



CARIBBEAN FLAVOURS AND FRAGRANCES LTD.

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"Tease the Senses"

Caribbean Flavours and Fragrances Limited

Unaudited Financial Statements for the Quarter ending June 30, 2022

Highlights of Q2 2022

| | Current Quarter | | | Year to Date | | |
|--------------------|-------------------------|-------------------------|--------|-------------------------|-------------------------|--------|
| | June 30, 2022 \$'000 | June 30, 2021 \$'000 | Change | June 30, 2022 \$'000 | June 30, 2021 \$'000 | Change |
| Revenue | 185,694 | 167,557 | 10.82% | 359,852 | 301,301 | 19.43% |
| Gross Profit | 58,958 | 51,134 | 15.30% | 115,790 | 95,771 | 20.90% |
| Gross Margin | 31.75% | 30.52% | 1.23% | 32.18% | 31.79% | 0.39% |
| Net Profit | 24,354 | 24,291 | 0.26% | 44,751 | 41,228 | 8.55% |
| Earnings Per Share | \$0.03 | \$0.03 | 0.00% | \$0.05 | \$0.05 | 0.00% |

Performance Review of Q2 2022

We are pleased to present the results of Caribbean Flavours and Fragrances Limited (CFF) to shareholders for the second quarter ending June 30, 2022. The reporting period saw revenue increase by 10.82% to \$185.69 million and is primarily driven by generally improved economic activities as demand in the economy began to pick up. This was also the first quarter without the Disaster Risk Management Act (DRMA) which limited activities of businesses. Several of our larger clients experienced increased demand for their products quite rapidly which required CFF to be agile and ready to respond. We continue to focus heavily on extracting efficiencies from our operations as we aim to maintain our margins while delivering the highest value for our diverse stakeholders despite the many market challenges. Our work to diversify the revenue mix of the Company was enhanced during the quarter with the addition of new clients from Trinidad and Tobago and the Dominican Republic. This is important given our focus strategy on building our export portfolio in the Caribbean.

Gross profit increased by 15.30% to \$58.96 million which can be attributed to the management of our cost of sales despite the many price adjustments that we continue to experience from our various supply partners. We continue to carefully monitor our supply and logistics channels and make reasonable adjustments as the needs arise.

Total expenses rose by 4.19% to \$31.57 million as we marginally increased our selling and promotional expenses to promote our assortment of offerings to our new clients. Our major administrative expenses increased due to the increased cost of fuel, electricity, staff costs, security and other general expenses. We experienced a net finance expense of \$33,000 compared to net finance income of \$6.34 million in the prior quarter as the Jamaican Dollar (JMD) appreciated against the United States Dollar (USD) during the second quarter.

Profit before taxation was \$27.35 million while net profit ended the quarter at \$24.35 million generating Earnings per share at \$0.03.

Performance Review of Six (6) Months 2022

Revenue for the first half of the year improved to \$359.85 million which is our best six months performance to date. Gross margins improved to 32.18% with gross profit rising 20.90% to \$115.79 million. Our operating profit is 9.78% higher at \$50.75 million generating net profit of \$44.75 million which represents an improvement of 8.55%. The year-to-date earnings per share remains flat at \$0.05.

We are proud of our performance during the first half of the year which has been marked by heightened uncertainty and constantly evolving dynamics in a time of rising inflation and interest rates within our markets and many markets that we serve. Our focus during the first half of the year was on client retention and relations whilst ensuring that we met renewed demand. We remain confident and will continue to build on this first six (6) months performance to ensure that we reap multiplier positive outcomes surpassing the first six (6).

Balance Sheet

Total assets improved by 14.30% to \$771.55 million on a year over year basis. Current assets closed the period at \$632.78 million, bank balances currently stand at \$28.44 million while short-term investments totalled \$261.79 million. Due to the frequency of urgent orders and rising costs on freight and inventory, CFF increased its inventory by 39.80% to \$214.88 million as we moved to ensure that we have the capacity to respond to our client demands without facing the impact from further price uncertainties due to rapid price increases in raw materials, freight and shipping. Our receivables and prepayments balance of \$124.05 million represent balances mostly 60 days. Non-current assets was \$138.77 million.

