

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

REPORT TO SHAREHOLDERS ON THE COMPANY'S FINANCIAL PERFORMANCE FOR THE QUARTER ENDED SEPTEMBER 30, 2016

We are pleased to report on the performance of Caribbean Flavours and Fragrances Limited for the first Quarter ending September 30, 2016.

Sales for the quarter were \$101.148 million which represents a \$13.684 million or 15.64% growth when compared to the \$87.464 million recorded for the same period in 2015. The improvement to our revenue was primarily driven by increase in the sale of flavours in the domestic market as well as the sale of products to new customers. In addition, there has been a 26.68% year over year increase in the sale of fragrances for the quarter thereby contributing positively to both the revenue and our profitability.

The gross profit showed an increase of 12.96% moving from \$32.856 million to \$37.114 million as per our first quarter's performance. The Company will continue to refine and improve our purchasing strategy in order to extract the necessary efficiencies and improve our cost of sales and gross profit.

The company continues to manage its administrative and general expenses within budget and compared to the 2015 quarter, there has been an increase in order to adequately support the changing requirements of the business.

The selling and distribution costs are a direct reflection of the sales growth and the expansion of our corporate social responsibility. As such expenses related to advertising and our donations and sponsorship have increased accordingly. We will continue to review these expenses and our distribution methods to ensure that efficiencies are obtained at all times.

The net profit recorded for the period was \$20.216 million and represents a 0.73% decrease in profit when compared to \$20.363 million recorded for the similar comparative reporting period. We will continue to deliver on our business plans which are anchored on the pillars of revenue growth and expense management in order to deliver the desired results.

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

UNAUDITED

FINANCIAL STATEMENTS

FOR THE THREE MONTHS TO 30 SEPTEMBER 2016

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

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CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED
STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME
FOR THE THREE MONTHS TO 30 SEPTEMBER 2016

	Unaudited 3 months ended 30 September 2016 \$ '000	Unaudited 3 months ended 30 September 2015 \$ '000	Audited 12 months ended 30 June 2016 \$ '000
REVENUE	101,148	87,464	362,500
Cost of sales	<u>(64,034)</u>	<u>(54,608)</u>	<u>(227,805)</u>
Gross profit	37,114	32,856	134,695
Bad debt recovered	-	-	-
Selling and distribution costs	(989)	(369)	(5,013)
Administrative expenses	(17,328)	(14,068)	(67,183)
Net finance income	<u>1,419</u>	<u>1,944</u>	<u>11,571</u>
Profit before tax	20,216	20,363	74,070
Taxation	-	-	-
Net profit	20,216	20,363	74,070
Earnings per share	\$0.22	\$0.23	\$0.82

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016

Note	Unaudited 30 September 2016 \$ '000	Unaudited 30 September 2015 \$ '000	Audited 30 June 2016 \$ '000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	70,654	38,498	124,632
Short term investments	90,303	65,000	52,803
Tax recoverable	4,577	3,153	4,464
Receivables and prepayments	59,193	42,890	39,445
Inventories	81,985	85,236	71,751
	<u>306,712</u>	<u>234,777</u>	<u>293,095</u>
NON-CURRENT ASSETS			
Property, plant and equipment	15,999	1,516	2,997
	<u>322,711</u>	<u>236,293</u>	<u>296,092</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Payables and accruals	22,444	13,649	19,741
Current portion of long term loans	-	-	-
	<u>22,444</u>	<u>13,649</u>	<u>19,741</u>
LONG TERM LIABILITIES			
Bank loan	12,700	-	-
EQUITY			
Share capital	56,200	56,200	56,200
Retained earnings	231,367	166,444	220,151
	<u>287,567</u>	<u>222,644</u>	<u>276,351</u>
Total liabilities and equity	<u>322,711</u>	<u>236,293</u>	<u>296,092</u>

Approved and signed on behalf of the Board by:



