

CARIBBEAN FLAVOURS
AND FRAGRANCES LIMITED
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

CARIBBEAN FLAVOURS
AND FRAGRANCES LIMITED
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

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Lee Clarke Chang

Chartered Accountants

9 Cargill Avenue
Kingston 10

Telephone: (876) 926-4546

(876) 926-6310

Telefax: (876) 960-7383

Email: leeclarke@cwjamaica.com

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INDEPENDENT AUDITORS' REPORT

To The Members of
Caribbean Flavours and Fragrances Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Caribbean Flavours and Fragrances Limited set out on the pages 3 to 27 which comprise the Company's statement of financial position as at June 30, 2014, statement of comprehensive income, statements of 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 and the fair presentation of these financial statements 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 misstatement, 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 on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 controls. 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.

INDEPENDENT AUDITORS' REPORT

Members of Caribbean Flavours and Fragrances Limited

Report on the Financial Statements Cont'd.

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at June 30, 2014 and of the 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.

Report on other Legal and Regulatory Requirements

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 purpose of our audit.

In our opinion, proper accounting records have been maintained and the financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

A handwritten signature in black ink, reading "Lee Clarke Chang". The signature is written in a cursive, flowing style with large, connected letters.

August 25, 2014

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED**STATEMENT OF COMPREHENSIVE INCOME****YEAR ENDED JUNE 30, 2014**

	<u>Note</u>	<u>2014</u> <u>\$'000</u>	<u>2013</u> <u>\$'000</u>
REVENUE	3	255,362	229,892
Cost of sales		(153,727)	(137,609) *
Gross profit		101,635	92,283
Profit on disposal of fixed asset		-	14,854
Bad debt recovered		23	-
Impairment of fixed asset		(528)	-
Selling and distribution costs	4	(897)	(1,128) *
Administrative expenses	5	(54,793)	(58,218)
Net finance income	6	<u>5,748</u>	<u>2,597</u>
Profit before tax		51,188	50,388
Taxation	7	(641)	(11,556)
Net profit		<u>50,547</u>	<u>38,832</u>
Earnings per share	8	<u>\$0.60</u>	<u>\$0.58</u>

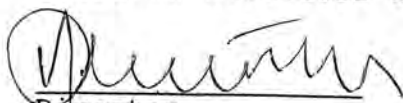
* Restated (Note 20)

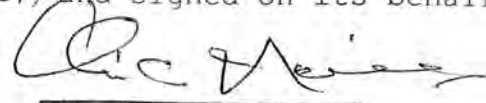
STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 2014

<u>ASSETS</u>	<u>Note</u>	<u>2014</u> <u>\$'000</u>	<u>2013</u> <u>\$'000</u>
Current assets			
Cash and bank balances		18,190	9,602
Receivables and prepayments	9	47,893	41,391
Inventories	10	41,750	40,650
Fixed deposit		61,707	-
Taxation recoverable		7,367	-
		<u>176,907</u>	<u>91,643</u>
Non-current assets			
Property, plant and equipment	11	1,320	3,254
Deferred tax	12	-	641
		<u>1,320</u>	<u>3,895</u>
Total assets		<u>178,227</u>	<u>95,538</u>
LIABILITIES AND EQUITY			
Current liabilities			
Payables and accruals	13	20,824	11,346
Taxation		-	11,324
Current portion of long term loan	14	693	1,082
Directors' current account		-	1,472
		<u>21,517</u>	<u>25,224</u>
Non-current liabilities			
Loan	14	-	738
Shareholders' loan	15	-	5,000
		<u>-</u>	<u>5,738</u>
		<u>-</u>	<u>30,962</u>
Equity			
Share capital	16	56,200	5,620
Retained earnings		100,510	58,956
		<u>156,710</u>	<u>64,576</u>
Total liabilities and equity		<u>178,227</u>	<u>95,538</u>

The financial statements on pages 3 to 27 were approved for issue by the Board of Directors on August 25, 2014 and signed on its behalf by:


