liabilities** | | | |
| Payables | 14 | 30,437 | 20,824 |
| Current portion of long term loan | 15 | - | 693 |
| | | 30,437 | 21,517 |
| **Net Current Assets** | | 200,923 | 152,237 |
| | | 202,281 | 153,557 |
| **Stockholders' Equity** | | | |
| Share capital | 16 | 56,200 | 56,200 |
| Retained earnings | | 146,081 | *97,357 |
| | | 202,281 | 153,557 |

* restated for comparative purposes. See note 20

**Approved for issue by the Board of Directors on 18 August 2015 and signed on its behalf by:**

Howard Mitchell: Director



Anand James: Director

**Caribbean Flavours and Fragrances Limited**
**Statement of Cash Flows**
**30 June 2015**

| | 2015 $'000 | 2014 $'000 Restated |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Profit for the year | 57,716 | *47,394 |
| **Items not affecting cash:** | | |
| Depreciation | 675 | 1,422 |
| Impairment of fixed assets | - | 528 |
| Interest income | (4,264) | (3,929) |
| Taxation | 120 | 3,794 |
| | 54,247 | 49,209 |
| **Changes in operating assets and liabilities** - | | |
| Inventories | (21,123) | (1,100) |
| Receivables | (13,021) | (6,502) |
| Payables | 9,613 | 9,478 |
| Taxation paid | (120) | (14,477) |
| Taxation recoverable | 129 | *(4,214) |
| | (24,522) | (16,815) |
| **Net cash provided by operating activities** | 29,725 | 32,394 |
| **Cash flows from investing activities** | | |
| Purchase of fixed assets | (713) | (16) |
| Purchase of investment | (50,000) | - |
| Interest received | 4,264 | 3,929 |
| Net cash (used in)/provided by investing activities | (46,449) | 3,913 |
| **Cash flows from financing activities** | | |
| Directors' current account | - | (1,472) |
| Repayment of loan | (693) | (1,127) |
| Shareholders' loan | - | (5,000) |
| Issue of shares | - | 50,580 |
| Dividend paid | (8,992) | (8,993) |
| Net cash (used in)/ provided by financing activities | (9,685) | 33,988 |
| **(Decrease) /increase in cash and cash equivalents** | (26,409) | 70,295 |
| Net cash and cash equivalents- beginning of year | 79,897 | 9,602 |
| **Cash and Cash Equivalents at End of Year** | 53,488 | 79,897 |
| | | |
| **Represented by:** | | |
| Cash on hand | 3,167 | 287 |
| Bank balances | 33,321 | 17,903 |
| Fixed deposits | 17,000 | 61,707 |
| | 53,488 | 79,897 |

* restated for comparative purposes. See note 20

**Caribbean Flavours and Fragrances Limited**
**Statement of Changes in Equity**
**30 June 2015**

| | Share Capital $'000 | Retained Earnings $'000 | Total $'000 |
|---|---|---|---|
| **Balance at 30 June 2012** | 5,620 | 20,124 | 25,744 |
| Net profit | - | 38,832 | 38,832 |
| **Balance at June 30, 2013** | 5,620 | 58,956 | 64,576 |
| Issue of shares | 50,580 | - | 50,580 |
| Net profit as previously reported | - | 50,547 | 50,547 |
| Prior year tax charge | - | (3,153) | *(3,153) |
| Net profit as restated | - | 47,394 | *47,394 |
| | 56,200 | 106,350 | 162,550 |
| Dividend paid | - | (8,993) | (8,993) |
| **Balance restated as at June 30, 2014** | 56,200 | 97,357 | 153,557 |
| Net Profit | - | 57,716 | 57,716 |
| Dividend paid | - | (8,992) | (8,992) |
| **Balance at 30 June 2015** | 56,200 | 146,081 | 202,281 |

* restated for comparative purposes. See note 20

## 1. IDENTIFICATION AND PRINCIPAL ACTIVITIES

Caribbean Flavours and Fragrances Limited ("the Company") is incorporated under the Companies Act of Jamaica and domiciled in Jamaica. Effective 2 October 2013, the Company was listed on the Junior Market of the Jamaica Stock Exchange.

Its principal activity is the manufacture and distribution of flavours, mainly for the beverage, baking and confectionary industries. Its registered office is located at 226 Spanish Town Road, Kingston 11.

These financial statements are presented using Jamaican dollars, which is considered the functional currency of the primary economic environment in which the Company operates.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal financial accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied over the years presented, unless otherwise stated.

### (a) Basis of preparation

The financial statements of Caribbean Flavours and Fragrances Limited have been prepared in accordance with and compliance with International Financial Reporting Standards (IFRS) under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are noted below:

**Critical Accounting estimates and assumptions**

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual events. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of preparation (continued)

**Critical Accounting estimates and assumptions (continued)**

**(i) Allowances for losses**

In determining amounts recorded for allowance for losses 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 accounts receivable and other financial assets. For example, a decrease in cash flow may result from repayment default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired financial assets, including the net realizable value of underlying collateral, as well as the timing of such cash flows. The adequacy of the allowance depends on the accuracy of these judgments and estimates.

