



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 31 MARCH 2022

Highlights of Q1 2022

	March 31, 2022 \$'000	March 31, 2021 \$'000	Change
Revenue	174,158	133,744	30.22%
Gross Profit	56,832	44,524	27.64%
Gross Margin	32.63%	33.29%	-0.02%
Net Profit	20,397	16,937	20.43%
Earnings Per Share	\$0.02	\$0.02	0.00%

Performance Review of Q1 2022

The Board of Directors is pleased to report on the performance of Caribbean Flavours and Fragrances Limited (CFF) for the first quarter ending March 31, 2022. Revenue increased by \$40.414 million (30.22%) to \$174.158 million as demand in the economy began to pick back up with shorter curfew hours and the eventual withdrawal of the Disaster Risk Management Act (DRMA). We completed our first export to a new Spanish-Speaking market as we continue with the diversification of our revenue from overseas.

The Company has adapted its operations over the last year to respond more quickly to the global logistics and supply chain challenges. An example of this agile nature is where we worked with customers to create new flavours arising from supply chain disruptions that matched their cost and product profile. However, the company had a minor price increase in January to adjust for the rising costs of other inputs.

Gross profit increased by 27.64% to \$56.832 million which can be attributed to cost of sales growing slower than our sales growth. The Company's gross profit margin for the quarter was 32.63% and is relatively stable as it compares well to the 33.29% of 2021.

Total expenses rose by 13.47% to \$34.587 million as we spent more on our staff and increased production to match the needs of our customers. Selling and distribution expenses were impacted by the rising cost of fuel and other associated costs of distribution.

Our profit before tax increased by 23.55% to \$23.397 million. While taxation came up to \$3 million, net profit grew by 20.43% to \$20.397 million with earnings per share flat at \$0.02.

Balance Sheet

Total assets improved by 8.01% to \$712.128 million on a year over year basis. Current assets continue to represent the largest portion of our asset base at \$570.237 million. Our cash balance currently stands at \$12.971 million while our short-term investments stand at \$261.793 million. Non-current assets was \$141.891 million which represented a 35.73% increase as we spent \$4.40 million during the quarter on property, plant and equipment related to our laboratory.

Total liabilities increased by 9.67% to \$167.099 million. Current liabilities increased by 12.13% to \$68.010 million. Shareholders' equity increased by 7.51% to \$545.029 million from the higher accumulated surplus during the reporting period.

Market Performance

	March 31, 2022	March 31, 2021	Percentage
CFF Stock Price	\$2.01	\$2.27	-11.45%
Junior Market Index	4,223.33	2,982.95	41.58%
JSE Manufacturing and Distribution Index	109.58	93.55	17.14%
Market Capitalization	\$1.81 Billion	\$2.04 Billion	-11.27%

The Junior Market has seen a vibrant rebound over the last year with the index hitting a new record at the end of March. This included the inclusion of three new companies during the quarter and improving sentiment as the performance of listed companies surpass 2019 figures. A year over year comparison shows that the Junior Market Index and JSE Manufacturing and Distribution Index has appreciated more than CFF's stock performance which declined. The company's market capitalization stood at a solid \$1.81 Billion at the end of the quarter.

Outlook and Risks

Since the start of the year, a multitude of risks have begun to pop up across the region and globe. The first major event was the invasion of Ukraine by Russia which sent commodity prices flying and created additional disruptions to global supply chains. This event is still ongoing as at the time of this report with thousands of lives lost and millions displaced.

The second major event is the emergence of additional COVID-19 variants which have pushed China to institute additional measures to contain the virus from spreading further. This move has pushed many timelines back for the receipt of goods for various business including those which rely on suppliers along their own supply chain to produce raw materials.

We have identified these key risks to our businesses and noted how we are currently addressing them below.

Currency Risk – This arises from the settlement of transactions in a currency other than the company's functional currency which is the Jamaica Dollar (JMD). Since the JMD depreciates against major currencies such as the United States Dollar, Canadian Dollar and Great British Pound, this creates additional cost when the transaction is to be completed. The company continues to maintain an adequate balance of foreign exchange relative to our JMD bank holdings. By maintaining

our current position plus exporting more to other markets, we've limited some of the risks that come with the depreciation of the local currency.

Supply Chain Risk – While shipping costs have begun to normalize after the mass spike seen in 2021, there is now a rising lag in the processing of goods which is leading to shortages in various categories of goods and commodities. We have maintained an additional buffer of inventory to mitigate against the delay in receiving raw materials from suppliers. Though this is one strategy, the company still has to contend with shortages of different materials from our suppliers who can't get their key inputs to start their transformation process in the manufacturing of raw materials. As a result, the company is working closely with clients to fine tune our own flavours and fragrances to ensure it matches their desired objectives.

