



CARIBBEAN FLAVOURS AND FRAGRANCES LTD.

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"Tease the Senses"

REPORT ON THE 31 DECEMBER 2023 AUDITED FINANCIAL STATEMENTS TO OUR SHAREHOLDERS

The Board of Directors is pleased to report on the performance of Caribbean Flavours and Fragrances Limited for the year ending December 31, 2023.

We continue to operate in a post global pandemic environment whereby many business operations are still being negatively impacted in some way from many global logistics and price taking strategies. The financial results indicate however, that the company continues to remain resilient to global market forces and that decisions taken have been geared towards enhancing shareholders value and long-term growth. The Board of Directors and its Management continue to make and implement strategic decisions geared towards the best interest of all the Company's stakeholders.

The Company's proactive approach to the global supply chain shortages and logistical challenges enabled us to become more aggressive in the way orders were placed with suppliers, as well as provided enough lead time to ensure that adequate stock of raw materials were always available. However, this strategy in some instances negatively impacted the company financially as the diversification of suppliers and high carrying amounts of inventory resulted in some levels of stock losses due to expirations and a reduction in demand from our customers. These inventories were written off against profit during the reporting period.

Sales reported for the year was J\$900.805 million, representing an increase of J\$128.576 million or 16.65% from the J\$772.229 million recorded for 2022. This improvement was driven by the continuous refinement of our sales approach strategy, which had a direct focus on closing new business deals, availing new products to our various partners and the deepening of our sales strategies in the various markets that we serve.

Gross profit reported for this year was J\$324.788 million representing a 41.82% increase over the J\$229.012 million reported for 2022. The gross profit margin reported was 36.06% as compared to 29.66% reported for the comparable 2022 financial year. This improvement was driven by the improved management of our inventories, efficiencies gained from the manufacturing processes and the change of our product mix.

The Company's operating and administrative costs increased by J\$25.644 million or 16.69% during this reporting period from J\$153.644 million to J\$179.288 million and was mainly influenced by the cost of attracting new talent, and other professional fees relating to product development. These costs were necessary to support the Company's strategy of providing a focused, more customer-centric and personalized approach to serving our customers.

For the year December 31, 2023, net profit before tax was J\$155.804 million and represents a J\$85.074 million or 120.28% increase when compared to the J\$70.730 million recorded in 2022. We continue to offer new solutions to the market as well as refining our product offerings and solutions through our research and development capabilities and expect that in the near future, we will gain more acceptance in local and overseas markets from these initiatives.

We thank our employees for their commitment and dedication during this year, and also our shareholders, customers and other stakeholders for their support as we continue to expand our business to bring greater value to all parties.

Howard Mitchell
Chairman

Caribbean Flavours and Fragrances Limited

Financial Statements

31 December 2023

Caribbean Flavours and Fragrances Limited

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INDEPENDENT AUDITORS' REPORT

To the Members of
Caribbean Flavours and Fragrances Limited

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of Caribbean Flavours and Fragrances Limited (“the Company”) set out on pages 1 to 39, which comprise the statement of financial position at 31 December 2023, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply the Jamaican Companies Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants' (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

INDEPENDENT AUDITORS’ REPORT (Continued)

To the Members of
Caribbean Flavours and Fragrances Limited
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Report on the audit of the Financial Statements (continued)

Our Audit Approach

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. Key audit matters are selected from the matters communicated with the Audit Committee members (those charged with Governance) but are not intended to represent all matters that were discussed with them. These matters are addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matters
<p>The Company recognises expected credit losses (ECL) on financial assets measured at amortized cost. The determination of ECL is highly subjective and requires management to make significant judgement and estimates and the application of forward-looking information.</p>	<p>Our audit procedures in response to this matter included:</p> <ul style="list-style-type: none"> ❖ Involving our financial risk modelling specialist, to review the ECL model, assess the appropriateness of the company’s impairment methodology, management’s assumptions and compliance with the new requirements of IFRS 9, Financial Instruments. ❖ Assessing the appropriateness of the company’s impairment methodology, management assumptions and compliance with the requirement of IFRS 9, Financial Instruments. ❖ Assessing the adequacy of the disclosures of the key assumptions and judgements as well as the details of the transition adjustment for compliance with IFRS 9. ❖ Testing the accuracy of the Company’s ageing of accounts receivables. ❖ Testing the accuracy of the ECL calculation.