**(ii) Depreciable assets**

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

**(iii) Income taxes**

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Company recognizes liabilities for possible tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were originally recorded, such differences will impact the income tax in the period in which such determination is made.

**(iv) Post-employment benefits**

Accounting for some post-employment benefits requires the use of actuarial techniques to make a realizable estimate of the amount of benefit that employees have earned in return for their service in the current and prior periods. The Company does not operate a defined benefit contribution pension scheme and therefore no judgment or estimate was required in this regard. The Company has implemented an individual retirement account (IRA) plan operated at a reputable financial institution for some categories of staff. The Company is only responsible to match employees' contributions to the plan.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of preparation (continued)

**Critical Accounting estimates and assumptions (continued)**

**(v) Accruals**

Amounts accrued for certain expenses are based on estimates and are included in payables and accruals.

**(vi) Net realizable value of inventories.**

Estimates of net realizable value are based on the most reliable evidence available, at the time the estimates are made, of the amounts the inventories are expected to realize. These estimates take into consideration fluctuations of price or costs 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.

**(vii) Fair value estimation**

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. A number of assets and liabilities included in the Company's financial statements require measurement or disclosure at fair value.

The fair value measurement of the Company's financial and non-financial assets and liabilities utilizes market observable inputs and data as far as possible. Inputs used in determining fair value measurement are categorized into different levels based on how observable the inputs that are used in the valuation technique. The fair value hierarchy is:

Level 1 Quoted unadjusted prices in active markets for identical assets or liabilities
Level 2 Observable direct or indirect inputs other than level 1 input
Level 3 Unobservable inputs that are not derived from market data

The classification of an item into the above level is based on the lowest level of inputs used that has a significant effect on the fair value measurement of the item. Transfer of items between levels is recognized in the period that they occur.

The fair value of financial instruments traded in active markets, such as available-for-sale investments, is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1 and comprise equity instruments traded on the Jamaica Stock Exchange (JSE).

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of preparation (continued)

**Standards, interpretations and amendments to published standards effective in current year**

- **Amendment to IAS 1, 'Financial statements presentation'** regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The Company has implemented the amendment and has adjusted the statement of comprehensive income for the current and prior periods.

- **IAS 19, 'Employee benefits'** the standard requires the Company to immediately recognise all past service costs. The Company has implemented the applicable requirements of the standard.

- **IFRS 12, 'Disclosures of interest in other entities'** includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. Where applicable, the Company has implemented the necessary and relevant disclosures of interest in other related entities.

- **IFRS 13, 'Fair value measurement'**, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for the use across IFRSs. The standard explains how to measure fair value for financial reporting. It defines fair value as 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. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The adoption of this standard did not have a significant impact on the financial statements of the Company.

- **IAS 32 (Amendment), 'Financial Instruments: Presentation',** (effective for annual periods beginning on or after 1 January 2014). This amendment clarifies the requirements for offsetting financial instruments and address inconsistencies in current practice when applying the offsetting criteria in IAS 32'Financial Instruments: Presentation'. The Company will apply the standard but does not expect any significant impact from its adoption.

- **IAS 36 (Amendments), 'Recoverable Amount Disclosures for Non-Financial Assets"** (effective for annual periods beginning on or after 1 January 2014). The amendments were issued to reverse the unintended requirement in IFRS 13, Fair Value Measurement to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, recoverable amount is required to be disclosed only when an impairment loss has been recognised or reversed

  The adoption of these standards will not have any significant impact on the financial statements of the Company.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of preparation (continued)

**New and amended standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Company**

At the date of authorisation of these financial statements, certain new standards and amendments to existing standards have been issued which were not yet effective at statement of financial position date, and which the Company has not early adopted. The Company has assessed the relevance of all such new standards, interpretations and amendments and they will be applied by the Company as of those dates, unless otherwise noted.

- **IFRS 9, 'Financial instruments'**, (effective for annual period beginning on or after 1 January 2018). The standard introduces new requirements for the classification, measurement and recognition of financial assets and financial liabilities, in order to ensure that relevant and useful information is presented to users of financial statements. It replaces those parts of IAS 39 relating to the multiple classification and measurement of financial instruments and now classification into two measurement categories: fair value and amortised cost. The determination of classification will be made at initial recognition, and depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instruments. Management is assessing the timing of its adoption by the Company, and the potential impact of adoption.

- **IFRIC 21, 'Levies',** sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to payment of a levy and when should a liability be recognised. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It requires an entity to recognise a liability for a levy when and only the triggering event specified in the legislation occurs.

  The Company is not subjected to any significant levies so any impact on the Company should not be material.

- **IFRS 15, 'Revenue from contract customers'** (effective for annual periods beginning on or after 1 January 2017). The objective of this standard is to establish the principles that an entity shall apply to report useful information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. Management is considering the impact of the adoption of this new standard.

The Company has assessed the impact of future adoption of the other IFRSs or IFRIC interpretations that are not yet effective and has determined that these standards are not expected to have any significant impact on the accounting policies or financial disclosures of the Company.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b)Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation.

Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation on all other property, plant and equipment is calculated on the straight-line basis at annual rates estimated to write-off the carrying value of the assets over the period of their estimated useful lives. Land is not depreciated. The annual rates are as follows:-

| | |
|---|---|
| Leasehold property & improvements | 10% |
| Buildings | 2 1/2% |
| Plant and machinery, furniture and fixtures, office equipment | 10% |
| Computer equipment | 33 1/3% |
| Motor vehicles | 25% |

The assets' residual values and useful life are reviewed periodically for impairment. Where an asset's carrying amount is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognized in other income in the statement of comprehensive income.

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

### (c)Inventories

Inventories are valued at the lower of cost, determined principally on a weighted average cost basis and fair value less costs to sell. Cost is determined as follows:

Finished goods : costs of product plus all indirect costs such as labour and appropriate allocations for overhead expenses to bring the product to a saleable condition.
Work-in-progress: cost of product, labour plus appropriate allocations for overhead expenses.
Goods-in-transit : cost of goods translated at the year- end exchange rate..

### (d)Foreign currency translations

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions.

Monetary items denominated in foreign currency are translated to Jamaican dollars using the closing rate at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated using the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value is determined.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (d)Foreign currency translations (continued)

Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognized in profit or loss.

### (e)Trade receivables

Trade receivables are carried at anticipated realisable value. A provision is made for impairment of trade receivables when it is established that there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the statement of comprehensive account.

### (f) Revenue recognition

Revenue is recognized in the statement of comprehensive income to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue from the sale of goods is recognized when the significant risk and rewards of ownership of goods have been passed to the buyers and the amounts of revenue can reliably be measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty.

Rental, other income and interest income are recognized as they accrue unless collectability is in doubt. Dividend income is recognized when the right to receive payment is established.

### (g)Current and deferred Income taxes

**Current**

Current tax charges are based on taxable profits for the year, which differ from the profit before tax reported because taxable profits exclude items that are taxable or deductible in other years, and items that are never taxable or deductible. The Company's liability for current tax is calculated at tax rates that have been enacted at the reporting date.

**Deferred tax**

Deferred tax is the tax that is expected to be paid or recovered on the differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (g) Current and deferred Income taxes (continued)

**Deferred tax (continued)**

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax is charged or credited to statement of income, except where it relates to items charged or credited to other comprehensive income or equity, in which case deferred tax is also dealt with in other comprehensive income or equity.

### (h) Financial instruments

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

**Financial assets**

The Company classifies its financial assets in the following category: loans and receivables and investments available for sale and held to maturity categories. The classification depends on the purpose for which the financial assets are acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables
These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market; they are principally through the provision of goods and services to customers (e.g. trade receivable) but also incorporate other types of contractual monetary assets. They are included in current assets and include short term investments, accounts receivable, other receivables and cash and cash equivalents.

Investments
*(i) Available-for-sale*

These are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

*(ii) Held-to-maturity*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the intention and ability to hold to maturity. Where the Company is required to sell other than an insignificant amount of held-to-maturity assets, the entire category would be compromised and reclassified as available-for-sale.

At the date of the statement of financial position, the Company held no investments in these categories.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Financial instruments (continued)

**Financial liabilities**

The Company's financial liabilities are initially measured at fair value, and are subsequently measured at amortized cost using the effective rate interest method. At the date of the statement of financial position, the following items were classified as financial liabilities: bank overdraft, current portion of long term loans and accounts payables and accruals.

### (i) Borrowing and borrowing costs

Bank and other borrowings are recognized initially at fair value, net of transactions costs incurred. Borrowings are subsequently stated at amortized cost.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in the statement of comprehensive income in the period in which they are incurred.

### (j) Dividends

Dividends on ordinary shares are recognized in stockholder's equity in the period in which they become legally payable. Interim dividends are due when declared and approved by the directors while final dividends are approved by shareholders at the Annual General Meeting.

Dividends for the year that are declared after the reporting date are disclosed in the subsequent events note.

### (k) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as an interest expense.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (l) Impairment of non-current assets

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the assets exceeds its recoverable amount, which is the greater of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identical cash flows.

***Calculation of recoverable amount and reversal of impairment.***

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation. Such reversal is recognized in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

### (m)Employee benefits

(i) Employee benefits include current or short term benefits such as salaries, statutory contributions paid, annual vacation and sick leave and non-monetary benefits such as medical care. Entitlement to annual leave and other benefits are recognized when they accrue to employees.
(ii) The Company does not operate a pension scheme
(iii) The Company does not have a formal profit-sharing or bonus plan in place for permanent employees.

### (n)Related parties

A related party is a person or entity that is related to the entity that is preparing the financial statements; referred to in IAS 24 Related Party Disclosures as the "reporting entity."

(a) **A person or a close member of that person's family is related to a reporting entity if that person:**
   (i) Has control or joint control over the reporting entity;
   (ii) Has significant influence over the reporting entity; or
   (iii) Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (n)Related parties (continued)

(b) **An entity is related to a reporting entity if any of the following conditions apply:**
- (i) The entity and the reporting entity are members of the same group.
- (ii) One entity is an associate or joint venture of the other entity.
- (iii) Both entities are joint ventures of the same third party
- (iv) One entity is 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 the employees of either the reporting entity or an entity related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a) above.
- (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.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

### (o)Earnings per share

The earnings per share is computed by dividing the profit attributable to the ordinary shareholders by the number of ordinary shares issued.