The economy is currently facing a round of elevated inflation stemming from the various cost increases along various elements of the supply chain. The cost of security went up on April 1 as the minimum wage went up while energy costs are rising at a similar pace as oil prices remain above US\$100 a barrel. The unemployment rate has decreased to a record 6.2% and the economy is seeing a strong surge in tourist bookings with the country no longer imposing significant limitations on travel testing.

With schools reopen along with the entertainment sector, we are looking forward to the possible increase in sales demand for manufacturers which in turn would mean additional business for us. These increased sales figures will more than likely lag behind our reporting timeline when it should become visible to all readers. We remain mindful of cost increases and look to absorb costs where possible or extract efficiencies in the business. We launched 3 new products last quarter and are introducing them in the second quarter through one of our clients.

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've done well so far this year and remain positive for the remainder of 2022.

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.



Derrick Cotterell
Managing Director

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

UNAUDITED

FINANCIAL STATEMENTS

FOR THE THREE MONTHS TO 31 MARCH 2022

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

FINANCIAL STATEMENTS

FOR THE THREE MONTHS TO 31 MARCH 2022

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CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED
STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME
FOR THE THREE MONTHS TO 31 MARCH 2022

	Unaudited 3 months ended 31 March 2022 \$ '000	Unaudited 3 months ended 31 March 2021 \$ '000	Audited 12 months ended 31 December 2021 \$ '000
REVENUE	174,158	133,744	637,714
Cost of sales	<u>(117,326)</u>	<u>(89,220)</u>	<u>(441,813)</u>
Gross profit	56,832	44,524	195,901
Unrealised gains on investments valued at fair value	-	-	7,642
Selling and distribution costs	(941)	(659)	(7,074)
Administrative expenses	(33,646)	(29,821)	(123,320)
Net finance income	<u>1,152</u>	<u>4,893</u>	<u>15,349</u>
Profit before tax	23,397	18,937	88,498
Taxation	(3,000)	(2,000)	(8,903)
Net profit	20,397	16,937	79,595
Earnings per share	\$0.02	\$0.02	\$0.09

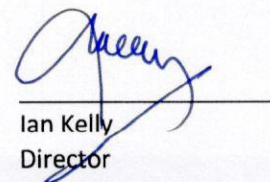
CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

Note	Unaudited 31 March 2022 \$ '000	Unaudited 31 March 2021 \$ '000	Audited 31 December 2021 \$ '000
ASSETS			
CURRENT ASSETS			
Cash and bank balances	12,971	14,559	8,587
Short term investments	261,793	250,639	261,793
Tax recoverable	3,616	3,222	3,614
Due from related party	-	-	20,000
Receivables and prepayments	111,488	103,727	104,163
Inventories	180,369	182,606	185,432
	<u>570,237</u>	<u>554,753</u>	<u>583,589</u>
NON-CURRENT ASSETS			
Property, plant and equipment	46,308	21,334	44,682
Rights-of-use assets	79,702	83,208	81,156
Investment	15,000	-	15,000
Deferred tax assets	881	-	881
	<u>141,891</u>	<u>104,542</u>	<u>141,719</u>
	<u>712,128</u>	<u>659,295</u>	<u>725,308</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Payables and accruals	55,992	45,460	81,320
Taxation payable	3,440	13,808	9,216
Current portion of long term loan	3,940	1,383	3,940
Current portion of lease liability	4,638	-	4,638
	<u>68,010</u>	<u>60,651</u>	<u>99,114</u>
LONG TERM LIABILITIES			
Deferred tax liabilities	-	3,550	-
Long term bank loan	16,641	-	17,898
Lease liability	82,448	88,160	83,664
	<u>99,089</u>	<u>91,710</u>	<u>101,562</u>
EQUITY			
Share capital	56,200	56,200	56,200
Retained earnings	488,829	450,734	468,432
	<u>545,029</u>	<u>506,934</u>	<u>524,632</u>
Total liabilities and equity	<u>712,128</u>	<u>659,295</u>	<u>725,308</u>

Approved and signed on behalf of the Board by:



Clive Nicholas
Director



Ian Kelly
Director

CARIBBEAN FLAVOURS AND FRAGRANCES
STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS TO 31 MARCH 2022

	Unaudited 31 March 2022		Unaudited 31 March 2021		Audited 31 December 2021	
	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	468,432	56,200	433,797	56,200	433,797
Issue of shares					-	
Net profit		20,397		16,937	-	79,595
Dividends paid	-		-	-	-	(44,960)
	<u>56,200</u>	<u>488,829</u>	<u>56,200</u>	<u>450,734</u>	<u>56,200</u>	<u>468,432</u>