Total liabilities increased by 40.61% to \$202.17 million, however current liabilities increased by 83.42% to \$104.02 million as the company's payables balance was increased to \$90 million. The only remaining loan on the books is with First Global Bank at a rate of 7% per annum. As such, the company does not have any material exposure to variable rate debt.

Shareholders' equity increased by 7.18% to \$569.38 million from the higher accumulated surplus during the reporting period.

Economic Environment

Gross Domestic Product for Jamaica grew by 6.4% in the first quarter of 2022 (January – March). The services industries rose by 8.9% with the goods producing industries growing by 0.4%. In the goods producing industry, construction recorded a 3.5% improvement with agriculture, forestry and fishing growing by 8.2% and 4.0% respectively. The mining and quarrying sector declined by 60.0%. The unemployment rate as of April was 6% which was the lowest recorded rate in our modern history. The number of employed persons came in at 1,269,300 which was above the 1,269,100 persons in January 2020 when the unemployment rate was 7.3%.

The Bank of Jamaica (BOJ) increased their policy rate from 4.50% to 5.50% during the quarter with point-to-point inflation ending the period at 10.9%. Net international reserves closed out June at US \$3.80 billion which represents 35.98 weeks of goods and service imports. The FX rate between the USD – JMD improved from \$153.78 at the start of the quarter to \$151.56 at the end of June. The FX rate has appreciated 2.27% from \$155.08 since the start of the year.

Market Performance

| | June 30, 2022 | June 30, 2021 | Percentage |
|--|----------------|----------------|------------|
| CFF Stock Price | \$2.00 | \$2.05 | -2.44% |
| Junior Market Index | 4,349.44 | 3,370.59 | 29.04% |
| JSE Manufacturing and Distribution Index | 107.69 | 106.13 | 1.47% |
| Market Capitalization | \$1.80 Billion | \$1.84 Billion | -2.17% |

The Junior Market hit new all-time high during the second quarter with the Dolla Financial Services Limited initial public offering (IPO) being the largest IPO to date with a total of \$4.76 billion in demand relative to \$500 million being sought in the offer. This demonstrates the vibrancy of the Junior Market over the last 13 years and why we're proud to be listed on this market to fuel growth in Jamaica. A year over year comparison shows that the Junior Market Index and JSE Manufacturing and Distribution Index have appreciated more than CFF's stock performance which declined marginally. The company's market capitalization stood at a solid \$1.80 Billion at the end of the quarter.

Outlook and Risks

We hosted our second fragrances seminar with International Flavours and Fragrances Limited on May 19, 2022 at the Courtleigh Hotel. This seminar was well attended by our various clients with 40 customers showing up for the event. Apart from our Managing Director Derrick Cotterell, Group Chief Financial Officer Ian Kelly and General Manager Janice Lee being present, we also had Edgar German Lopez Iaffa, Lucas Horta and Silvia Ximena Mendoza Loza who were the presenters for the seminar. Our customers left with a greater appreciation of what consumers want now after covering global trends in health and wellness, hair care and home care and we are hoping that this seminar will create additional demands for our products.

We continue to monitor our environment and 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). When 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 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.

Due to the current increase in raw materials, CFF increased prices on some products in July 2022. Despite these price increases, our major customers remain grateful for our dialogue and our ability to service their needs. We continue to manufacture consistently due to our prudent inventory management.

With our major international partners distributing a larger portfolio during the period, we have added new equipment during the quarter and hire new staff member to ensure that we're able to distribute these products to clients across the Caribbean. We continue with staff training to ensure everyone is equipped and is u-fait with best practices and that they're up to date on the relevant procedures and practices.

The Jamaican economy is seeing a solid rebound in economic activity with the entertainment sector open and air traffic surpassing pre-COVID-19 levels. The hosting of the World Free Zones Organization Annual International Conference in June, Road Carnival in July and several roster of events into the 60th year of independence celebrations all show clear signs that the second half of 2022 is poised for opportunities across the country.

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 profit will be subject to 50% tax remission until 6 October 2023.