### (p)Segment reporting

An operating segment is a component of a company that engages in business activities from which it may earn revenues and incur expenses; whose operating results are regularly reviewed by the entity's Chief Operation Decision Maker ( CODM) to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Based on the information presented to and reviewed by the CODM, the entire operations of the Company are considered as one operating segment.

### (q)Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributed to the issue of ordinary shares are recognized as a deduction from equity.

### (r)Trade and other payables

Trade and other payables are stated at amortized cost.

### (s)Cash and cash equivalent

Cash and cash equivalent are carried at the statement of financial position date at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand and short term deposits with original maturities of three months or less, net of bank overdraft.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (t)Comparative balances

When necessary, comparative figures are reclassified to conform with changes in presentation in the current year.

## 3. REVENUE

Revenue represents the invoiced value of sales, net of General Consumption Tax, returns and discounts.

## 4. SELLING AND DISTRIBUTION COSTS

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Advertising and promotion | 1,346 | *777 |
| Motor vehicle | 787 | 120 |
| | 2,133 | 897 |

* reclassified for comparative purposes. Sabina Park Box reclassified to advertising and promotion

## 5. ADMINISTRATIVE EXPENSES

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Audit fee | 1,440 | 1,200 |
| Bank charges | 628 | 465 |
| Depreciation | 675 | 1,422 |
| Donations and subscriptions | 593 | 422 |
| Entertainment | 458 | 827 |
| Insurance | 1,514 | 1,416 |
| Rent | 7,200 | 7,200 |
| Legal and professional fees | 4,083 | 5,953 |
| Motor vehicle | 709 | 1,476 |
| Office and general | 1,659 | 969 |
| Asset tax and other | 120 | 130 |
| Printing and stationery | 401 | 510 |
| Minimum Business Tax | 120 | - |
| Repairs and maintenance | 1,758 | 1,010 |
| Staff costs (Note 17) | 23,288 | 14,709 |
| Security | 573 | 149 |
| Telephone and postage | 1,381 | 1,010 |
| Travelling | 1,925 | 2,344 |
| Utilities | 2,252 | 2,241 |
| Penalties fines and interest | - | 10 |
| Bad debts | - | 1,087 |
| Director's fees | 980 | 660 |
| Director's remuneration | 7,500 | 9,583 |
| | 59,257 | 54,793 |

## 6. NET FINANCE INCOME

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Interest income | 4,264 | 3,929 |
| Net foreign exchange gains | 1,317 | 1,937 |
| | 5,581 | 5,866 |
| Loan interest incurred | (21) | (118) |
| Net finance income | 5,560 | 5,748 |

## 7. TAXATION

Taxation is based on profit for the year adjusted for taxation purposes and comprises:

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Current taxation | - | * 3,153 |
| Deferred tax asset written back | - | 641 |
| | - | 3,794 |

The tax effect of difference between treatment of items for financial statements and taxation purposes is as follows:

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Profit before tax | 57,716 | * 51,188 |
| Taxation at 25% | 14,429 | 12,797 |
| Difference between depreciation and capital allowances | 68 | 283 |
| Expenses not allowed for tax purposes | 60 | 35 |
| Unrealized foreign currency conversion gain | - | (484) |
| Remission of tax (note i) | (14,557) | *(12,631) |
| **Current taxation** | NIL | NIL |

The 2014 figures were restated to match figures reported to Tax Administration Jamaica in the final 2014 income tax computation submitted after the financial statements were approved and issued by the Board.

No account is taken of deferred taxation during the year ended 30 June 2015 because the Company was granted a remission from income tax as a result of listing on the Junior Market of the Jamaica Stock Exchange (JSE), effective 2 October 2013.

**Remission of income tax**

By notice dated 13th August 2009, the Minister of Finance and the Public Service, issued and gazetted the Income Tax (Jamaica Stock Exchange Junior Market) (Remission) Notice, 2009. The Notice effectively granted a remission of income tax to eligible companies that were admitted to the Junior Market of the Jamaica Stock Exchange (JSE) if certain conditions were achieved after the date of initial admission.

* restated for comparative purposes. See note 20.

## 7. TAXATION (continued)

### Remission of income tax (continued)

Effective 2 October 2013, the Company's shares were listed on the Junior Market of the JSE. Consequently, the Company is entitled to a remission of income taxes for ten years in the following proportion:

Years 2014 - 2018 – 100% of standard rate
Years 2019 - 2023 – 50% of standard rate

Provided the following conditions are met:

(i) the Company remains 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 J$500 million

(iii) the Company has at least 50 Participating Voting Shareholders

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

### Government of Jamaica (GOJ) new taxes

Effective January 1, 2014, the Government of Jamaica enacted new tax measures to change the tax incentive regimes applicable to various industries. Given the current tax position of the Company, as disclosed in note (i) above these new tax measures have resulted in changes in the income tax and capital allowances computations but will not materially affect the Company's tax position until the end of the tax remission period. Some of these changes are as follows:

- Tax compliant entities are able to claim up to 30% of employer's and employees' statutory contributions (Employment Tax Credit (ETC)) against income tax for the year. Unused ETC , cannot be carried forward or refunded
- The maximum capital allowances on private motor vehicles, which were previously limited to J$3,200, increased to a maximum of US$35,000 and
- No initial allowances are given on the purchase of buildings; however, all other capital expenditure on buildings and other assets continue to attract initial allowances.
- A Minimum Business Tax of $60,000 was enacted, payable in two installments, June 15 and September 15 of each year by registered companies. This tax can be set-off against income tax liability for the financial year but cannot be carried forward if unused in the respective year.