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED
STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS TO 31 MARCH 2022

	3 months ended 31 March 2022 \$ '000	3 months ended 31 March 2021 \$ '000
CASH RESOURCES WERE PROVIDED BY/(USED IN):		
OPERATING ACTIVITIES		
Profit after taxation	20,397	16,937
Adjustment for non-cash income and expenses		
Depreciation	2,776	1,891
Lease interest expense	(1,216)	
Amortization of right-of-use assets	1,454	
Interest income	(3)	449
	23,408	19,277
Changes in operating assets and liabilities		
Inventories	5,063	(31,885)
Receivables and prepayments	(7,325)	(24,016)
Due from related party	20,000	
Payables and accruals	(25,328)	3,330
Taxation payable	(5,776)	4,706
Tax recoverable	(2)	-
	(13,368)	(47,865)
Net cash provided by/(used in) operating activities	10,040	(28,588)
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(4,402)	(498)
Purchase of investments	-	(12,444)
Dividends paid	-	-
Interest received	3	(449)
Net cash used in investing activities	(4,399)	(13,391)
CASH FLOW FROM FINANCING ACTIVITIES		
Bank loan	(1,257)	(694)
Net cash used in financing activities	(1,257)	(694)
NET INCREASE/(DECREASE) IN NET CASH AND CASH EQUIVALENTS	4,384	(42,673)
Cash and cash equivalents at beginning of year	8,587	57,231
CASH AND CASH EQUIVALENTS AT END OF YEAR	12,971	14,558
Represented by:		
Cash on hand	1,710	1,891
Bank balances	11,261	12,667
	12,971	14,558

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CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
THREE MONTHS ENDED 31 MARCH 2022

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, 2021.

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 2022

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 2022

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	33 $\frac{1}{3}$ %
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 2022

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.

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED
 NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
 THREE MONTHS ENDED 31 MARCH 2022

5. SHARE CAPITAL

	<u>2022</u>	<u>2021</u>
	\$'000	\$'000
<u>Authorised:</u>		
2,600,000,000 ordinary shares of no par value (2020:91,452,000)		
<u>Issued and fully paid:</u>		
899,200,330	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 was subdivided into 10 ordinary shares with effect from the close of business on October 13, 2020 resulting in the total issued shares capital 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, SENIOR OFFICERS AS AT MARCH 31, 2022

#	Name of Shareholder	Volume	%age Ownership
1	DERRIMON TRADING COMPANY LIMITED	584,653,270	65.02%
2	DIGIPOINT LIMITED	69,220,000	7.70%
3	JCSD TRUSTEE SERVICES LIMITED A/C BARITA UNIT TRUST CAPITAL GROWTH FUND	44,778,922	4.98%
4	IDEAL GLOBAL INVESTMENTS LIMITED	30,968,610	3.44%
5	IAN C. KELLY	23,228,140	2.58%
6	NIGEL O. COKE	21,322,781	2.37%
7	MAYBERRY MANAGED CLIENTS ACCOUNT	14,232,790	1.58%
8	TROPICAL BATTERY COMPANY LTD CONTRIBUTORY PENSION SCHEME	10,208,000	1.14%
9	MAYBERRY INVESTMENTS LIMTIED PENSION SCHEME	9,729,450	1.08%
10	KONRAD BERRY	7,298,154	0.81%
Top 10 Holdings		815,640,117	90.71%
Other Shareholders		83,560,213	9.29%
Total		899,200,330	100.00%

Directors	Direct	Connected Parties	Total	Percentage
DERRICK COTTERELL ¹	0	584,653,270	584,653,270	65.02%
ANAND JAMES	0	0	0	0%
IAN C. KELLY ¹	23,228,140	0	23,228,140	2.58%
CLIVE C. NICHOLAS	1,000,000	0	1,000,000	0.11%
HOWARD MITCHELL	1,450,000	0	1,450,000	0.16%
CARLTON E. SAMUELS	500,000	0	500,000	0.06%
WILFORD HEAVEN	0	0	0	0%
TANIA WALDRON-GOODEN	0	0	0	0%

1. Executive Directors of Derrimon Trading Company Limited.

Senior Managers	SHAREHOLDINGS	PERCENTAGE
JANICE LEE	110,000	0.01%
ANAND JAMES	0	0%
RHONDE MCPHERSON	0	0%
CHRISTOPHER CARLESS	0	0%
RECHAL TURNER	0	0%