INDEPENDENT AUDITORS' REPORT (continued)

To the Members of
Caribbean Flavours and Fragrances Limited
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Report on the audit of the Financial Statements (continued)

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and those charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with the governance are responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITORS' REPORT (continued)

To the Members of
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Report on the audit of the Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT (continued)

To the Members of
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Report on the audit of the Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that presents a true and fair view.

We communicate with those among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matters or when, in extremely rare circumstance, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

INDEPENDENT AUDITORS' REPORT (continued)

To the Members of
Caribbean Flavours and Fragrances Limited
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Report on the audit of the Financial Statements (continued)

Report on other legal and regulatory requirements (continued)

In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaica Companies Act, in the manner required.

The engagement partner on the audit resulting in this independent auditors' opinion is Roxiana Malcolm-Tyrell.



Chartered Accountants

Kingston, Jamaica


28 February 2024

Caribbean Flavours and Fragrances Limited


Statement of Financial Position As at 31 December 2023

		<u>2023</u>	<u>2022</u>
	Note	\$'000	\$'000
ASSETS			
Non-Current Assets			
Property, plant, and equipment	5	45,289	39,289
Right-of-use asset	6	68,147	74,638
Investment securities	7	45,000	45,000
Deferred tax assets	8	343	1,740
		<u>158,779</u>	<u>160,667</u>
Current Assets			
Inventories	9	216,985	179,360
Receivables	10	164,292	129,385
Taxation recoverable		6,070	4,486
Due from related parties	11	237,117	54,537
Cash and cash equivalents	12	112,576	229,014
		<u>737,040</u>	<u>596,782</u>
TOTAL ASSETS		<u><u>895,819</u></u>	<u><u>757,449</u></u>
EQUITY AND LIABILITIES			
Stockholders' Equity			
Share capital	13	56,200	56,200
Retained earnings		<u>595,509</u>	<u>507,650</u>
		<u>651,709</u>	<u>563,850</u>
Non-Current Liabilities			
Long term loan	14	9,293	13,360
Lease liability	6	74,338	78,690
		<u>83,631</u>	<u>92,050</u>
Current Liabilities			
Payables	15	139,784	87,995
Taxation payable		11,942	4,330
Current portion of long term loan	14	4,165	4,250
Current portion of lease liability	6	4,588	4,974
		<u>160,479</u>	<u>101,549</u>
TOTAL EQUITY AND LIABILITIES		<u><u>895,819</u></u>	<u><u>757,449</u></u>

Approved for issue by the Board of Directors on 28 February 2024 and signed on its behalf by:



Clive Nicholas Director



Carlton Samuels Director

Caribbean Flavours and Fragrances Limited

Statement of Comprehensive Income Year ended 31 December 2023

	Note	<u>2023</u>	<u>2022</u>
		\$'000	\$'000
Revenue	16	900,805	772,229
Cost of sales	17	<u>(576,017)</u>	<u>(543,217)</u>
Gross profit		324,788	229,012
Unrealised losses on investments valued at fair value through profit and loss		-	(1,690)
Selling and distribution expenses	17	(10,880)	(9,133)
Operating and administrative expenses	17	<u>(179,288)</u>	<u>(153,644)</u>
Operating profit	18	134,620	64,545
Finance income, net	20	<u>21,184</u>	<u>6,185</u>
Profit before taxation		155,804	70,730
Taxation	21	<u>(22,985)</u>	<u>(9,032)</u>
Net profit for the year, being total comprehensive income		<u>132,819</u>	<u>61,698</u>
 Earnings per ordinary stock unit attributable to shareholders of the company			
	22	<u>\$0.15</u>	<u>\$0.07</u>