## 7. TAXATION (continued)

### 2014 income tax expense

The Company was listed on the Junior Market of the Jamaica Stock Exchange on 2 October 2013, three (3) months after the beginning of its financial year end 30 June 2014 and as a consequence Caribbean Flavours and Fragrances Limited was liable to pay income tax on profits for the three (3) months amounting to $3,153,000. This amount was incorrectly reflected in the statement of financial position as income tax recoverable instead of being expensed in the Company's profit and loss account. This resulted in the net profit and earnings per share being overstated. The comparative 2014 figures have been restated to reflect the necessary changes. See note 20 for further details.

## 8. EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares in issue for the year.

| | 2015<br>$'000 | 2014<br>$'000 |
|---|---|---|
| Profit attributable to shareholders as previously reported | 57,716 | 50,547 |
| Prior year income tax adjustment | - | *(3,153) |
| Net profit as restated | 57,716 | *47,394 |
| Weighted average number of shares in issue | 89,920 | 84,300 |
| Earnings per share | 0.64 | *0.56 |

*Prior year figure adjusted. See note 20.

The 2014 profit and earnings per share were adjusted to account for the prior year income tax adjustment. See note 20.

## 9. PROPERTY, PLANT AND EQUIPMENT

| | 2015 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Leasehold Property | Leasehold Improvements | Land & Building | Plant, Machinery Furniture & Fixtures | Office Computer & Equipment | Motor Vehicles | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **At cost -** | | | | | | | |
| June 30, 2014 | 3,413 | - | - | 4,459 | - | 8,943 | 16,815 |
| Additions | - | - | - | 713 | - | - | 713 |
| June 30, 2015 | 3,413 | - | - | 5,172 | - | 8,943 | 17,528 |
| **Depreciation -** | | | | | | | |
| June 30, 2014 | 2,587 | - | - | 3,966 | - | 8,942 | 15,495 |
| Charge for the year | 341 | - | - | 334 | - | - | 675 |
| Relieved on disposal | - | - | - | - | - | - | - |
| June 30, 2015 | 2,928 | - | - | 4,300 | - | 8,942 | 16,170 |
| **Net Book Value -** | | | | | | | |
| June 30, 2015 | 485 | - | - | 872 | - | 1 | 1,358 |
| June 30, 2014 | 826 | - | - | 493 | - | 1 | 1,320 |

## 9. PROPERTY, PLANT AND EQUIPMENT (continued)

**2014**

| | Leasehold Property | Leasehold Improvements | Land & Building | Plant, Machinery Furniture & Fixtures | Office Computer & Equipment | Motor Vehicles | Total |
|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **At cost -** | | | | | | | |
| June 30, 2012 | 3,413 | 2,334 | 28,550 | 3,604 | 1,209 | 11,858 | 50,968 |
| Additions | - | - | - | 839 | - | - | 839 |
| Disposals | - | (2,334) | (28,550) | - | - | (2,915) | (33,799) |
| June 30, 2013 | 3,413 | - | - | 4,443 | 1,209 | 8,943 | 18,008 |
| Additions | - | - | - | 16 | - | - | 16 |
| Impairment | - | - | - | - | (1,209) | | (1,209) |
| At June 30, 2014 | 3,413 | - | - | 4,459 | - | 8,943 | 16,815 |
| **Depreciation -** | | | | | | | |
| June 30, 2012 | 2,025 | 391 | 5,347 | 3,175 | 560 | 9,066 | 20,564 |
| Charge for the year | 341 | - | - | 370 | 121 | 2,011 | 2,843 |
| Disposal | - | (391) | (5,347) | - | - | (2,915) | (8,653) |
| June 30, 2013 | 2,366 | - | - | 3,545 | 681 | 8,162 | 14,754 |
| Charge for the year | 221 | - | - | 421 | - | 780 | 1,422 |
| Impairment | - | - | - | - | (681) | | (681) |
| At June 30, 2014 | 2,587 | - | - | 3,966 | - | 8,942 | 15,495 |
| **Net Book Value -** | | | | | | | |
| June 30, 2014 | 826 | - | - | 493 | - | 1 | 1,320 |
| June 30, 2013 | 1,047 | - | - | 898 | 528 | 781 | 3,254 |

## 10. INVENTORIES

| **Inventories comprise:** | **2015 $'000** | **2014 $'000** |
|---|---|---|
| Raw materials | 40,391 | 33,787 |
| Finished goods | 8,783 | 2,334 |
| Resale goods | 13,699 | 5,629 |
| | 62,873 | 41,750 |

