



# CARIBBEAN FLAVOURS AND FRAGRANCES LTD.

226 Spanish Town Road Kingston 11, Jamaica, W.I., Tel.: (876) 923-5111, (876) 923-8777 / Fax: (876) 923-4323  
Email: ajames@cffjamaica.com , Website: www.caribbeanflavoursjm.com

*"Tease the Senses"*

## CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

REPORT TO SHAREHOLDERS ON THE COMPANY'S FINANCIAL PERFORMANCE  
FOR THE QUARTER ENDED DECEMBER 31, 2017

The Board of Directors is pleased to report on the performance of Caribbean Flavours and Fragrances Limited for the second Quarter ending December 31, 2017.

The quarter ending December 31, 2017 was negatively impacted by severe and unusual weather conditions which have persisted for the last six months.

Sales generated for the quarter were \$114.668 million representing a \$3.963 million or a 3.58% increase over the \$110.705 million recorded for the same period in 2016.

The gross profit reported for the period was \$47.570 million representing a 1.25% increase when compared to the \$46.982 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 expects 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 \$24.465 million and represents a \$ 1.836 million increase in net profit when compared to the \$22.629 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 SIX MONTHS TO 31 DECEMBER 2017

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

FINANCIAL STATEMENTS

FOR THE SIX MONTHS TO 31 DECEMBER 2017

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CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED  
 STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME  
 FOR THE SIX MONTHS TO 31 DECEMBER 2017


	Unaudited 3 months ended 31 December 2017 \$ '000	Unaudited 3 months ended 31 December 2016 \$ '000	Unaudited 6 months ended 31 December 2017 \$ '000	Unaudited 6 months ended 31 December 2016 \$ '000	Audited 12 months ended 30 June 2017 \$ '000
REVENUE	114,668	110,705	214,255	211,853	410,636
Cost of sales	<u>(67,098)</u>	<u>(63,723)</u>	<u>(130,350)</u>	<u>(127,757)</u>	<u>(242,694)</u>
Gross profit	47,570	46,982	83,905	84,096	167,942
Selling and distribution costs	(1,127)	(934)	(2,113)	(1,923)	(6,327)
Administrative expenses	(24,897)	(24,818)	(44,367)	(42,146)	(88,685)
Net finance income	<u>2,919</u>	<u>1,399</u>	<u>5,043</u>	<u>2,818</u>	<u>9,947</u>
Profit before tax	24,465	22,629	42,468	42,845	82,877
Taxation	-	-	-	-	-
Net profit	24,465	22,629	42,468	42,845	82,877
Earnings per share	\$0.27	\$0.25	\$0.47	\$0.48	\$0.92

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED  
STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2017

	Unaudited 31 December 2017 \$ '000	Unaudited 31 December 2016 \$ '000	Audited 30 June 2017 \$ '000
Note	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	101,611	93,646	67,828
Short term investments	132,614	90,303	131,202
Tax recoverable	5,209	3,153	4,823
Receivables and prepayments	66,801	54,482	60,122
Inventory	84,955	79,345	97,218
	<u>391,190</u>	<u>320,929</u>	<u>361,193</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	15,450	15,708	14,915
	<u>15,450</u>	<u>15,708</u>	<u>14,915</u>
	<u>406,640</u>	<u>336,637</u>	<u>376,108</u>
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Payables and accruals	23,790	14,208	34,606
Current portion of long term loans	2,276	-	2,290
	<u>26,066</u>	<u>14,208</u>	<u>36,896</u>
<b>LONG TERM LIABILITY</b>			
Long term bank loan	7,536	12,225	8,642
	<u>7,536</u>	<u>12,225</u>	<u>8,642</u>
<b>EQUITY</b>			
Share capital	56,200	56,200	56,200
Retained earnings	316,838	254,004	274,370
	<u>373,038</u>	<u>310,204</u>	<u>330,570</u>
Total liabilities and equity	<u>406,640</u>	<u>336,637</u>	<u>376,108</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 SIX MONTHS TO 31 DECEMBER 2017

	Unaudited 31 December 2017		Unaudited 31 December 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	-	-	-	-	-	-
Net profit	-	42,468	-	42,845	-	82,877
Dividends paid	-	-	-	(8,992)	-	(28,658)
	<u>56,200</u>	<u>316,838</u>	<u>56,200</u>	<u>254,004</u>	<u>56,200</u>	<u>274,370</u>

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED  
STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS TO 31 DECEMBER 2017

	6 months ended 31 December 2017 <u>\$ '000</u>	6 months ended 31 December 2016 <u>\$ '000</u>
CASH RESOURCES WERE PROVIDED BY/(USED IN):		
OPERATING ACTIVITIES		
Profit before taxation	42,468	42,845
Adjustment for non-cash income and expenses		
Depreciation	1,604	1,265
Interest income	(5,043)	(2,818)
	<u>39,029</u>	<u>41,292</u>
Changes in operating assets and liabilities		
Inventories	12,263	(7,594)
Receivables and prepayments	(6,679)	(15,037)
Payables and accruals	(10,816)	(5,533)
Tax recoverable	(386)	1,311
	<u>(5,618)</u>	<u>(26,853)</u>
Net cash provided by operating activities	<u>33,411</u>	<u>14,439</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(2,139)	(13,976)
Purchase of investments	(1,412)	(37,500)
Dividends paid	-	(8,992)
Interest received	5,043	2,818
Net cash provided by/(used in) investing activities	<u>1,492</u>	<u>(57,650)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Bank loan	(1,120)	12,225
Net cash (used in)/provided by financing activities	<u>(1,120)</u>	<u>12,225</u>
NET INCREASE/(DECREASE) IN NET CASH AND CASH EQUIVALENTS	33,783	(30,986)
Cash and cash equivalents at beginning of year	67,828	124,632
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>101,611</u>	<u>93,646</u>
Represented by:		
Cash on hand	69,368	51,719
Bank balances	32,243	41,927
	<u>101,611</u>	<u>93,646</u>

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED  
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS  
SIX MONTHS ENDED 31 DECEMBER 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%
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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 31 DECEMBER 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 C. KELLY	2,322,814
LLOYD BADAL	2,241,982
KONRAD BERRY	1,768,214
JCD TRUSTEES SERVICES SIGMA VENTURE	1,577,097
TROPICAL BATTERY CO. LTD CONTRIBUTORY PENSION SCHEME	1,020,800
MAYBERRY INVESTMENT LIMITED PENSION SCHEME	972,945

**DIRECTORS**

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

**SENIOR MANAGERS**

ANAND JAMES	0
JANICE LEE	0
RHONDE MCPHERSON	0

**CONNECTED PARTIES**

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

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