 Director
 HOWARD MITCHELL


 Director

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED JUNE 30, 2014

	<u>Share Capital \$'000</u>	<u>Retained Earnings \$'000</u>	<u>Total \$'000</u>
Balance at June 30, 2011	5,620	15,840	21,460
Net profit	-	4,284	4,284
Balance at June 30, 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	-	50,547	50,547
Dividend paid	-	(8,993)	(8,993)
Balance at June 30, 2014	<u>56,200</u>	<u>100,510</u>	<u>156,710</u>

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED**STATEMENT OF CASH FLOWS****YEAR ENDED JUNE 30, 2014**

	<u>2014</u> \$' 000	<u>2013</u> \$' 000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the year	50,547	38,832
Adjustments for non-cash income and expenses:		
Depreciation	1,422	2,843
Profit on sale of fixed assets	-	(14,854)
Impairment of fixed assets	528	-
Exchange gain on foreign currency balances	-	(71)
Interest income	(3,929)	(237)
Taxation	641	11,556
	<u>49,209</u>	<u>38,069</u>
Changes in operating assets and liabilities -		
Inventories	(1,100)	739
Receivables and prepayments	(6,502)	(5,926)
Payables and accruals	9,478	(4,099)
Taxation paid	(11,324)	(3,833)
Taxation recoverable	(7,367)	-
	<u>(16,815)</u>	<u>(13,119)</u>
Net cash provided by operating activities	<u>32,394</u>	<u>24,950</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(16)	(839)
Proceeds from sale of fixed assets	-	40,000
Interest received	3,929	237
Net cash provided by investing activities	<u>3,913</u>	<u>39,398</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Directors' current account	(1,472)	(60,459)
Repayment of loan	(1,127)	(1,031)
Shareholders' loan	(5,000)	(6,488)
Issue of shares	50,580	-
Dividend paid	(8,993)	-
Net cash provided by / (used in) financing activities	<u>33,988</u>	<u>(67,978)</u>
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	70,295	(3,630)
Effect of changes in exchange rates on cash balances	-	71
Net cash and cash equivalents- Beginning of Year	<u>9,602</u>	<u>13,161</u>
NET CASH AND CASH EQUIVALENTS- END OF YEAR	<u>79,897</u>	<u>9,602</u>
Represented by:		
Cash on hand	287	354
Bank balances	17,903	9,248
Fixed deposit	61,707	-
	<u>79,897</u>	<u>9,602</u>

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

1. IDENTIFICATION:

The company is incorporated under the Companies Act of Jamaica and domiciled in Jamaica. Its principal activity is the manufacture and distribution of flavours, mainly for the beverages, baking and confectionary industries.

Its registered office is located at 226 Spanish Town Road, Kingston 11.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION:

The principal accounting policies applied in the preparation of these financial statements are noted below and they are consistently applied to all the years presented in the financial statements, unless otherwise stated.

(a) Basis of preparation -

(i) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards and their interpretations issued by the International Accounting Standard Board, and comply with the Jamaican Companies Act.

(ii) Basis of Measurement

The financial statements have been prepared on the historical cost basis.

(iii) Functional and presentation currency

These financial statements are presented in Jamaican dollars, which is the Company's functional currency.

(iv) Going concern

The Company's financial statements have been prepared on the going concern basis which anticipates that the Company will be in operation for the foreseeable future.

(v) New standards, interpretations and amendments that became effective during the year.

Certain new or amended IFRS's and Interpretation to Existing Standards (IFRICs) became effective as of July 1 2013, the beginning of the Company's financial year. Those that became effective during the year and which management considered relevant to the Company's operations are:

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(a) **Basis of preparation (cont'd) -**

(v) **New standards, interpretations and amendments that became effective during the year cont'd:**

IAS 1 Presentation of Financial Statements:

Presentation of items of Other Comprehensive Income (effective July 1, 2013) has been amended to require an entity to present separately the items of other comprehensive income (OCI) that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. Consequently, an entity that presents its items of OCI before related tax effects will also have to allocate the aggregated tax amount between these sections. The existing option, to present the profit or loss and other comprehensive income in two statements, has not changed. However, an entity is still allowed to use other titles.

