



CARIBBEAN FLAVOURS AND FRAGRANCES LTD.

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"Tease the Senses"

REPORT TO SHAREHOLDERS ON THE COMPANY'S FINANCIAL PERFORMANCE FOR THE QUARTER ENDED MARCH 31, 2020

The Board of Directors is pleased to report on the performance of Caribbean Flavours and Fragrances Limited for the first Quarter ending March 31, 2020.

Sales generated for the quarter were \$149.394 million representing a \$36.810 million or a 32.69% increase from the \$112.584 million recorded for the same period in 2019. The Company's improved performance for this quarter was driven by a growth in sales in both the local and overseas markets. During this quarter and as a response to the pandemic, we developed and manufactured hand sanitizer for internal uses as well as availing to the trade of which additional revenue was generated.

Notwithstanding the general effects of the pandemic on the local market and international markets that we serve, we remain positive on the projected growth given the many projects that we are presently working on with our customers. We anticipate the acceptance of these initiatives and look forward to the conversion from samples to manufactured products.

The gross profit reported for the period was \$47.840 million representing a 28.28% increase when compared to the \$37.292 million reported for the similar period in 2019. We will continue with the refinement of our strategies and increase our focus on the improvement to our various cost structures in order to drive the desired efficiency whilst improving our cost of sales and gross profit. The impact from the continued depreciation of the Jamaican Dollars will have a negative impact on our cost of sales given the timing and immediacy to which some of these adjustments are made.

The net profit before tax recorded for the period was \$18.955 million and represents a \$4.509 million or 31.22% increase in net profit when compared to the \$14.446 million recorded for the similar comparative reporting period. This increase is driven by the continued focus, which has been placed on efficiency, cost management, introduction of new products and the broadening of revenue streams within both the local and international markets.

It is important to note that the Company's 100% remission of taxes expired in October 2018. The Company's profits are now subject to a 50% of remission taxes to October 2023.

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.

We continue to thank our employees for their commitment and dedication bearing in mind the challenges faced during this reporting period and to our shareholders, customers and other stakeholders for their support as we continue to expand our business and bring greater value to all parties.

We would like to encourage all Jamaicans to stay safe and keep healthy as we collectively try to weather the storm created by the pandemic.



Howard Mitchell
Chairman

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

UNAUDITED

FINANCIAL STATEMENTS

FOR THE THREE MONTHS TO 31 MARCH 2020

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

FINANCIAL STATEMENTS

FOR THE THREE MONTHS TO 31 MARCH 2020

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CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED
STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME
FOR THE THREE MONTHS TO 31 MARCH 2020

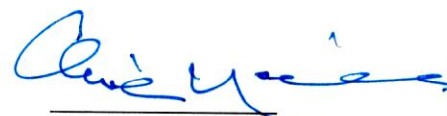
	Unaudited 3 months ended 31 March 2020 \$ '000	Unaudited 3 months ended 31 March 2019 \$ '000	Audited 12 months ended 31 December 2019 \$ '000
REVENUE	149,394	112,584	462,462
Cost of sales	<u>(101,554)</u>	<u>(75,292)</u>	<u>(323,302)</u>
Gross profit	47,840	37,292	139,160
Bad debt recovered	-	-	-
Selling and distribution costs	(1,755)	(297)	(3,404)
Administrative expenses	(30,193)	(25,844)	(113,837)
Net finance income	<u>3,063</u>	<u>3,295</u>	<u>14,888</u>
Profit before tax	18,955	14,446	36,807
Taxation	(4,738)	(2,512)	(5,307)
Net profit	14,217	11,934	31,500
Earnings per share	\$0.16	\$0.13	\$0.35

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

Note	Unaudited 31 March 2020 \$ '000	Unaudited 31 March 2019 \$ '000	Audited 31 December 2019 \$ '000
ASSETS			
CURRENT ASSETS			
Cash and bank balances	27,298	36,377	11,546
Short term investments	209,239	154,396	214,107
Tax recoverable	3,155	1,283	4,671
Receivables and prepayments	92,887	130,135	66,366
Inventories	133,400	122,479	166,897
	<u>465,979</u>	<u>444,670</u>	<u>463,587</u>
NON-CURRENT ASSETS			
Property, plant and equipment	20,900	21,456	18,551
Rights of use	81,083	-	81,083
	<u>101,983</u>	<u>21,456</u>	<u>99,634</u>
	<u>567,962</u>	<u>466,126</u>	<u>563,221</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Payables and accruals	32,706	20,095	44,680
Taxation payable	3,178	-	-
Current portion of long term loan	2,819	2,061	2,819
Current portion of lease liability	3,381	-	3,381
	<u>42,084</u>	<u>22,156</u>	<u>50,880</u>
LONG TERM LIABILITIES			
Long term bank loan	1,334	4,879	2,014
Lease liability	80,149	-	80,149
	<u>81,483</u>	<u>4,879</u>	<u>82,163</u>
EQUITY			
Share capital	56,200	56,200	56,200
Retained earnings	388,195	382,891	373,978
	<u>444,395</u>	<u>439,091</u>	<u>430,178</u>
Total liabilities and equity	<u>567,962</u>	<u>466,126</u>	<u>563,221</u>