## 11. RECEIVABLES

| | **2015 $'000** | **2014 $'000** |
|---|---|---|
| Trade | 53,746 | 42,405 |
| Less: provision for bad debts | (501) | (501) |
| | 53,245 | 41,904 |
| Prepaid purchases | 6,606 | 5,263 |
| Prepaid insurance | 321 | 210 |
| Other | 742 | 516 |
| | 60,914 | 47,893 |

**There was no movement during the year in the allowance for doubtful debts account**

| | | |
|---|---|---|
| Balance at June 30 2015 and July 1 2014 | 501 | 501 |

The aging of trade receivables and related impairment was:

| | **2015 $'000** | **IMPAIRMENT $'000** | **2014 $'000** | **IMPAIRMENT $'000** |
|---|---|---|---|---|
| Current & past due 31 to 60 days | 51,419 | | 27,395 | |
| Past due 61 to 90 days | 1,156 | | 10,472 | |
| Past due over 90 days | 1,171 | 501 | 4,538 | 501 |
| | 53,746 | 501 | 42,405 | 501 |

## 12. INVESTMENT

This represents amounts advanced to a related entity, Derrimon Trading Company Limited at an interest rate of 10.25% and matures in September 2015.

| | **2015 $'000** | **2014 $'000** |
|---|---|---|
| 10.25% Derrimon Trading Company Limited | 50,000 | - |

## 13. CASH AND CASH EQUIVALENT

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Cash on hand | 3,167 | 287 |
| J$ bank balances | 9,227 | 8,839 |
| US$ and other foreign currency bank balances | 24,094 | 9,064 |
| Fixed deposits | 17,000 | 61,707 |
| | 53,488 | 79,897 |

## 14. PAYABLES

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Trade | 15,670 | 12,427 |
| General Consumption Tax (GCT) | 6,223 | 2,664 |
| Audit fee | 1,335 | 1,154 |
| Statutory contributions | 554 | 408 |
| Vacation leave | 500 | 553 |
| Customer deposits | 4,733 | 3,226 |
| Other | 1,422 | 392 |
| | 30,437 | 20,824 |

## 15. LONG TERM LOAN

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| 9% National Commercial Bank | - | 693 |
| Current portion | - | (693) |
| Balance : non-current | - | - |

This represents an initial amortised loan of $5,000,000 at an annual interest rate of 9% accruing on a daily basis, from National Commercial Bank. Repayment is $103,792, per month, inclusive of interest which commenced February 2010 for 60 months. The loan was repaid during 2014.

## 16. SHARE CAPITAL

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| **Authorized:** | | |
| 91,452,000 ordinary shares of no par value | | |
| **Issued and fully paid:** | | |
| 89,920,033 ordinary shares of no par value | 56,200 | 56,200 |

Effective 13 September, 2013, the shareholders passed a resolution to re-register as a public company under section 34 of the Companies Act 2004 and adopted new articles for that purpose. In addition, the following resolutions were passed:

- The authorized share capital be increased by 85,831,000 shares.
- That each of the existing 5,620,002 ordinary shares in the capital of the Company be subdivided into 12 ordinary shares and 11 ordinary shares be issued as bonus shares for each ordinary share held by the existing shareholders prior to the public issue.

By prospectus dated 18 September, 2013, 22,480,009 shares were offered to the general public at an invitation price of $2.25 per ordinary share.

## 17. STAFF COSTS

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Casual labour | 3,231 | 1,439 |
| Redundancy | 441 | - |
| Salaries and wages | 14,002 | 8,315 |
| Statutory contributions | 1,781 | 1,838 |
| Travelling allowance | 699 | - |
| Staff welfare | 2,049 | 1,646 |
| Staff training | 117 | 214 |
| Health and group life insurance | 968 | 704 |
| Vacation leave | - | 553 |
| | 23,288 | 14,709 |

The average number of persons employed full-time by the Company during the year was 14 and 1 part- time employee (2014-14 full-time).

## 18. FINANCIAL INSTRUMENTS

### (a) Financial risk management

The Company has exposure to credit risk, market risk and liquidity risk from its use of financial instruments in the ordinary course of business. Derivative financial instruments are not used to reduce exposure to fluctuations in interest and foreign exchange rates.

*(i)* **Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The maximum exposure to credit risk at the reporting date is represented by the carrying amount of each relevant financial asset.

**Cash and cash equivalents,**

The Company limits it exposure to credit risk by:

- Placing cash resources with substantial counterparties who they consider to be stable and have minimal risk of default and
- Investing in liquid securities with credit worthy institutions.

**Trade receivables**

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management has a credit policy in place under which each customer is analysed for credit worthiness prior to being offered credit. The Company does not require collateral in respect of trade and other receivables.

At the reporting date there were no significant concentration of credit risk in respect of the five (5) major customers that comprise over 47% (2014-57%) of the trade receivables balance. At 30 June 2015, amounts receivable from these customers aggregated approximately $25,364,052 (2014-$24,404,062)

**Due to related parties**

At the reporting date there were significant amounts receivable and paid in respect to amounts due from and to related parties.

There were no changes in the Company's approach to managing credit risk during the year.