Earnings Per Stock Unit

Earnings per stock unit are calculated by dividing the profit for the period by the weighted average number of shares issued for the period.

| | Quarter ended June 30, 2022 \$'000 | Quarter ended June 30, 2021 \$'000 | 6 Months ended June 30, 2022 \$'000 | 6 Months ended June 30, 2021 \$'000 | Year ended December 31, 2021 \$'000 |
|--------------------------------------|--|--|---|---|---|
| Net profit | 24,354 | 24,291 | 44,571 | 41,228 | 79,595 |
| Weighted average number of shares | 899,200,330 | 899,200,330 | 899,200,330 | 899,200,330 | 899,200,330 |
| Earnings Per share | \$0.03 | \$0.03 | \$0.05 | \$0.05 | \$0.09 |

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 we are very optimistic for the remainder of 2022.

**SHAREHOLDINGS OF TOP TEN (10) STOCKHOLDERS, DIRECTORS, SENIOR OFFICERS
AS AT JUNE 30, 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 | 46,916,626 | 5.22% |
| 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 | 13,883,090 | 1.54% |
| 8 | TROPICAL BATTERY COMPANY LTD CONTRIBUTORY PENSION SCHEME | 10,190,987 | 1.13% |
| 9 | MAYBERRY INVESTMENTS LIMITED PENSION SCHEME | 9,729,450 | 1.08% |
| 10 | KONRAD BERRY | 7,298,154 | 0.81% |
| Top 10 Holdings | | 817,411,108 | 90.90% |
| Other Shareholders | | 81,789,222 | 9.10% |
| 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 | 750,000 | 0 | 750,000 | 0.08% |
| 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% |

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

UNAUDITED

FINANCIAL STATEMENTS

FOR THE SIX MONTHS TO 30 JUNE 2022

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

FINANCIAL STATEMENTS

FOR THE SIX MONTHS TO 30 JUNE 2022

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CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED
STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME
FOR THE SIX MONTHS TO 30 JUNE 2022

| | Unaudited 3 months ended 30 June 2022 \$ '000 | Unaudited 3 months ended 30 June 2021 \$ '000 | Unaudited 6 months ended 30 June 2022 \$ '000 | Unaudited 6 months ended 30 June 2021 \$ '000 | Audited 12 months ended 31 December 2021 \$ '000 |
|--------------------------------|--|--|--|--|---|
| REVENUE | 185,694 | 167,557 | 359,852 | 301,301 | 637,714 |
| Cost of sales | <u>(126,736)</u> | <u>(116,310)</u> | <u>(244,062)</u> | <u>(205,530)</u> | <u>(441,813)</u> |
| Gross profit | 58,958 | 51,247 | 115,790 | 95,771 | 195,901 |
| Selling and distribution costs | (1,169) | (939) | (2,110) | (1,598) | (7,074) |
| Administrative expenses | (30,402) | (29,361) | (64,048) | (59,182) | (123,320) |
| Net finance income/(expense) | <u>(33)</u> | <u>6,344</u> | <u>1,119</u> | <u>11,237</u> | <u>15,349</u> |
| Profit before tax | 27,354 | 27,291 | 50,751 | 46,228 | 88,498 |
| Taxation | (3,000) | (3,000) | (6,000) | (5,000) | (8,903) |
| Net profit | 24,354 | 24,291 | 44,751 | 41,228 | 79,595 |
| Earnings per share | \$0.03 | \$0.03 | \$0.05 | \$0.05 | \$0.09 |