IFRS 13, Fair Value Measurement:

This is effective for annual reporting periods beginning on or after January 1, 2014, defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value and is applicable to assets, liabilities and an entity's own equity instruments that, under other IFRSs, are required or permitted to be measured at fair value, or when disclosure of fair values is provided. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(a) Basis of preparation (cont'd) -

(v) New standards, interpretations and amendments to existing standards not yet effective:

IFRS 9 Financial Instruments

This is effective for annual reporting periods beginning on or after January 1, 2015. The revised IFRS will supersede the previous version of IFRS 9 issued in 2009. The standard retains but simplifies the mixed measurement model and establishes two primary categories for financial assets: amortised cost and fair value. The revised standard includes guidance on classification and measurement of financial liabilities designated as fair value through profit or loss and incorporates certain existing requirements of IAS 39 Financial Instruments: recognition and measurement of the recognition and de-recognition of financial assets and financial liabilities.

(b) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, contingent assets and contingent liabilities and the total comprehensive income and expenses in the financial statements and accompanying notes. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis and any adjustments that may be necessary would be reflected in the period in which actual results are known. The areas involving a higher degree of judgment in complexity are areas where assumptions or estimates are significant to the financial statements such as:

(i) Accruals

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

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(b) Use of estimates and judgements (cont'd)

(ii) Property, plant and equipment

Management exercises judgement in determining whether cost incurred can accrue significant future economic benefits to the Company to enable the value to be treated as a capital expense.

Further judgement is applied in the annual review of the useful lives of all categories of property, plant and equipment and their expected utility to the Company resulting in the depreciation determined thereon.

(iii) Provision for impairment of receivables

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

(iv) Net realizable value of inventories

Estimates of net realizable value are based on most realisable 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 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.

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(c) **Property, plant and equipment -**

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

Depreciation is calculated on the straight-line basis at annual rates estimated to write-off the cost of fixed assets over their expected useful lives. The annual rates are as follows:-

Leasehold property & improvements	10%
Buildings	2 ½%
Plant and machinery, furniture & fixtures, office equipment	10%
Computer equipment	33 ⅓%
Motor vehicles	25%

The assets' residual values and useful lives 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.

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2014****2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):****(d) Inventories -**

Inventories are valued at the lower of cost, determined principally on an average cost basis, and net realizable value. Costs of material, labour and appropriate allocations for overhead expenses are included in work-in-progress and manufactured finished goods.

(e) Foreign currency translations -

Balances in foreign currencies are translated at the rate of exchange ruling at the statement of financial position date. Transactions during the year are translated at the exchange rate prevailing at the date of the transactions. Gains or losses on translation are dealt with in the statement of comprehensive income.

Exchange rates are determined by the weighted average rate at which Commercial Banks trade in foreign currencies as published by the Central Bank.

(f) Trade receivables

Trade receivables are carried at anticipated realizable 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 uncollectable, it is written off against the allowance account for trade receivable. Subsequent recoveries of amounts previously written off are credited in the statement of comprehensive income.

(g) Revenue recognition -

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

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2014****2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):****(h) Income taxes -**

Taxation on profits comprises current and deferred income tax. Income tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

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

Deferred tax is provided using the statement of financial position liability method, providing 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 statement of financial position date.

(i) Financial instruments -

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of the financial statements, financial assets have been determined to include cash and cash equivalents and accounts receivable; financial liabilities represent accounts payable and directors' current account.

(j) Borrowing and borrowing costs -

Bank and other borrowings are recognized initially at cost. Borrowings are subsequently stated at amortized cost, with any difference between cost and redemption value being recognized in the statement of comprehensive income over the period of the borrowing on an effective interest basis.