## 18. FINANCIAL INSTRUMENTS (continued)

### (a) Financial risk management (continued)

#### *(i)* Credit risk (continued)

**Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Cash and bank balances | 36,488 | 18,190 |
| Accounts receivable | 53,245 | 41,904 |
| Fixed deposits | 17,000 | 61,707 |
| | 106,733 | 121,801 |

| **The aging of trade receivables at reporting date was***:* | | |
|---|---|---|
| Current: below 30 days | 41,748 | 20,097 |
| Past due 31-60 days | 9,671 | 7,298 |
| Past due 61-90 days | 1,156 | 10,472 |
| More than 90 days | 1,171 | 4,538 |
| | 53,746 | 42,405 |
| Provision for doubtful debt | (501) | (501) |
| | 53,245 | 41,904 |

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, with write-offs made if attempts to collect fail and the amount is deemed uncollectible by management.

#### *(ii)* Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at or close to its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities.

Liquidity risk is managed by the Company by maintaining committed lines of credit and by efficiently managing the Company's cash cycle. At the end of the reporting period, the Company was not exposed to any liquidity risk as current assets significantly exceeded current liabilities.

**18. FINANCIAL INSTRUMENTS (continued)**

**(a) Financial risk management (continued)**

*(ii)* **Liquidity risk (continued)**

| | 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Carrying Amount $ | Contractual Cash Flows $ | 6 months or less $ | 6-12 months $ | 1-2 Years $ | 2-5 Years $ |
| Accounts payable | 30,437 | 30,437 | 30,437 | - | - | - |
| Long-term liabilities | - | - | - | - | - | - |
| Total financial liabilities | 30,437 | 30,437 | 30,437 | - | - | - |

| | 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Carrying Amount $ | Contractual Cash Flows $ | 6 months or less $ | 6-12 months $ | 1-2 Years $ | 2-5 Years $ |
| Accounts payable | 20,824 | 20,824 | 20,824 | - | - | - |
| Long-term liabilities | 693 | 726 | 622 | 104 | - | - |
| Total financial liabilities | 21,517 | 21,550 | 21,446 | 104 | - | - |

*(iii)* **Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market prices. These arise mainly from changes in interest rates and foreign exchange rates and will affect the Company's income or the value of its holdings of financial instruments.

*(iv)* **Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Subject to normal conditions, the Company materially contracts financial liabilities at fixed interest rates for the duration of the term. Interest- bearing financial assets are primarily represented by cash and cash equivalents. Interest –bearing financial liabilities are represented by bank overdrafts and long term loans At the reporting date, there were no bank overdrafts or long term loans.

## 18. FINANCIAL INSTRUMENTS (continued)

### (a) Financial risk management (continued)

#### *(iv)* Interest rate risk (continued)

Financial instruments are subject to interest as follows:

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| **Fixed rate instruments:** | | |
| Financial assets | 100,321 | 79,610 |
| Financial liabilities | - | 693 |
| | 100,321 | 78,917 |

**At the statement of financial position there were no variable rate instruments:**

***Cash flow sensitivity analysis for variable rate instruments***

An increase or decrease in basis points in interest rates at the reporting date would not have increased/ (decreased) profit for the year because there were no variable instruments held by the Company at 30 June 2015.

#### *(v)* Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates, primarily the United States Dollars (US$) and Euro (€).

**Exposure to currency risk**

At June 30, 2015 the Company incurred foreign currency risk primarily on cash and cash equivalents, purchases and receivables that are denominated in a currency other than the Jamaican dollar. The principal foreign currency exposures of the Company are denominated in United States dollars (US$).

Exposure to foreign currency risk on US$ denominated balances were as follows:

| | | 2015 $'000 | 2014 $'000 |
|---|---|---|---|
| Cash and cash equivalent | | 159 | 74 |
| Accounts receivable | | 87 | 112 |
| Accounts payable | | (159) | (106) |
| | US$ | 87 | 80 |
| Equivalent to | J$ | 10,128 | 9,020 |

## 18. FINANCIAL INSTRUMENTS (continued)

### (a) Financial risk management (continued)

#### *(v)* Foreign currency risk

Exposure to foreign currency risk on Euro (€) denominated balances were as follows:

| | | 2015 $'000 | 2014 $'000 |
|---|---|---|---|
| Cash and cash equivalent | € | 49 | 5 |
| Equivalent to | J$ | 6,360 | 756 |

Exchange rates in terms of the Jamaican dollar ($) to the Unites States dollar (US$) and Euro (€) were as follows:

| | US$ | € |
|---|---|---|
| At June 30, 2015 | 116.98 | 130.45 |
| At June 30, 2014 | 112.15 | 152.97 |

***Sensitivity Analysis***

Changes in the exchange rates of the Jamaican dollar ($) to the Unites States dollar (US$) and the Euro (€) would have the effects on profit as described below:

| | Increase/(decrease) in profit for the year | |
|---|---|---|
| | 2015 $'000 | 2014 $'000 |
| **10% (2014:10%) strengthening** of the US$ and Euro (€) against the J$ | 1,649 | 978 |
| **1% (2014 : 1%) weakening** of the US$ and Euro (€) against the J$ | (165) | (98) |

The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2014

## 18. FINANCIAL INSTRUMENTS (continued)

### (b) Capital management

The Company manages the adequacy of capital by managing the returns on equity and borrowed funds to protect against losses on its business activities so as to be able to generate an adequate level of return for its stockholders. As a condition of its long term loans, the Company is required to have positive stockholders' equity. There are no other externally imposed capital requirements and there have not been any changes in the Company's approach to managing capital during the year.