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

| Note | Unaudited 30 June 2022 \$ '000 | Unaudited 30 June 2021 \$ '000 | Audited 31 December 2021 \$ '000 |
|------------------------------------|--------------------------------------|--------------------------------------|--|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and bank balances | 28,441 | 40,114 | 8,587 |
| Short term investments | 261,793 | 260,164 | 261,793 |
| Tax recoverable | 3,617 | 3,224 | 3,614 |
| Due from related party | - | - | 20,000 |
| Receivables and prepayments | 124,049 | 112,830 | 104,163 |
| Inventories | 214,880 | 153,702 | 185,432 |
| | <u>632,780</u> | <u>570,034</u> | <u>583,589</u> |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 44,639 | 21,757 | 44,682 |
| Right-of-use-asset | 78,248 | 83,208 | 81,156 |
| Investment | 15,000 | | 15,000 |
| Deferred tax assets | 881 | | 881 |
| | <u>138,768</u> | <u>104,965</u> | <u>141,719</u> |
| | <u>771,548</u> | <u>674,999</u> | <u>725,308</u> |
| LIABILITIES AND EQUITY | | | |
| CURRENT LIABILITIES | | | |
| Payables and accruals | 90,004 | 49,858 | 81,320 |
| Taxation payable | 5,440 | 2,206 | 9,216 |
| Current portion of long term loan | 3,940 | | 3,940 |
| Current portion of lease liability | 4,638 | 4,648 | 4,638 |
| | <u>104,022</u> | <u>56,712</u> | <u>99,114</u> |
| LONG TERM LIABILITIES | | | |
| Deferred tax liabilities | - | 3,550 | 0 |
| Long term bank loan | 16,641 | | 17,898 |
| Lease liability | 81,502 | 83,512 | 83,664 |
| | <u>98,143</u> | <u>87,062</u> | <u>101,562</u> |
| EQUITY | | | |
| Share capital | 56,200 | 56,200 | 56,200 |
| Retained earnings | 513,183 | 475,025 | 468,432 |
| | <u>569,383</u> | <u>531,225</u> | <u>524,632</u> |
| Total liabilities and equity | <u>771,548</u> | <u>674,999</u> | <u>725,308</u> |

Approved and signed on behalf of the Board by:


Anand James - Director


Ian Kelly - Director

CARIBBEAN FLAVOURS AND FRAGRANCES
STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS TO 30 JUNE 2022

| | Unaudited 30 June 2022 | | Unaudited 30 June 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 | | 44,751 | | 41,228 | - | 79,595 |
| Dividends paid | - | | - | | - | (44,960) |
| | <u>56,200</u> | <u>513,183</u> | <u>56,200</u> | <u>475,025</u> | <u>56,200</u> | <u>468,432</u> |

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED
STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS TO 30 JUNE 2022

| | 6 months ended 30 June 2022 <u>\$ '000</u> | 6 months ended 30 June 2021 <u>\$ '000</u> |
|--|--|--|
| CASH RESOURCES WERE PROVIDED BY/(USED IN): | | |
| OPERATING ACTIVITIES | | |
| Profit before taxation | 44,751 | 41,228 |
| Adjustment for non-cash income and expenses | | |
| Depreciation | 5,552 | 3,782 |
| Lease interest expense | (2,162) | |
| Amortization of right-of-use assets | 2,908 | |
| Interest income | (4) | (4,977) |
| | <u>51,045</u> | <u>40,033</u> |
| Changes in operating assets and liabilities | | |
| Inventories | (29,448) | (2,981) |
| Receivables and prepayments | (19,886) | (33,119) |
| Due from related party | 20,000 | |
| Payables and accruals | 8,684 | 7,728 |
| Tax recoverable | (3) | (2) |
| Taxation payable | (3,776) | (6,896) |
| | <u>(24,429)</u> | <u>(35,270)</u> |
| Net cash provided by operating activities | <u>26,616</u> | <u>4,763</u> |
| CASH FLOW FROM INVESTING ACTIVITIES: | | |
| Purchase of property, plant and equipment | (5,509) | (2,811) |
| Purchase of investments | - | (21,969) |
| Dividends paid | - | - |
| Interest received | 4 | 4,977 |
| Net cash used in investing activities | <u>(5,505)</u> | <u>(19,803)</u> |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Bank loan | (1,257) | (2,077) |
| Net cash used in financing activities | <u>(1,257)</u> | <u>(2,077)</u> |
| NET INCREASE/(DECREASE) IN NET CASH AND CASH EQUIVALENTS | 19,854 | (17,117) |
| Cash and cash equivalents at beginning of year | 8,587 | 57,231 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>28,441</u> | <u>40,114</u> |
| Represented by: | | |
| Cash on hand | 2,233 | 766 |
| Bank balances | 26,208 | 39,348 |
| | <u>28,441</u> | <u>40,114</u> |
| | - | |

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
SIX MONTHS ENDED 30 JUNE 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
SIX MONTHS ENDED 30 JUNE 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
SIX MONTHS ENDED 30 JUNE 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 | 33½% |
| 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
SIX MONTHS ENDED 30 JUNE 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. 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.