Caribbean Flavours and Fragrances Limited

Statement of Changes in Equity Year ended 31 December 2023

	Share capital	Retained earnings	Total
	\$'000	\$'000	\$'000
Balance at 1 January 2022	56,200	468,432	524,632
Total comprehensive income	-	61,698	61,698
Dividends (Note 23)	-	(22,480)	(22,480)
Balance at 31 December 2022	56,200	507,650	563,850
Total comprehensive income	-	132,819	132,819
Dividends (Note 23)	-	(44,960)	(44,960)
Balance at 31 December 2023	56,200	595,509	651,709

Caribbean Flavours and Fragrances Limited

Statement of Cash Flows Year ended 31 December 2023

	2023	2022
	\$'000	\$'000
CASH RESOURCES WERE PROVIDED BY/(USED IN):		
Cash Flows from Operating Activities		
Profit before taxation	155,804	70,730
Items not affecting cash:		
Depreciation	9,442	10,804
Amortization of right-of-use asset	6,491	6,518
Expected credit losses	4,494	3,110
Loss on disposal of property, plant and equipment	1,108	-
Interest income	(17,623)	(4,471)
Interest expense	1,531	1,445
Lease interest expense	7,110	6,133
Foreign exchange gains	(12,202)	(9,292)
	<u>156,155</u>	<u>84,977</u>
Changes in operating assets and liabilities:		
(Increase)/decrease in inventories	(37,625)	6,072
Increase in receivables	(36,289)	(25,518)
Increase in due from related parties	(181,867)	(34,537)
Increase in payables	54,110	4,103
Cash (used in)/provided by operating activities	(45,516)	35,097
Taxation paid	(15,560)	(15,649)
Interest paid	(8,641)	(7,578)
Interest received	17,688	2,625
Net cash (used in)/provided by operating activities	<u>(52,029)</u>	<u>14,495</u>
Cash Flows from Investing Activities		
Purchase of plant and equipment	(16,550)	(5,411)
Investment securities, net	-	(30,000)
Net cash used in investing activities	<u>(16,550)</u>	<u>(35,411)</u>
Cash flows from Financing Activities		
Long term loans, net	(4,152)	(4,228)
Lease liability principal repayments	(4,738)	(4,638)
Dividends paid	(44,960)	(22,480)
Net cash used in financing activities	<u>(53,850)</u>	<u>(31,346)</u>
Net decrease in cash and cash equivalents for the year	<u>(122,429)</u>	<u>(52,262)</u>
Net effect of foreign currency translation cash and cash equivalents	5,991	10,896
Cash and cash equivalents at the beginning of the year	<u>229,014</u>	<u>270,380</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>112,576</u></u>	<u><u>229,014</u></u>
Represented by:		
Cash at bank and in hand	32,957	76,184
Short term deposits	79,619	152,830
	<u><u>112,576</u></u>	<u><u>229,014</u></u>

Caribbean Flavours and Fragrances Limited

Notes to the Financial Statements 31 December 2023

1. Identification and Principal Activities

Caribbean Flavours and Fragrances Limited (“the Company”) was incorporated under the Companies Act of Jamaica and is domiciled in Jamaica. The Company is listed on the Junior Market of the Jamaica Stock Exchange.

The company’s registered office is located at 226 Spanish Town Road, Kingston 11.

Its principal activity is the manufacture and distribution of flavours, mainly for the beverage, baking and confectionery industries. The Company also manufactures fragrances primarily for household and general cleaning and sanitation purposes.

These financial statements are presented in Jamaican dollars, which is the functional currency.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied for all the years presented. Where necessary, prior year comparatives have been restated and reclassified to conform to current year presentation.

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and their interpretations adopted by the International Accounting Standards Board and have been prepared under the historical cost convention, as modified by the valuation of certain items. They are also prepared in accordance with the provisions of the Jamaican Companies Act.

The financial statements comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes.

The preparation of financial statements in compliance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and contingent liabilities at the end of the reporting period and the total comprehensive income during the reporting period. The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and underlying assumptions are reviewed on an ongoing basis and any adjustments that may be necessary would be reflected in the year in which actual results are known. The areas involving a higher degree of judgment in complexity or areas where assumptions or estimates are significant to the financial statements are discussed in Note 4.

