



CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

REVIEW OF THE RESULTS FOR THE QUARTER ENDED DECEMBER 31, 2014

For the above mentioned reporting period revenues increased by \$ 16.46 million dollars, from \$ 63.73 million dollars in the quarter ended December 31, 2013 to \$ 80.19 million dollars in the quarter ended December 31, 2014.

Gross Profit for the 2014 quarter was down slightly by \$ 1.6 million when compared with the 2013 period.

As a result the net profit for the period was \$ 10.81 million compared to the amount of \$ 11.08 million in the 2013 period.

The twenty six per cent (26 %) increase in revenues for the second quarter is consistent with our strategy to grow revenues over and above the rate of inflation in the country. However, because of increased air freighting costs for the importation of certain raw materials from the Central American region, the profitability of the company was adversely affected.

The company has taken steps to ensure that these and other associated costs are reduced to acceptable levels in the future by making new arrangements with our suppliers.

In addition to the above, there was also an adjustment for inventories and this also affected the final results for the quarter.

We look forward to a profitable third quarter as the company continues to seek to increase its revenues by increasing sales to its existing customers in Jamaica and in markets outside of Jamaica.

Anand James
Managing Director

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

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FOR THE SIX MONTHS TO 31 DECEMBER 2014

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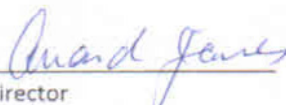
CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED
STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME
FOR THE SIX MONTHS TO 31 DECEMBER 2014

| | Unaudited 3 months ended 31 December 2014 \$ '000 | Unaudited 3 months ended 31 December 2013 \$ '000 | Unaudited 6 months ended 31 December 2014 \$ '000 | Unaudited 6 months ended 31 December 2013 \$ '000 | Audited 12 months ended 30 June 2014 \$ '000 |
|--------------------------------|--|--|--|--|---|
| REVENUE | 80,193 | 63,728 | 143,503 | 125,832 | 255,362 |
| Cost of sales | <u>(55,987)</u> | <u>(37,927)</u> | <u>(95,944)</u> | <u>(73,802)</u> | <u>(153,727)</u> |
| Gross profit | 24,206 | 25,801 | 47,559 | 52,030 | 101,635 |
| Bad debt recovered | 20 | - | 35 | - | 23 |
| Impairment of fixed asset | - | - | - | - | (528) |
| Selling and distribution costs | (401) | (361) | (692) | (619) | (897) |
| Administrative expenses | (13,829) | (16,120) | (27,690) | (28,359) | (54,793) |
| Net finance income | <u>814</u> | <u>1,760</u> | <u>2,422</u> | <u>2,314</u> | <u>5,748</u> |
| Profit before tax | 10,810 | 11,080 | 21,634 | 25,366 | 51,188 |
| Taxation | - | - | - | - | (641) |
| Net profit | 10,810 | 11,080 | 21,634 | 25,366 | 50,547 |
| Earnings per share | \$0.12 | \$0.12 | \$0.24 | \$0.28 | \$0.60 |

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

| | Unaudited 31 December 2014 \$ '000 | Unaudited 31 December 2013 \$ '000 | Audited 30 June 2014 \$ '000 |
|------------------------------------|---|---|---------------------------------------|
| Note | | | |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and bank balances | 24,264 | 17,452 | 18,190 |
| Short term investments | 54,238 | 65,383 | 61,707 |
| Tax recoverable | 6,310 | - | 7,367 |
| Receivables and prepayments | 55,452 | 35,903 | 47,893 |
| Inventory | 53,878 | 41,432 | 41,750 |
| | <u>194,142</u> | <u>160,170</u> | <u>176,907</u> |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 1,798 | 2,478 | 1,320 |
| Deferred tax | - | 641 | - |
| | <u>1,798</u> | <u>3,119</u> | <u>1,320</u> |
| | <u>195,940</u> | <u>163,289</u> | <u>178,227</u> |
| LIABILITIES AND EQUITY | | | |
| CURRENT LIABILITIES | | | |
| Payables and accruals | 17,506 | 11,385 | 20,824 |
| Taxation | - | 10,035 | - |
| Current portion of long term loans | 90 | 576 | 693 |
| Director's current account | - | 78 | - |
| | <u>17,596</u> | <u>22,074</u> | <u>21,517</u> |
| NON-CURRENT LIABILITIES | | | |
| Loan | - | 693 | - |
| Shareholder's loans | - | - | - |
| | <u>-</u> | <u>693</u> | <u>-</u> |
| EQUITY | | | |
| Share capital | 56,200 | 56,200 | 56,200 |
| Retained earnings | 122,144 | 84,322 | 100,510 |
| | <u>178,344</u> | <u>140,522</u> | <u>156,710</u> |
| Total liabilities and equity | <u>195,940</u> | <u>163,289</u> | <u>178,227</u> |

Approved and signed on behalf of the Board by:


Director


Director

CARIBBEAN FLAVOURS AND FRAGRANCES
STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS TO 31 DECEMBER 2014

| | Unaudited 31 December 2014 | | Unaudited 31 December 2013 | | Audited 30 June 2014 | |
|--------------------------------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|-----------------------------|---------------------------------|
| | Share Capital \$ '000 | Retained Earnings \$ '000 | Share Capital \$ '000 | Retained Earnings \$ '000 | Share Capital \$ '000 | Retained Earnings \$ '000 |
| Balance at beginning of period | 56200 | 100,510 | 5,620 | 58,956 | 56,200 | 58,956 |
| Issue of shares | - | - | 50,580 | - | - | - |
| Net profit | - | 21,634 | - | 25,366 | - | 50,547 |
| Dividends paid | - | - | - | - | - | (8,993) |
| | <u>56,200</u> | <u>122,144</u> | <u>56,200</u> | <u>84,322</u> | <u>56,200</u> | <u>100,510</u> |

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED
STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS TO 31 DECEMBER 2014

| | 6 months ended 31 December 2014 \$ '000 | 6 months ended 31 December 2013 \$ '000 |
|--|---|---|
| CASH RESOURCES WERE PROVIDED BY/(USED IN): | | |
| OPERATING ACTIVITIES | | |
| Profit before taxation | 21,634 | 25,366 |
| Adjustment for non-cash income and expenses | | |
| Depreciation | 236 | 777 |
| Interest income | (2,422) | (1,393) |
| | <u>19,448</u> | <u>24,750</u> |
| Changes in operating assets and liabilities | | |
| Inventories | (12,128) | (782) |
| Receivables and prepayments | (7,558) | 5,488 |
| Payables and accruals | (3,318) | 39 |
| Tax paid | - | (1,290) |
| Tax recoverable | 1,057 | - |
| | <u>(21,947)</u> | <u>3,455</u> |
| Net (used in)/cash provided by operating activities | <u>(2,499)</u> | <u>28,205</u> |
| CASH FLOW FROM INVESTING ACTIVITIES: | | |
| Purchase of property, plant and equipment | (715) | - |
| Interest received | 2,422 | 1,393 |
| Net cash provided by investing activities | <u>1,707</u> | <u>1,393</u> |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Issue of shares | - | 50,580 |
| Director's current account | - | (1,394) |
| Bank loan | (603) | (551) |
| Shareholders loan | - | (5,000) |
| Net cash (used in)/provided by financing activities | <u>(603)</u> | <u>43,635</u> |
| NET (DECREASE)/INCREASE IN NET CASH AND CASH EQUIVALENTS | (1,395) | 73,233 |
| Cash and cash equivalents at beginning of year | 79,897 | 9,602 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u><u>78,502</u></u> | <u><u>82,835</u></u> |
| Represented by: | | |
| Cash on hand | 378 | 2,133 |
| Short Term Investments | 54,238 | 65,383 |
| Bank balances | 23,886 | 15,319 |
| | <u><u>78,502</u></u> | <u><u>82,835</u></u> |

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
SIX MONTHS ENDED 31 DECEMBER 2014

1. IDENTIFICATION AND PRINCIPAL ACTIVITIES

Caribbean Flavours and Fragrances Limited ("the Company") is a company limited by shares, incorporated and domiciled in Jamaica. Its registered office is located at 226 Spanish Town Road, Kingston 11. The principal activity of the company is the manufacture of and distribution of flavours mainly for the beverage, baking and confectionery industries. The company also sells food colouring and fragrances.

2. BASIS OF PREPARATION

Statement of Compliance

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, as modified by the revaluation of certain financial assets. The same accounting policies and methods of computation are followed in the unaudited financial statements as were applied in the audited financial statements for the year ended June 30, 2014.

New Standards

IAS 1 (Amended)

Presentation of Financial Statements (effective for annual reporting periods beginning on or after 1 July 2012), amendments to revise the way other comprehensive income is presented.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement 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 judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are noted below:

Critical Accounting Estimates and Judgements in Applying Accounting Policies

The company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below and have been consistently applied for all the years presented.

Depreciable assets

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

Allowance for losses

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.

Comparative information

Comparative figures have been reclassified, where necessary, to conform to changes in presentation in the current year.

Valuation of 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.

Depreciation

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.

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.

Foreign currency translation

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.

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.

4. TAXATION -

The Company's shares were listed on the Junior Market of the Jamaica Stock Exchange on <date to be verified>. 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 (October 7, 2013 – October 6, 2018) – 100%

Years 6 to 10 (October 7, 2018 – October 6, 2023) – 50%

5. EARNINGS PER STOCK UNIT

Earnings per stock unit are calculated by dividing the profit for the period by the weighted average number of shares in issue for the period.

| | | |
|--|--------------------|--------------------|
| 6. SHARE CAPITAL | <u>2014</u> | <u>2013</u> |
| <u>Authorised:</u> | | |
| 91,452,000 ordinary shares of no par value (2013:5,621,000) | | |
| <u>Issued and fully paid:</u> | | |
| 89,920,033 ordinary shares of no par value | 56,200 | 5,620 |

SHAREHOLDINGS OF TOP TEN (10) STOCKHOLDERS, DIRECTORS AND SENIOR OFFICERS AS AT DECEMBER 31, 2014.

| 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 MANAGED CLIENTS ACCOUNT | 3,773,780 |
| MAYBERRY WEST INDIES BANK LIMITED | 3,596,002 |
| KONRAD BERRY | 1,768,214 |
| CATHERINE ADELIA PEART | 1,711,730 |
| 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 |
| RHONDA 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 |