### (c) Fair value of financial instruments

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.

The following methods and assumptions have been used:

(i) The fair values of cash and cash equivalents, accounts receivable, due from related parties and accounts payable are assumed to approximate their carrying values due to their relatively short-term nature.
(ii) The carrying value of long-term loans approximate the fair values as these loans are carried at amortised cost reflecting their contractual obligations and the interest rates are reflective of market rates for similar loans.

## 19. COMMITMENTS AND CONTINGENCIES

Apart from commitments to financial institutions, the management and directors of the Company were not aware of any significant claims, disputes and legal proceedings against the Company that could result in any material contingent liability.

## 20. RESTATEMENT

### Prior year adjustments

The Company was listed on the Junior Market of the Jamaica Stock Exchange (JSE) on 2 October 2013, three (3) months after the beginning of its financial year ended at 30 June 2014 and as a consequence Caribbean Flavours and Fragrances Limited was liable to pay income tax on profits for the three (3) months amounting to $3,153,000 as the tax remission under the Income Tax Act (Junior Market Companies) only related to the 9 months period subsequent to the listing on the JSE. This amount was incorrectly reflected as recoverable in the statement of financial position instead of being reflected as an expense in the Company's profit and loss account. The comparative 2014 figures for income tax, net profit, retained earnings and earnings per share have been restated to reflect the adjustment.

## 20. RESTATEMENT (continued)

### Prior year adjustments (continued)

The amount was adjusted retrospectively in accordance with the requirements of IAS 8 and the impact of this prior year adjustment is as follows:

| | Effect on Statement of Financial Position '000 | Effect on Comprehensive Income $'000 | Effect on Taxation $'000 | Effect on Retained Earnings $'000 |
|---|---|---|---|---|
| Balance at 30 June 2014 as previously reported | 7,367 | 50,547 | 641 | 100,510 |
| Effect of prior year adjustment: (decrease)/increase | (3,153) | (3,153) | 3,153 | (3,153) |
| Balance as restated at 30 June 2014 | 4,214 | 47,394 | 3,794 | 97,357 |

### Earnings per share

The earnings per share were also restated as follows:

| | Before 2014 | After 2014 |
|---|---|---|
| Balance at 30/6/2014 | $0.60 | $0.56 |

## 21. RELATED PARTIES TRANSACTIONS AND BALANCES

(a) The statement of comprehensive income includes the following related party transactions

| | 2015 $ | 2014 $ |
|---|---|---|
| **Key management compensation:** | | |
| Salaries | 7,500,000 | 9,583,333 |
| **Rental expense:** | | |
| Paid to a related company | 7,200,000 | 7,200,000 |
| **Interest income:** | | |
| Paid to a related company | 2,695,890 | - |

## 22. EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

As at 18 August 2015 the date these financial statements were approved and signed, management was not aware of any material subsequent event that should be disclosed to stakeholders.

**SHAREHOLDINGS OF TOP TEN (10) STOCKHOLDERS, DIRECTORS AND SENIOR OFFICERS AS AT JUNE 30, 2015.**

| **TOP (10) STOCKHOLDERS** | NUMBER OF SHARES HELD |
|---|---|
| DERRIMON TRADING COMPANY LIMITED | 44,078,122 |
| ANAND JAMES | 11,689,604 |
| JOAN JAMES | 11,689,604 |
| ANTHONY JAMES | 4,445,000 |
| MAYBERRY WEST INDIES BANK LIMITED | 3,597,002 |
| MAYBERRY MANAGED CLIENTS ACCOUNT | 3,418,447 |
| KONRAD BERRY | 1,768,214 |
| CATHERINE ADELIA PEART | 1,711,330 |
| MANWEI INTERNATIONAL LIMITED | 975,828 |
| MAYBERRY INVESTMENTS LTD. PENSION SCHEME | 781,275 |
| **DIRECTORS** | |
| ANAND JAMES | 11,689,604 |
| JOAN JAMES | 11,689,604 |
| HOWARD MITCHELL | 444,395 |
| CLIVE NICHOLAS | 100,000 |
| WILFORD HEAVEN | 0 |
| DERRICK COTTERELL | 0 |
| IAN KELLY | 0 |
| **SENIOR MANAGERS** | |
| ANAND JAMES | 11,689,604 |
| JANICE LEE | 0 |
| RHONDE MCPHERSON | 0 |
| **CONNECTED PARTIES** | |
| ANTHONY JAMES (SON OF MANAGING DIRECTOR) | 4,445,000 |
| DERRICK COTTERELL (DIRECTOR OF DERRIMON TRADING LTD) | 0 |
| IAN KELLY (DIRECTOR OF DERRIMON TRADING LTD) | 0 |