Caribbean Flavours and Fragrances Limited

Notes to the Financial Statements 31 December 2023

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Standards and amendments to published standards effective in the current year that are relevant to the company's operations

The following amendments to standards have been adopted by the Company for the first time which have been issued and are effective for mandatory adoption for the financial year beginning on or after 1 January 2023:

Deferred Tax related to assets and liabilities (Amendments to IAS 12 Income Taxes) (effective for annual periods beginning on or after 1 January 2023). These amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8, (effective for annual periods beginning on or after 1 January 2023). The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

The amendments did not result in any material effect on the company's financial statements.

Standards and amendments to published standards that are not yet effective and have not been early adopted by the company

At the date of authorisation of these financial statements, certain new accounting standards, amendments and interpretation to existing standards have been issued which are not yet effective, and which the company has not early adopted. The company has assessed the relevance of all such new standards, interpretations and amendments and has determined that the following may be relevant to its operations. Unless stated otherwise, the impact of the changes is still being assessed by management.

Supplier Finance Arrangements (Amendment to IAS 7 and IFRS 7) (effective for annual periods beginning on or after 1 January 2024). These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

Caribbean Flavours and Fragrances Limited

Notes to the Financial Statements 31 December 2023

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Standards and amendments to published standards that are not yet effective and have not been early adopted by the company (continued)

The amendments in Classification of Liabilities as Current or Non-current - Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2024) affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability, income or expenses, or the information that entities disclose about those items. They:

- clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Leases on sale and leaseback (Amendments to IFRS 16) (effective for annual periods beginning on or after 1 January 2024). These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

Non-current liabilities with covenants (Amendments to IAS 1) (effective for annual periods beginning on or after 1 January 2024). These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

Lack of Exchangeability Amendments to IAS 21 (effective for annual periods beginning on or after 1 January 2025). An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a material impact on the operations of the company.

Caribbean Flavours and Fragrances Limited

Notes to the Financial Statements 31 December 2023

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Standards and amendments to published standards that are not yet effective and have not been early adopted by the company (continued)

Leases on sale and leaseback (Amendments to IFRS 16) (effective for annual periods beginning on or after 1 January 2024). These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

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There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a material impact on the operations of the company.

Caribbean Flavours and Fragrances Limited

Notes to the Financial Statements 31 December 2023

2. Summary of significant accounting policies (continued)

(b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis at rates to write off the carrying value of the assets over their expected useful lives. The rates used to write off the cost of assets are as follows:

Leasehold property	10%
Leasehold improvements	10%
Plant, machinery, furniture and fixtures	10%
Office computer and equipment	33 ¹ / ₃ %
Motor vehicles	25%

Leasehold improvements are classified as property, plant and equipment.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the statement of comprehensive income.

Repairs and maintenances are charged to the statement of comprehensive income during the financial period in which they are incurred.

(c) Right-of-use assets and lease liabilities

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- (i) Leases of low value assets; and
- (ii) Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the company' incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

Caribbean Flavours and Fragrances Limited

Notes to the Financial Statements 31 December 2023

2. Summary of significant accounting policies (continued)

(c) Right-of-use assets and lease liabilities (continued)

On initial recognition, the carrying value of the lease liability also includes:

- (i) amounts expected to be payable under any residual value guarantee;
- (ii) the exercise price of any purchase option granted in favour of the company if it is reasonably certain to assess that option;
- (iii) any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

To determine the incremental borrowing rate, the company:

- (i) since it does not have recent third-party financing, uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases, and
- (ii) makes adjustments specific to the lease, e.g. term, currency and security.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- (i) lease payments made at or before commencement of the lease;
- (ii) initial direct costs incurred; and
- (iii) the amount of any provision recognised where the company is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets are assets valued as US\$5,000 or less when new. The company has no short-term leases or leases for low valued assets at this time.