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2014****2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):****(j) Borrowing and borrowing costs (cont'd)-**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of these assets. 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.

(k) Dividends

Dividends on ordinary shares are recognized in stockholders' 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.

(l) 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.

The expense relating to any provision is charged to the statement of comprehensive income net of any reimbursement.

(m) Impairment

The Company assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less cost to sell and its value in use and is determined of an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2014****2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):****(m) Impairment (cont'd)**

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the statement of comprehensive income.

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.

(n) Employee benefits

Employee benefits include current or short term benefits such as salaries, statutory contributions paid, annual vacation and sick leave, non-monetary benefits such as medical care. Entitlement to annual leave and other benefits are recognized when they accrue to employees.

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2014****2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):****(o) 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".

(a) A person or 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.

(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).

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2014****2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(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.

(p) 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.

(q) Comparative balances -

When necessary, comparative figures are reclassified to conform with changes in presentation in the current year in relation to the fair values presentation of financial assets and liabilities.

3. REVENUE:

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

4. SELLING AND DISTRIBUTION COSTS:

	<u>2014</u> <u>\$'000</u>	<u>2013</u> <u>\$'000</u>
Advertising and promotion	435	560
Motor vehicle	120	252
Sabina Park Box	<u>342</u>	<u>316</u>
	<u>897</u>	<u>1,128</u>

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2014****5. ADMINISTRATIVE EXPENSES:**

	<u>2014</u> <u>\$'000</u>	<u>2013</u> <u>\$'000</u>
Audit fee	1,200	1,050
Bank charges	465	467
Depreciation	1,422	2,843
Donations and subscriptions	422	358
Entertainment	827	909
Insurance	1,416	1,177
Rent	7,200	1,200
Legal and professional fees	5,953	6,544
Motor vehicle	1,476	1,361
Office and general	969	1,206
Asset tax - current year	30	100
- prior year	100	100
Printing and stationery	510	189
Repairs and maintenance	1,010	2,921
Staff costs (Note 17)	14,709	14,531
Security	149	140
Telephone and postage	1,010	969
Travelling	2,344	2,571
Utilities	2,241	2,117
Penalties fines and interest	10	209
Bad debts	1,087	(244)
Directors' fees	660	10,000
Director's remuneration	9,583	7,500
	<u>54,793</u>	<u>58,218</u>

6. NET FINANCE INCOME

	<u>2014</u> <u>\$'000</u>	<u>2013</u> <u>\$'000</u>
Interest income	3,929	237
Foreign exchange conversion gains	1,937	2,794
Loan interest	(118)	(434)
	<u>5,748</u>	<u>2,597</u>

7. TAXATION:

The charge for taxation is based on the profit for the year adjusted for taxation purposes and is calculated at 30% of profits earned from July to December 2013 and 25% of profits earned from January 2014 to year end which is an average of 27.5% (2013:33 1/3%).

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2014****7. TAXATION CONT'D:**

	<u>2014</u> <u>\$'000</u>	<u>2013</u> <u>\$'000</u>
Current taxation	-	12,614
Deferred taxation (note 12)	-	(1,058)
Deferred tax asset written back	641	-
	<u>641</u>	<u>11,556</u>

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

	<u>2014</u> <u>\$'000</u>	<u>2013</u> <u>\$'000</u>
Profit before tax	<u>50,541</u>	<u>50,388</u>
Taxation at 27.5% (2013:25%)	13,900	12,597
Difference between depreciation and capital allowances	312	2,224
Income not subjected to tax	-	(3,713)
Expenses not allowed for tax purposes	1,731	1,524
Unrealised foreign currency conversion gain	(22)	(62)
Unrealised foreign currency conversion loss	15	44
Remission of tax	<u>(15,936)</u>	<u>-</u>
Current taxation	<u>NIL</u>	<u>12,614</u>

Remission of income tax:

The company's shares were listed on the junior market of the Jamaica Stock Exchange effective October 2, 2013. Consequently, the company is entitled to a remission of taxes for ten (10) years in the proportions set out below, provided the shares remain listed for at least fifteen (15) years:

Years 1 to 5 - 100%
Years 5 to 10 - 50%

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

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2014****8. EARNINGS PER SHARE:**

	<u>2014</u> <u>\$'000</u>	<u>2013</u> <u>\$'000</u>
Profit attributable to shareholders	<u>50,547</u>	<u>38,832</u>
Weighted average number of shares in issue	<u>84,300</u>	<u>67,440</u>
Earnings per share	<u>\$0.60</u>	<u>\$0.58</u>

9. RECEIVABLES AND PREPAYMENTS:

	<u>2014</u> <u>\$'000</u>	<u>2013</u> <u>\$'000</u>
Trade	42,405	38,176
Less: provision for bad debts	(501)	-
	<u>41,904</u>	<u>38,176</u>
Prepaid purchases	5,263	2,488
Prepaid insurance	210	283
Other	<u>516</u>	<u>444</u>
	<u>47,893</u>	<u>41,391</u>

The movement in allowance for doubtful debts is as follows:

	<u>2014</u> <u>\$'000</u>	<u>2013</u> <u>\$'000</u>
Balance at July 1	-	1,347
Debts recovered	-	(377)
Debts written off	-	(970)
Provision for the year	<u>501</u>	<u>-</u>
Balance at June 30	<u>501</u>	<u>-</u>

10. INVENTORIES:

Inventories comprise:

	<u>2014</u> <u>\$'000</u>	<u>2013</u> <u>\$'000</u>
Raw materials	33,787	25,562
Finished goods	2,334	2,968
Resale goods	<u>5,629</u>	<u>12,120</u>
	<u>41,750</u>	<u>40,650</u>

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

11. PROPERTY, PLANT AND EQUIPMENT:

	Leasehold Property	Lease 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
Addition	-	-	-	839	-	-	839
Disposal	-	(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

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

12. DEFERRED TAXATION:

Deferred tax is calculated on all temporary differences under the liability method using a tax rate of 25% (2013:33 1/3%).

The movement in deferred tax balance is as follows:

	<u>2014</u> <u>\$'000</u>	<u>2013</u> <u>\$'000</u>
Deferred tax (asset)/liability at beginning of year	(641)	417
Debit/(credit) to statement of comprehensive income (note 7)	<u>641</u>	<u>(1,058)</u>
Deferred tax asset at end of year	<u>-</u>	<u>(641)</u>

13. PAYABLES AND ACCRUALS:

	<u>2014</u> <u>\$'000</u>	<u>2013</u> <u>\$'000</u>
Trade	12,427	4,466
GCT	2,664	2,389
Audit fee	1,154	1,050
Statutory contributions	408	337
Vacation leave	553	396
Customer deposit	3,226	-
Other	<u>392</u>	<u>2,708</u>
	<u>20,824</u>	<u>11,346</u>

14. LONG TERM LOAN:

	<u>2014</u> <u>\$'000</u>	<u>2013</u> <u>\$'000</u>
National Commercial Bank	693	1,820
Current portion	<u>(693)</u>	<u>(1,082)</u>
Non-current	<u>-</u>	<u>738</u>

This represents an 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 is guaranteed by a director. There is no charge for the guarantee.

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2014****15. SHAREHOLDERS' LOAN**

This represents amounts advanced to the Company by the shareholders. The loan was fully repaid during the year.

