



# 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"*

## REPORT TO SHAREHOLDERS ON THE COMPANY'S FINANCIAL PERFORMANCE FOR THE QUARTER ENDED MARCH 31, 2021

The Board of Directors is pleased to report on the performance of Caribbean Flavours and Fragrances Limited for the first Quarter ending March 31, 2021.

Sales generated for the quarter were \$133.744 million representing a \$15.650 million or a 10.47% decrease from the \$149.394 million recorded for the same period in 2020. The Company's performance was affected by a downturn in the local beverage market due to a shortage of sugar which is a critical raw material for beverage manufacturing and delays in receiving of substantial export orders.

The Covid-19 pandemic continues to negatively impact the economies that we service and the recent spike in the levels of positive cases in these economies has negatively impacted many of our customers and their demands for our products. The introduction of the vaccines and the actual vaccination program is in full gear in many economies. We expect that we will see some levels of stability by the end of the third quarter.

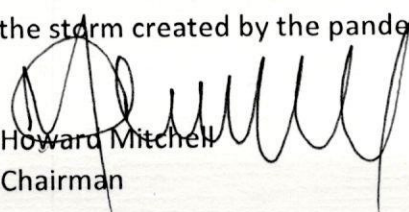
The gross profit reported for the period was \$44.524 million representing a 6.93% decrease when compared to the \$47.840 million reported for the similar period in 2020. Notwithstanding the decrease in sales, the gross profit margin improved from 31.78% in 2020 to the current 33.29%.

The net profit before tax recorded for the period was \$18.937 million when compared to the \$18.955 million recorded for the similar comparative reporting period. The company continues to be nimble and to manage costs whilst generating improvements to the net profit recorded.

Covid-19 continues to restrict the full implementation of our Business Plans, which are anchored on the pillars of revenue growth, new product development and expense management as we aim to improve the year over year financial performance.

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 bond together at this time 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 2021

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

FINANCIAL STATEMENTS

FOR THE THREE MONTHS TO 31 MARCH 2021

INDEX

	<u>PAGE</u>
<u>UNAUDITED FINANCIAL STATEMENTS</u>	
Statement of Profit and Loss and Comprehensive Income	1
Statement of Financial Position	2
Statement of Changes in Equity	3
Statement of Cash Flows	4
Notes to the Financial Statements	5-10

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED  
STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME  
FOR THE THREE MONTHS TO 31 MARCH 2021

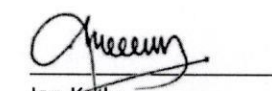
	Unaudited 3 months ended 31 March 2021 \$ '000	Unaudited 3 months ended 31 March 2020 \$ '000	Audited 12 months ended 31 December 2020 \$ '000
REVENUE	133,744	149,394	593,753
Cost of sales	<u>(89,220)</u>	<u>(101,554)</u>	<u>(403,172)</u>
Gross profit	44,524	47,840	190,581
Unrealised gains on investments valued at fair value	-	-	2,860
Selling and distribution costs	(659)	(1,755)	(6,197)
Administrative expenses	(29,821)	(30,193)	(114,937)
Net finance income	<u>4,893</u>	<u>3,063</u>	<u>24,205</u>
Profit before tax	18,937	18,955	96,512
Taxation	(2,000)	(4,738)	(14,213)
Net profit	16,937	14,217	82,299
Earnings per share	\$0.02	\$0.16	\$0.09

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED  
STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2021

	Unaudited 31 March 2021 \$ '000	Unaudited 31 March 2020 \$ '000	Audited 31 December 2020 \$ '000
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and bank balances	14,559	27,298	57,231
Short term investments	250,639	209,239	238,195
Tax recoverable	3,222	3,155	3,222
Receivables and prepayments	103,727	92,887	79,711
Inventories	182,606	133,400	150,721
	<u>554,753</u>	<u>465,979</u>	<u>529,080</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	21,334	20,900	22,728
Rights of use	83,208	81,083	83,208
	<u>104,542</u>	<u>101,983</u>	<u>105,936</u>
	<u>659,295</u>	<u>567,962</u>	<u>635,016</u>
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Payables and accruals	45,460	32,706	42,130
Taxation payable	13,808	3,178	9,102
Current portion of long term loan	1,383	2,819	2,077
Current portion of lease liability		3,381	4,648
	<u>60,651</u>	<u>42,084</u>	<u>57,957</u>
<b>LONG TERM LIABILITIES</b>			
Deferred tax liabilities	3,550	-	3,550
Long term bank loan	-	1,334	-
Lease liability	88,160	80,149	83,512
	<u>91,710</u>	<u>81,483</u>	<u>87,062</u>
<b>EQUITY</b>			
Share capital	56,200	56,200	56,200
Retained earnings	450,734	388,195	433,797
	<u>506,934</u>	<u>444,395</u>	<u>489,997</u>
Total liabilities and equity	<u>659,295</u>	<u>567,962</u>	<u>635,016</u>

Approved and signed on behalf of the Board by:

  
 Howard Mitchell  
 Director

  
 Ian Kelly  
 Director

CARIBBEAN FLAVOURS AND FRAGRANCES  
STATEMENT OF CHANGES IN EQUITY  
FOR THE THREE MONTHS TO 31 MARCH 2021

	Unaudited 31 March 2021		Unaudited 31 March 2020		Audited 31 December 2020	
	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	433,797	56,200	373,978	56,200	373,978
Issue of shares					-	
Net profit		16,937		14,217	-	82,299
Dividends paid	-		-	-	-	(22,480)
	<u>56,200</u>	<u>450,734</u>	<u>56,200</u>	<u>388,195</u>	<u>56,200</u>	<u>433,797</u>

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED  
STATEMENT OF CASH FLOWS  
FOR THE THREE MONTHS TO 31 MARCH 2021

	3 months ended 31 March 2021 <u>\$ '000</u>	3 months ended 31 March 2020 <u>\$ '000</u>
CASH RESOURCES WERE PROVIDED BY/(USED IN):		
OPERATING ACTIVITIES		
Profit after taxation	16,937	14,217
Adjustment for non-cash income and expenses		
Depreciation	1,891	1,615
Interest income	449	193
	<u>19,277</u>	<u>16,025</u>
Changes in operating assets and liabilities		
Inventories	(31,885)	33,497
Receivables and prepayments	(24,016)	(26,521)
Payables and accruals	3,330	(11,974)
Taxation payable	4,706	3,178
Tax recoverable	-	1,516
	<u>(47,865)</u>	<u>(304)</u>
Net cash (used in)/provided by operating activities	<u>(28,588)</u>	<u>15,721</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(498)	(3,964)
Purchase of investments	(12,444)	4,868
Dividends paid	-	-
Interest received	(449)	(193)
Net cash (used in)/provided by investing activities	<u>(13,391)</u>	<u>711</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Bank loan	(694)	(680)
Net cash used in financing activities	<u>(694)</u>	<u>(680)</u>
NET INCREASE/(DECREASE) IN NET CASH AND CASH EQUIVALENTS	(42,673)	15,752
Cash and cash equivalents at beginning of year	57,231	11,546
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>14,558</u>	<u>27,298</u>
Represented by:		
Cash on hand	1,891	347
Bank balances	12,667	26,951
	<u>14,558</u>	<u>27,298</u>



CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED  
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS  
THREE MONTHS ENDED 31 MARCH 2021

## **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, 2020.

### 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 2021

### 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 measurable 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 2021

### 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%
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 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 2021

### **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.

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED  
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS  
THREE MONTHS ENDED 31 MARCH 2021

**6. SHARE CAPITAL**

	<u>2021</u>	<u>2020</u>
<u>Authorised:</u>		
2,508,548,000 ordinary shares of no par value (2019: 91,452,000)		
<u>Issued and fully paid:</u>		
899,200,330 ordinary shares of no par value	56,200	56,200

On October 7, 2020, the Company held an Annual General Meeting which resulted in the following resolutions being approved:

- (a) The authorized share capital of the Company was increased from 91,452,000 shares to 2,600,000,000 shares, by the creation of an additional 2,508,548,000 ordinary shares each ranking pari passu in all respects with the existing ordinary shares or stock units in the capital of the Company.
- (b) The issued ordinary shares in the capital of the Company were subdivided into 10 ordinary shares with effect from the close of business on October 13, 2020 resulting in the total issued shares of the Company being increased from 89,920,033 ordinary shares of no par value to 899,200,330 ordinary shares of no par value.

**SHAREHOLDINGS OF TOP TEN (10) STOCKHOLDERS, DIRECTORS AND SENIOR OFFICERS AS AT 31 MARCH 2021.**

<b>TOP (10) STOCKHOLDERS</b>	<b>NUMBER OF SHARES HELD</b>
DERRIMON TRADING COMPANY LIMITED	584,653,270
DIGIPOINT LIMITED	69,220,000
NIGEL COKE	45,172,599
IDEAL GLOBAL INVESTMENT LIMITED	30,968,610
IAN C. KELLY	23,228,140
MAYBERRY MANAGED CLIENTS ACCOUNT	23,053,235
TROPICAL BATTERY CO. LTD CONTRIBUTORY PENSION SCHEME	10,208,000
MAYBERRY INVESTMENT LIMITED PENSION SCHEME	9,729,450
KONRAD BERRY	9,633,330
SAGICOR SELECT FUND - (CLASS C SHARES) MANUF. & DISTRIB.	7,212,860
<b>DIRECTORS</b>	
DERRICK COTTERELL	0
ANAND JAMES	0
IAN C. KELLY	23,228,140
CLIVE C. NICHOLAS	1,000,000
CARLTON E. SAMUELS	500,000
WILFORD HEAVEN	0
<b>SENIOR MANAGERS</b>	
ANAND JAMES	0
JANICE LEE	110,000
RHONDE MCPHERSON	0
<b>CONNECTED PARTIES</b>	
IAN C. KELLY (DIRECTOR OF DERRIMON TRADING LTD)	23,228,140
DERRICK COTTERELL (DIRECTOR OF DERRIMON TRADING LTD)	0