Caribbean Flavours and Fragrances Limited

Notes to the Financial Statements 31 December 2023

2. Summary of significant accounting policies (continued)

(c) Right-of-use assets and lease liabilities (continued)

Extension and termination options

Extension and termination options are included for the property leased by the company. These are used to maximise operational flexibility in terms of managing the asset used in the company' operations. The extension option is exercisable by the lessee provided that thirty (30) days written notice is given prior to the expiration of the initial term. Either party may terminate the lease on the provision that not less than twelve (12) months' notice in writing is given to the other party.

When the company renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy.
- In all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is re-measured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.
- If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

For contracts that both convey a right to the company to use an identified asset and require services to be provided to the company by the lessor, the company has elected to account for the entire contract as a lease, i.e. it does not allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

Caribbean Flavours and Fragrances Limited

Notes to the Financial Statements 31 December 2023

2. Summary of significant accounting policies (continued)

(d) Inventories

Estimation – Inventories are carried at the lower of cost or net realized value. The estimation of net realized value is based on the most reliable evidence available, at the time the estimates are made, of the amount the inventories are expected to realize.

Additionally, estimation is required for inventory provision due to shrinkage, slow-moving and obsolescence. It is possible, based on existing knowledge, that outcomes within the next financial year that are different from those assumptions could require a material adjustment to the carrying amount reflected in the financial statements.

(e) Financial assets

The company classifies its financial assets into the category amortized cost. The classification depends on the purpose for which the financial assets were acquired.

The company's financial assets measured at amortized cost comprise trade receivables, cash and cash equivalents and investments in the statement of financial position. Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturity of three months or less.

These assets arise principally from the provision of goods and services to customers but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within the statement of profit or loss. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Caribbean Flavours and Fragrances Limited

Notes to the Financial Statements 31 December 2023

2. Summary of significant accounting policies (continued)

(f) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(g) Dividends

Dividends on ordinary shares are recognized in shareholders' equity in the period in which they become legally payable. Interim dividends are due when declared and approved by the directors while shareholders approve final dividends at the Annual General Meeting. Dividends for the year that are declared after the reporting date are disclosed in the subsequent events note.

(h) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Caribbean Flavours and Fragrances Limited

Notes to the Financial Statements 31 December 2023

2. Summary of significant accounting policies (continued)

(i) **Payables**

Payables, including provisions, are stated at their nominal value. A provision is recognised in the statement of financial position when the company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money, and where appropriate, the risks specific to the liability.

(j) **Provisions**

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be determined.

(k) **Income taxes**

Where applicable, taxation expense in the statement of comprehensive income comprises current and deferred tax charges.

Current tax is the expected tax payable on the income for the year, using tax rates enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is the tax expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

(l) **Financial instruments**

Financial instruments carried on the statement of financial position include investments, cash and bank balances, receivables, balances with related parties, payables, balances with directors, lease liabilities and borrowings.

The fair values of financial instruments and the associated risks are discussed in Note 3a.

Caribbean Flavours and Fragrances Limited

Notes to the Financial Statements 31 December 2023

2. Summary of significant accounting policies (continued)

(m) Foreign currency translation

Foreign currency transactions are accounted for at the exchange rate prevailing at the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated into Jamaican dollars at the exchange rate prevailing at the date of the statement of financial position, that is, in the case of each currency, the Bank of Jamaica weighted average buying and selling rates at that date. Gains and losses arising from fluctuations in exchange rates are reflected in the statement of comprehensive income.

(n) Revenue recognition

Sale of goods

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the company's activities. Revenue is shown net of returns, discounts and GCT. The company's revenue is generally derived from selling goods with revenue recognized at a point in time when control of the goods has been delivered to the customer and acceptance by them of the payment invoice. Once the physical delivery of the products to the agreed location and customer has occurred, and the Company is no longer liable for any of the goods, the transaction is considered complete.

Interest income

Interest income and expense are recognized in the statement of comprehensive income for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price.

Other operating income

Other operating income, where applicable, includes gains on disposal of assets recognized when the transaction is complete, rental of investment property recognized when earned, and miscellaneous inflows recognized when received and monies lodged to the Company's bank account.

