



# CARIBBEAN FLAVOURS AND FRAGRANCES LTD.

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*"Tease the Senses"*

## CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

REPORT TO SHAREHOLDERS ON THE COMPANY'S FINANCIAL PERFORMANCE  
FOR THE QUARTER ENDED SEPTEMBER 30, 2017

The Board of Directors is pleased to report on the performance of Caribbean Flavours and Fragrances Limited for the first Quarter ending September 30, 2017.

The quarter ending September 30, 2017 was negatively impacted by severe and unusual weather conditions which negatively impacted sea transportation from our importing countries. Other major issues at our local seaport which negatively impacted our logistics for incoming raw materials, our ability to deliver finished goods to our overseas customers and ultimately revenue.

Sales generated for the quarter were \$99.587 million representing a \$1.561 million or a 1.54% reduction over the \$101.148 million recorded for the same period in 2016. This reduction in our revenue performance when compared to previous comparative quarter was primarily attributed to our inability to fulfill expected sales orders based on the issues described above.

The gross profit reported for the period was \$36.335 million representing a 2.10% decrease when compared to the \$37.114 million reported for the similar period in 2016. The Company expects that there will be normality to the many issues faced during this quarter and as such expect to report an improvement in these results over the next reporting period as many of these challenges would have been normalized. . We will continue with the refinement of our strategies and the improvement to our various cost structures in order to drive the desired efficiency whilst improving our cost of sales and gross profit.

The net profit recorded for the period was \$18.003 million and represents a \$2.213 million decrease in net profit when compared to the \$20.216 million recorded for the similar comparative reporting period.

We will continue with the implementation of Business Plans which are anchored on the pillars of revenue growth and expense management in order to deliver on the desired results.

Clive Nicholas  
Actg. Chairman of the Board of Directors

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

UNAUDITED

FINANCIAL STATEMENTS

FOR THE THREE MONTHS TO 30 SEPTEMBER 2017

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 2017**


	Unaudited 3 months ended 30 September 2017 \$ '000	Unaudited 3 months ended 30 September 2016 \$ '000	Audited 12 months ended 30 June 2017 \$ '000
REVENUE	99,587	101,148	410,636
Cost of sales	<u>(63,252)</u>	<u>(64,034)</u>	<u>(242,694)</u>
Gross profit	36,335	37,114	167,942
Bad debt recovered	-	-	-
Selling and distribution costs	(986)	(989)	(6,327)
Administrative expenses	(19,470)	(17,328)	(88,685)
Net finance income	<u>2,124</u>	<u>1,419</u>	<u>9,947</u>
Profit before tax	18,003	20,216	82,877
Taxation	-	-	-
Net profit	18,003	20,216	82,877
Earnings per share	\$0.20	\$0.22	\$0.92


# CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017

Note	Unaudited 30 September 2017 \$ '000	Unaudited 30 September 2016 \$ '000	Audited 30 June 2017 \$ '000
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	93,556	70,654	67,828
Short term investments	131,792	90,303	131,202
Tax recoverable	5,015	4,577	4,823
Receivables and prepayments	49,848	59,193	60,122
Inventories	92,717	81,985	97,218
	372,928	306,712	361,193
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	16,114	15,999	14,915
	389,042	322,711	376,108
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Payables and accruals	30,090	22,444	34,606
Current portion of long term loans	-	-	2,290
	30,090	22,444	36,896
<b>LONG TERM LIABILITIES</b>			
Bank loan	10,379	12,700	8,642
<b>EQUITY</b>			
Share capital	56,200	56,200	56,200
Retained earnings	292,373	231,367	274,370
	348,573	287,567	330,570
<b>Total liabilities and equity</b>	<b>389,042</b>	<b>322,711</b>	<b>376,108</b>

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 2017**

	Unaudited 30 September 2017		Unaudited 30 September 2016		Audited 30 June 2017	
	Share Capital \$ '000	Retained Earnings \$ '000	Share Capital \$ '000	Retained Earnings \$ '000	Share Capital \$ '000	Retained Earnings \$ '000
Balance at beginning of period	56,200	274,370	56,200	220,151	56,200	220,151
Issue of shares	-		-	20,216	-	82,877
Net profit		18,003	-	(9,000)	-	(28,658)
Dividends paid	-	-	-		-	
	<u>56,200</u>	<u>292,373</u>	<u>56,200</u>	<u>231,367</u>	<u>56,200</u>	<u>274,370</u>

**CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE THREE MONTHS TO 30 SEPTEMBER 2017**

	3 months ended 30 September 2017 <u>\$ '000</u>	3 months ended 30 September 2016 <u>\$ '000</u>
<b>CASH RESOURCES WERE PROVIDED BY/(USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Profit before taxation	18,003	20,216
Adjustment for non-cash income and expenses		
Depreciation	1,002	431
Interest income	<u>(2,124)</u>	<u>(1,419)</u>
	16,881	19,228
Changes in operating assets and liabilities		
Inventories	4,501	(10,235)
Receivables and prepayments	10,274	(19,748)
Payables and accruals	(4,516)	2,703
Tax recoverable	<u>(192)</u>	<u>(113)</u>
	10,067	(27,393)
Net cash provided by/(used in) operating activities	<u>26,948</u>	<u>(8,165)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of property, plant and equipment	(2,201)	(13,432)
Purchase of investments	(590)	(37,500)
Interest received	2,124	1,419
Net cash used in investing activities	<u>(667)</u>	<u>(49,513)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Bank loan	(553)	12,700
Dividends paid	<u>-</u>	<u>(9,000)</u>
Net cash (used in)/provided by financing activities	<u>(553)</u>	<u>3,700</u>
NET INCREASE IN NET CASH AND CASH EQUIVALENTS	25,728	(53,978)
Cash and cash equivalents at beginning of year	<u>67,828</u>	<u>124,632</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>93,556</u>	<u>70,654</u>
Represented by:		
Cash on hand	58,660	51,660
Bank balances	<u>34,896</u>	<u>18,994</u>
	<u>93,556</u>	<u>70,654</u>

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED  
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS  
THREE MONTHS ENDED 30 SEPTEMBER 2017

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, 2017.

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.

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### 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

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**SHAREHOLDINGS OF TOP TEN (10) STOCKHOLDERS, DIRECTORS AND SENIOR OFFICERS AS AT 30 SEPTEMBER 2017.**

**TOP (10) STOCKHOLDERS**

**NUMBER OF SHARES HELD**

DERRIMON TRADING COMPANY LIMITED	58,465,327
DIGIPOINT LIMITED	8,992,003
MAYBERRY MANAGED CLIENTS ACCOUNT	2,890,363
IDEAL GLOBAL INVESTMENT LIMITED	2,564,654
IAN KELLY	2,322,814
LLOYD BADAL	2,241,982
KONRAD BERRY	1,768,214
JCS D TRUSTEE SERVICES LIMITED – SIGMA VENTURE	1,768,214
HOWARD MITCHELL	1,444,395
MAYBERRY INVESTMENTS LIMITED PENSION SCHEME	972,945

**DIRECTORS**

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

**SENIOR MANAGERS**

JANICE LEE	0
RHONDE MCPHERSON	0

**CONNECTED PARTIES**

IAN KELLY (DIRECTOR OF DERRIMON TRADING LTD)	2,322,814
DERRICK COTTERELL (DIRECTOR OF DERRIMON TRADING LTD)	0