Director
CLIVE NICHOLAS



Director
DERRICK COTTERELL

CARIBBEAN FLAVOURS AND FRAGRANCES
STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS TO 30 SEPTEMBER 2016

	Unaudited 30 September 2016		Unaudited 30 September 2015		Audited 30 June 2016	
	Share Capital <u>\$ '000</u>	Retained Earnings <u>\$ '000</u>	Share Capital <u>\$ '000</u>	Retained Earnings <u>\$ '000</u>	Share Capital <u>\$ '000</u>	Retained Earnings <u>\$ '000</u>
Balance at beginning of period	56,200	220,151	56,200	146,081	56,200	146,081
Issue of shares	-					
Net profit		20,216	-	20,363	-	74,070
Dividends paid	-	(9,000)	-	-		
	<u>56,200</u>	<u>231,367</u>	<u>56,200</u>	<u>166,444</u>	<u>56,200</u>	<u>220,151</u>

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED
STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS TO 30 SEPTEMBER 2016

	3 months ended 30 September 2016 <u>\$ '000</u>	3 months ended 30 September 2015 <u>\$ '000</u>
CASH RESOURCES WERE PROVIDED BY/(USED IN):		
OPERATING ACTIVITIES		
Profit before taxation	20,216	20,363
Adjustment for non-cash income and expenses		
Depreciation	431	132
Interest income	(1,419)	(1,944)
	<u>19,228</u>	<u>18,551</u>
Changes in operating assets and liabilities		
Inventories	(10,235)	(22,363)
Receivables and prepayments	(19,748)	18,025
Payables and accruals	2,703	(16,788)
Tax recoverable	(113)	932
	<u>(27,393)</u>	<u>(20,194)</u>
Net cash (used in)/provided by operating activities	<u>(8,165)</u>	<u>(1,643)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(13,432)	(291)
Purchase of investments	(37,500)	(15,000)
Interest received	1,419	1,944
Net cash provided by investing activities	<u>(49,513)</u>	<u>(13,347)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Bank loan	12,700	-
Dividends paid	(9,000)	-
Net cash used in financing activities	<u>3,700</u>	<u>-</u>
NET INCREASE IN NET CASH AND CASH EQUIVALENTS	(53,978)	(14,990)
Cash and cash equivalents at beginning of year	124,632	53,488
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>70,654</u></u>	<u><u>38,498</u></u>
Represented by:		
Cash on hand	51,660	726
Bank balances	18,994	37,772
	<u><u>70,654</u></u>	<u><u>38,498</u></u>

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
THREE MONTHS ENDED 30 SEPTEMBER 2016

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, 2016.

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 33⅓%
 - 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 October 7, 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 (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	2015	2014
<u>Authorised:</u>		
91,452,000 ordinary shares of no par value (2012:5,621,000)		
<u>Issued and fully paid:</u>		
89,920,033 ordinary shares of no par value	56,200	56,200

SHAREHOLDINGS OF TOP TEN (10) STOCKHOLDERS, DIRECTORS AND SENIOR OFFICERS AS AT 30 SEPTEMBER 2016.

TOP (10) STOCKHOLDERS

	NUMBER OF SHARES HELD
DERRIMON TRADING COMPANY LIMITED	44,078,122
ANAND JAMES	11,689,604
JOAN JAMES	11,689,604
MAYBERRY MANAGED CLIENTS ACCOUNT	2,697,546
IAN KELLY	2,322,814
LLOYD BADLAL	2,019,382
KONRAD BERRY	1,768,214
HOWARD MITCHELL	1,444,395
JCSD TRUSTEE SERVICES LTD. – SIGMA VENTURE	1,327,097
MANWEI INTERNATIONAL LIMITED	975,828

DIRECTORS

ANAND JAMES	11,689,604
IAN KELLY	2,322,814
CLIVE NICHOLAS	100,000
CARLTON SAMUELS	50,000
WILFORD HEAVEN	0
DERRICK COTTERELL	0

SENIOR MANAGERS

ANAND JAMES	11,689,604
JANICE LEE	0
RHONDE MCPHERSON	0

CONNECTED PARTIES

JOAN JAMES (WIFE OF DIRECTOR ANAND JAMES)	11,689,604
IAN KELLY (DIRECTOR OF DERRIMON TRADING LTD)	2,322,814
ANTHONY JAMES (SON OF DIRECTOR ANAND JAMES)	820,700
DERRICK COTTERELL (DIRECTOR OF DERRIMON TRADING LTD)	0