(o) Comparative information

Where necessary comparative figures have been reclassified to conform with changes in presentation.

Caribbean Flavours and Fragrances Limited

Notes to the Financial Statements 31 December 2023

2. Summary of significant accounting policies (continued)

(p) Related party transactions

A party is related to the company, if:

- (i) directly, or indirectly through one or more intermediaries, the party, is controlled by, or is under common control with, the company (this includes parents, subsidiaries and fellow subsidiaries); has an interest in the company that gives it significant influence over the company; or has joint control over the company;
- (ii) the party is an associate of the company;
- (iii) the party is a joint venture in which the company is a venturer;
- (iv) the party is a member of the key management personnel of the company or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is the company that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the company, or of any company that is a related party of the company.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. The company has a related party relationship with its directors and key management personnel, representing certain senior officers of the company.

Caribbean Flavours and Fragrances Limited

Notes to the Financial Statements 31 December 2023

3. Financial risk management

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. Financial instruments carried on the statement of financial position include investments, cash and cash equivalents, receivables, payables, related party balances, lease liabilities and borrowings.

a) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument. The company's equities are the only financial instrument that is carried at fair value, also where fair value of financial instruments approximates carrying value, no fair value computation is done.

The carrying values reflected in the financial statements for cash and cash equivalents, trade and other receivables, and trade and other payables are assumed to approximate fair value due to their relatively short-term nature.

The fair value of long-term loans is assumed to approximate carrying value as the loans bear interest at market rates and all other conditions are at market terms.

Quoted equities fair values are based on the bid prices published by the Jamaica Stock Exchange determination of fair value and fair values hierarchy:

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. These two types of inputs have created the following fair value hierarchy:

Level 1 -Quoted prices in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

Level 2 -Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. This includes financial assets with fair values based on broker quotes.

Level 3 -Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available.

The company considers relevant and observable market prices in its valuations where possible.

Caribbean Flavours and Fragrances Limited

Notes to the Financial Statements 31 December 2023

3. Financial risk management (continued)

b) Credit risk:

The company takes on exposure to credit risk, which is the risk that its customers, clients or counterparties will cause a financial loss for the company by failing to discharge their contractual obligations. Credit risk is the most important risk for the company's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from the company's receivables from customers. The company structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or groups of related counterparties and to geographical and industry segments.

Credit review process

Management performs ongoing analysis of the ability of customers and other counterparties to meet their obligations.

Impairment of financial assets

The company has one type of financial asset that is subject to the expected credit loss model which is trade receivables for sales of inventory.

While cash and cash equivalents is also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure expected credit losses on a collective basis, trade receivables is grouped based on similar credit risk and ageing.

The expected loss rates are based on the payment profiles of sales over a period of 24 months before 31 December 2023, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Caribbean Flavours and Fragrances Limited

Notes to the Financial Statements 31 December 2023

3. Financial risk management (continued)

b) Credit risk (continued)

31 December 2023	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	1%	3%	7%	19%	5%
Gross carrying amount – trade receivables	87,526	42,509	12,801	26,546	169,382
Impairment losses	(1,094)	(1,147)	(927)	(4,977)	(8,145)
	<u>86,432</u>	<u>41,362</u>	<u>11,874</u>	<u>21,569</u>	<u>161,237</u>
31 December 2022	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	0%	0%	0%	18%	3%
Gross carrying amount – trade receivables	70,908	36,611	2,668	20,118	130,305
Impairment losses	-	-	-	(3,651)	(3,651)
	<u>70,908</u>	<u>36,611</u>	<u>2,668</u>	<u>16,467</u>	<u>126,654</u>

The closing loss allowances for trade receivables as at 31 December 2023 and 31 December 2022 reconcile to the opening loss allowances as follows:

	Trade receivables	Trade receivables
	2023 \$'000	2022 \$'000
Opening loss allowance	3,651	541
Increase in loss allowance recognised in profit or loss during the year	4,494	3,110
Closing loss allowance	<u>8,145</u>	<u>3,651</u>

Caribbean Flavours and Fragrances Limited

Notes to the Financial Statements 31 December 2023

3. Financial risk management (continued)

b) Credit risk (continued)

Trade receivables (continued)

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the company, and a failure to make contractual payments for a period of greater than 90 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

As at 31 December 2023, there were no lifetime expected credit losses in respect of the five (5) major customers that comprise 38% (2022 – 69%) of the trade receivables balance.