Approved and signed on behalf of the Board by:


Ian Kelly
Director


Clive Nicholas
Director

CARIBBEAN FLAVOURS AND FRAGRANCES
STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS TO 31 MARCH 2020

	Unaudited 31 March 2020		Unaudited 31 March 2019		Audited 31 December 2019	
	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	373,978	56,200	370,957	56,200	364,958
Issue of shares					-	-
Net profit		14,217		11,934	-	31,500
Dividends paid	-		-	-	-	(22,480)
	<u>56,200</u>	<u>388,195</u>	<u>56,200</u>	<u>382,891</u>	<u>56,200</u>	<u>373,978</u>

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED
STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS TO 31 MARCH 2020

	3 months ended 31 March 2020 \$ '000	3 months ended 31 March 2019 \$ '000
CASH RESOURCES WERE PROVIDED BY/(USED IN):		
OPERATING ACTIVITIES		
Profit after taxation	14,217	11,934
Adjustment for non-cash income and expenses		
Depreciation	1,615	1,486
Interest income	193	-
	<u>16,025</u>	<u>13,420</u>
Changes in operating assets and liabilities		
Inventories	33,497	8,383
Receivables and prepayments	(26,521)	(33,771)
Payables and accruals	(11,974)	(17,584)
Taxation payable	3,178	-
Tax recoverable	1,516	2,512
	<u>(304)</u>	<u>(40,460)</u>
Net cash provided/(used in) by operating activities	<u>15,721</u>	<u>(27,040)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(3,964)	(1,746)
Purchase of investments	4,868	20
Dividends paid	-	-
Interest received	(193)	-
Net cash provided by/(used in) investing activities	<u>711</u>	<u>(1,726)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Bank loan	(680)	(489)
Net cash used in financing activities	<u>(680)</u>	<u>(489)</u>
NET INCREASE/(DECREASE) IN NET CASH AND CASH EQUIVALENTS	15,752	(29,255)
Cash and cash equivalents at beginning of year	11,546	65,632
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>27,298</u></u>	<u><u>36,377</u></u>
Represented by:		
Cash on hand	347	5,279
Bank balances	26,951	31,098
	<u><u>27,298</u></u>	<u><u>36,377</u></u>

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
THREE MONTHS ENDED 31 MARCH 2020

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 December 31, 2019.

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.

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
THREE MONTHS ENDED 31 MARCH 2020

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.

IFRS 16, 'Leases' (effective for accounting periods beginning on or after 1 January 2019) IFRS 16 eliminates the classification by a lessee of leases as either operating or finance. Instead, all leases are treated in a similar way to finance leases in accordance with IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets US\$5,000 and short-term leases (i.e., leases with a lease term of 12 months or less).

Lessees will be required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Upon adoption of IFRS 16, the lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The adoption of IFRS 16 from 1 January 2019 resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. Management has decided it will apply the modified retrospective adoption method, and therefore, the revised requirements are not reflected in the prior year financial statements.

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.

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
THREE MONTHS ENDED 31 MARCH 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due or material associated costs on the possible return of goods.

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
THREE MONTHS ENDED 31 MARCH 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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%

The Company's 100% remission of income taxes expired 6 October 2018 and as a consequence the Company's taxable profits will be subject to 50% tax remission until 6 October 2023

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>2020</u>	<u>2019</u>
<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 31 MARCH 2020.

TOP (10) STOCKHOLDERS

	NUMBER OF SHARES HELD
DERRIMON TRADING COMPANY LIMITED	58,465,327
DIGIPOINT LIMITED	8,992,003
IDEAL GLOBAL INVESTMENT LIMITED	3,096,861
MAYBERRY MANAGED CLIENTS ACCOUNT	2,648,903
IAN C. KELLY	2,322,814
KONRAD BERRY	1,363,333
NCB CAPITAL MARKETS X TRADING A/C	1,216,041
TROPICAL BATTERY CO. LTD CONTRIBUTORY PENSION SCHEME	1,020,800
MAYBERRY INVESTMENT LIMITED PENSION SCHEME	972,945
JCD TRUSTEES SERVICES SIGMA VENTURE	855,811

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