



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, 2018

The Board of Directors is pleased to report on the performance of Caribbean Flavours and Fragrances Limited for the first Quarter ending September 30, 2018.

Sales generated for the quarter were \$120.140 million representing a \$20.553 million or a 20.64% increase over the \$99.587 million recorded for the same period in 2017. This increase in our revenue performance when compared to previous comparative quarter was primarily attributed to our refining of our order fulfillment procedures.

The gross profit reported for the period was \$44.593 million representing a 22.73% increase when compared to the \$36.335 million reported for the similar period in 2017. The Company expects that there will be improvements in our performance in the next reporting period as we expect sales of Flavorfit, our sugar reduction solution to gain traction. 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 \$25.281 million and represents a \$7.278 million increase in net profit when compared to the \$18.003 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.

Howard Mitchell
Chairman of the Board of Directors

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

UNAUDITED

FINANCIAL STATEMENTS

FOR THE THREE MONTHS TO 30 SEPTEMBER 2018

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 2018

	Unaudited 3 months ended 30 September 2018 \$ '000	Unaudited 3 months ended 30 September 2017 \$ '000	Unaudited 12 months ended 30 June 2018 \$ '000
REVENUE	120,140	99,587	423,684
Cost of sales	<u>(75,547)</u>	<u>(63,252)</u>	<u>(255,719)</u>
Gross profit	44,593	36,335	167,965
Bad debt recovered	-	-	-
Selling and distribution costs	(758)	(986)	(5,090)
Administrative expenses	(23,583)	(19,470)	(87,390)
Net finance income	<u>5,029</u>	<u>2,124</u>	<u>11,721</u>
Profit before tax	25,281	18,003	87,206
Taxation	-	-	-
Net profit	25,281	18,003	87,206
Earnings per share	\$0.28	\$0.20	\$0.97


CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

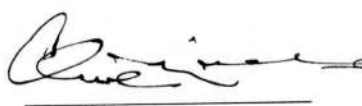
STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2018

Note	Unaudited 30 September 2018 \$ '000	Unaudited 30 September 2017 \$ '000	Unaudited 30 June 2018 \$ '000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	24,556	93,556	83,296
Short term investments	196,827	131,792	145,387
Tax recoverable	5,936	5,015	5,630
Receivables and prepayments	80,146	49,848	62,620
Inventories	131,556	92,717	134,917
	<u>439,021</u>	<u>372,928</u>	<u>431,850</u>
NON-CURRENT ASSETS			
Property, plant and equipment	22,766	16,114	20,316
	<u>461,787</u>	<u>389,042</u>	<u>452,166</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Payables and accruals	29,500	30,090	25,502
Current portion of long term loans	-	-	2,061
	<u>29,500</u>	<u>30,090</u>	<u>27,563</u>
LONG TERM LIABILITIES			
Bank loan	8,523	10,379	6,827
EQUITY			
Share capital	56,200	56,200	56,200
Retained earnings	367,564	292,373	361,576
	<u>423,764</u>	<u>348,573</u>	<u>417,776</u>
Total liabilities and equity	<u>461,787</u>	<u>389,042</u>	<u>452,166</u>

Approved and signed on behalf of the Board by:


Derrick Cotterell


Clive Nicholas

CARIBBEAN FLAVOURS AND FRAGRANCES
STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS TO 30 SEPTEMBER 2018

	Unaudited 30 September 2018		Unaudited 30 September 2017		Unaudited 30 June 2018	
	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	361,576	56,200	274,370	56,200	274,370
Issue of shares	-					
Net profit		25,281	-	18,003	-	87,206
Dividends paid	-	(19,293)	-	-		-
	<u>56,200</u>	<u>367,564</u>	<u>56,200</u>	<u>292,373</u>	<u>56,200</u>	<u>361,576</u>

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED
STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS TO 30 SEPTEMBER 2018

	3 months ended 30 September 2018 <u>\$ '000</u>	3 months ended 30 September 2017 <u>\$ '000</u>
CASH RESOURCES WERE PROVIDED BY/(USED IN):		
OPERATING ACTIVITIES		
Profit before taxation	25,281	18,003
Adjustment for non-cash income and expenses		
Depreciation	1,002	1,002
Interest income	(5,029)	(2,124)
	<u>21,254</u>	<u>16,881</u>
Changes in operating assets and liabilities		
Inventories	3,361	4,501
Receivables and prepayments	(17,526)	10,274
Payables and accruals	3,998	(4,516)
Tax recoverable	(306)	(192)
	<u>(10,473)</u>	<u>10,067</u>
Net cash provided by operating activities	<u>10,781</u>	<u>26,948</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(3,452)	(2,201)
Purchase of investments	(51,440)	(590)
Interest received	5,029	2,124
Net cash used in investing activities	<u>(49,863)</u>	<u>(667)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Bank loan	(365)	(553)
Dividends paid	(19,293)	-
Net cash used in financing activities	<u>(19,658)</u>	<u>(553)</u>
NET (DECREASE)/INCREASE IN NET CASH AND CASH EQUIVALENTS	(58,740)	25,728
Cash and cash equivalents at beginning of year	83,296	67,828
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>24,556</u>	<u>93,556</u>
Represented by:		
Cash on hand	2,027	58,660
Bank balances	22,529	34,896
	<u>24,556</u>	<u>93,556</u>

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
THREE MONTHS ENDED 30 SEPTEMBER 2018

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.

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	2018	2017
<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 2018.

TOP (10) STOCKHOLDERS

NUMBER OF SHARES HELD

DERRIMON TRADING COMPANY LIMITED	58,465,327
DIGIPOINT LIMITED	8,992,003
MAYBERRY MANAGED CLIENTS ACCOUNT	2,836,771
IDEAL GLOBAL INVESTMENT LIMITED	2,621,771
IAN C. KELLY	2,322,814
KONRAD BERRY	1,763,333
JCSD TRUSTEE SERVICES LIMITED – SIGMA VENTURE	1,577,097
NCB CAPITAL MARKETS X TRADING A/C	1,111,338
TROPICAL BATTERY COMPANY LIMITED CONTRIBUTORY PENSION SCHEME	1,020,800
MAYBERRY INVESTMENTS LIMITED PENSION SCHEME	972,945

DIRECTORS

IAN KELLY	2,322,814
HOWARD MITCHELL	444,295
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