As at 31 December 2023, there were \$2,069,982 (2022 - \$\$2,128,000) lifetime expected credit losses in respect of the remaining customers.

Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables and balances due from related parties.

While the other financial assets at amortised cost are subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

At the Statement of Financial Position date, except for cash and cash equivalents, there were no other significant concentration of credit risk and the exposure to credit risk of these financial assets were considered immaterial.

Caribbean Flavours and Fragrances Limited

Notes to the Financial Statements 31 December 2023

3. Financial risk management (continued)

c) Liquidity risk:

Liquidity risk is the risk that the company is unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Liquidity risk management process

The company's liquidity management process includes:

- (i) Monitoring future cash flows and liquidity on a daily basis;
- (ii) Maintaining marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- (iii) Maintaining a committed line of credit;
- (iv) Optimizing cash returns on investment.

Undiscounted cash flows of financial liabilities

The maturity profile of the company's financial liabilities at year end on contractual undiscounted payments was as follows:

	1 to 3 months \$'000	4 to 12 months \$'000	1 to 5 years \$'000	Total \$'000	Carrying amount \$'000
31 December 2023					
Payables	139,784	-	-	139,784	139,784
Long-term loan	1,337	3,564	9,801	14,702	13,458
Lease liability	2,962	8,886	112,556	124,404	78,926
Total financial liabilities	144,083	12,450	122,357	278,890	232,168
31 December 2022					
Payables	87,995	-	-	87,995	87,995
Long-term loan	1,337	4,009	14,702	20,048	17,610
Lease liability	2,693	8,078	113,095	123,866	83,664
Total financial liabilities	92,025	12,087	127,797	231,909	189,269

Assets available to meet all of the liabilities and to cover financial liabilities include cash and cash equivalents.

Caribbean Flavours and Fragrances Limited

Notes to the Financial Statements 31 December 2023

3. Financial risk management (continued)

d) Market risk

The company takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates (see 3d (i)), interest rates (see 3d (ii)). The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Market risk exposures are measured using sensitivity analysis. There has been no significant change in exposure to market risks or the manner in which the company manages and measures the risk.

(i) Currency risk

The company is exposed to foreign exchange risk arising from exposure primarily to the US dollar and Euro. Foreign exchange risk arises primarily from transactions for purchases, sales and investments. The Statement of Financial Position for the Company as at 31 December 2023 includes net foreign assets of US\$566,171 and €3,179 (2022: US\$949,803 and €3,179) in respect of such transactions.

The following table demonstrates the sensitivity to fluctuations in the exchange rates of the currencies held by the company before tax, with all other variables held constant.

	Change in exchange rate	2023	2022
		\$'000	\$'000
Devaluation	4% (2022 – 4%)	3,500	5,717
Revaluation	1% (2022 - 1%)	(875)	(1,429)

Caribbean Flavours and Fragrances Limited

Notes to the Financial Statements 31 December 2023

3. Financial risk management (continued)

d) Market risk (continued)

(ii) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The company minimises interest rate risk by investing mainly in fixed rate instruments and contracting liabilities at fixed rates, where possible. The company's interest rate risk arises mainly from bank loans.