16. SHARE CAPITAL:

	<u>2014</u> <u>\$'000</u>	<u>2013</u> <u>\$'000</u>
Authorised:		
91,452,000 ordinary shares of no par value (2013: 5,621,000)		
Issued and fully paid:		
89,920,033 ordinary shares of no par value	<u>56,200</u>	<u>5,620</u>

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 authorised 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:

	<u>2014</u> <u>\$'000</u>	<u>2013</u> <u>\$'000</u>
Casual labour	1,439	1,796
Salaries and wages	8,315	7,873
Statutory contributions	1,838	1,649
Staff welfare	1,646	1,874
Staff training	214	279
Health and group life insurance	704	664
Vacation leave	553	396
	<u>14,709</u>	<u>14,531</u>

The average number of persons employed full-time by the Company during the year was 14 (2013- 12).

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

18. FINANCIAL INSTRUMENTS:

(a) **Financial instrument risks:**

Exposure to financial instrument risks arises in the ordinary course of the Company's business. Derivative financial instruments are not presently used to reduce exposure to these risks.

(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.

Trade receivables:

Management has a credit policy in place to minimize exposure to credit risk. Credit evaluations are performed on all customers requiring credit. The Company generally does not require collateral in respect of trade receivables. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Credit limits and company limits for all customers are reviewed at least annually, against the customers' payment history, assessment of customers' credit risk and sales department information.

Cash and cash equivalents:

Cash and cash equivalents are placed with counterparties believed to have minimal risk of default.

No provision for impairment is deemed necessary.

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:

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2014****18. FINANCIAL INSTRUMENTS (CONT'D):****(a) Financial instrument risks (cont'd):****(i) Credit risk:**

	<u>2014</u> <u>\$'000</u>	<u>2013</u> <u>\$'000</u>
Cash and bank balances	18,190	9,602
Accounts receivable	41,904	38,176
Fixed deposits	61,707	-
	<u>121,801</u>	<u>47,778</u>

The aging of trade receivables at reporting date was:

	<u>2014</u> <u>\$'000</u>	<u>2013</u> <u>\$'000</u>
Current: below 30 days	20,097	18,666
Past due 31-60 days	7,298	11,618
Past due 61-90 days	10,472	4,443
More than 90 days	4,538	3,449
	42,405	38,176
Provision for doubtful debt (501)	(501)	-
	<u>41,904</u>	<u>38,176</u>

Exposure to credit risk:

The allowance account in respect of trade receivables is used to record impairment losses, unless management is satisfied that no recovery of the amount owing is possible. At that point the amount considered irrecoverable is written off directly against the receivable balance.

(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 keeping lines of credit available and by efficiently managing the Company's cash cycle.

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2014****18. FINANCIAL INSTRUMENTS (CONT'D):****(a) Financial instrument risks (cont'd):****(ii) Liquidity risk cont'd:**

At the end of the reporting period, the Company was not exposed to any liquidity risk as current assets significantly exceeded current liabilities.

(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 holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(a) 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. At June 30, 2014, there was no significant exposure to interest rate risk.

(b) 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, 2014 there was no significant exposure to foreign exchange risk as the Company had foreign payables amounting to US\$105,715.94, foreign receivables amounting to US\$112,167.86 and foreign currency savings account amounting to US\$73,974.08 and €4,943.24.

(c) Cash flow risk:

Cash flow risk is the risk that future flows associated with a monetary financial instrument will fluctuate in amount. The Company manages this risk by ensuring, as far as possible, that fluctuations in cash flows relating to monetary financial assets and liabilities are matched, to mitigate any significant adverse cash flows.

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

18. FINANCIAL INSTRUMENTS (CONT'D):

(b) **Fair value disclosure:**

- (i) Fair value amounts represent estimates of the arm's length consideration that would be currently agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists.
- (ii) The fair values of cash and cash equivalents, accounts receivable and accounts payable are assumed to approximate to their carrying values due to their short-term nature.

19. COMMITMENTS AND CONTINGENCIES

The Company had no capital commitments as at June 30, 2014 and as far as the Directors are aware, there were no claims, disputes and legal proceedings against the Company.

20. RESTATEMENT

The restatement was done to correct export charges of \$447,000 which should have been charged to cost of sales in 2013 but was erroneously treated as a selling and distribution cost.