At the reporting date, the interest profile of the company's interest-bearing financial Instruments were:

	1 to 3 months	4 to 12 months	1 to 5 years	Over 5 years	Non- Interest bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	2023					
Investment securities	-	-	45,000	-	-	45,000
Trade and other receivables	-	-	-	-	164,292	164,292
Due from related parties	205,568	-	-	-	31,549	237,117
Cash and cash equivalents	112,576	-	-	-	-	112,576
Total financial assets	318,144	-	45,000	-	195,841	558,985
Long-term loan	1,110	3,055	9,293	-	-	13,458
Lease liability	1,106	3,481	74,339	-	-	78,926
Payables	-	-	-	-	139,784	139,784
Total financial liabilities	2,216	6,536	83,632	-	139,784	232,168
Total interest repricing gap	315,928	(6,536)	(38,632)	-	56,057	326,817

Caribbean Flavours and Fragrances Limited

Notes to the Financial Statements 31 December 2023

3. Financial risk management (continued)

d) Market risk (continued)

(ii) Interest rate risk (continued)

	1 to 3 months	4 to 12 months	1 to 5 years	Over 5 years	Non- Interest bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	2022					
Investment securities	-	-	45,000	-	-	45,000
Trade and other receivables	-	-	-	-	129,385	129,385
Due from related parties	54,537	-	-	-	-	54,537
Cash and cash equivalents	229,014	-	-	-	-	229,014
Total financial assets	283,551	-	45,000	-	129,385	457,936
Long-term loan	1,035	3,215	13,360	-	-	17,610
Lease liability	1,211	3,763	23,773	54,917	-	83,664
Payables	-	-	-	-	87,995	87,995
Total financial liabilities	2,246	6,978	37,133	54,917	87,995	189,269
Total interest repricing gap	281,305	(6,978)	7,867	(54,917)	41,390	268,667

Cash flow sensitivity analysis for financial instruments:

A change in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Change in basis points	Effect on profit before taxation	Effect on Other Components of Equity	Effect on profit before taxation	Effect on Other Components of Equity
	2023	2023	2022	2022
JMD/USD	\$'000	\$'000	\$'000	\$'000
+100/+100	1,558	-	707	-
-100/-100	(1,558)	-	(707)	-

Caribbean Flavours and Fragrances Limited

Notes to the Financial Statements 31 December 2023

3. Financial risk management (continued)

e) Capital management:

The policy of the company's Board of Directors is to maintain a strong capital base so as to maintain investors, creditors and market confidence and to sustain future development of the business and ensure it continues as a going concern.

The company considers its capital to be its total equity inclusive of unappropriated profits and capital reserves. The company's financial objective is to generate a targeted operating surplus, in order to strengthen and provide for the future continuity of the company as a going concern in order to provide returns for its shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Directors regularly review the financial position of the company at meetings and monitor the return on capital and the level of dividends to the ordinary shareholders. They seek to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Debt is the total of long-term loans and bank overdraft less related party loans, if any. Total capital is calculated as equity as shown in the company's statement of financial position plus debt. The gearing ratios at the year-end based on these calculations were as follows:

	2023	2022
	\$'000	\$'000
Debt: long-term loan	13,458	17,610
Equity	651,709	563,850
Total Capital	<u>665,167</u>	<u>581,460</u>
Gearing ratio	<u>2%</u>	<u>3%</u>

Caribbean Flavours and Fragrances Limited

Notes to the Financial Statements 31 December 2023

4. Critical accounting estimates and judgements in applying accounting policies

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will seldom equal the related actual results. 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.

(i) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the Credit risk note.

(ii) Income taxes

Estimates and judgements are required in determining the provision for income taxes. The tax liability or asset arising from certain transactions or events may be uncertain during the ordinary course of business. In cases of such uncertainty, the company recognises liabilities for possible additional taxes based on its judgement. Where, on the basis of subsequent determination, the final tax outcome in relation to such matters is different from the amount that was initially recognised, the difference will impact the current and deferred income tax provisions in the period in which such determination is made.

(iii) Depreciable assets

Estimates of the useful life and the residual value of property, plant and equipment are required in order to apply an adequate rate of transferring the economic benefits embodied in these assets in the relevant periods. The company applies a variety of methods in an effort to arrive at these estimates from which actual results may vary. Actual variations in estimated useful lives and residual values are reflected in profit or loss through impairment or adjusted depreciation provisions.

(iv) Fair value of financial assets

The management uses its judgment in selecting appropriate valuation techniques to determine fair values of financial assets adopting valuation techniques commonly used by market practitioners supported by appropriate assumptions (note 3(a)).

Caribbean Flavours and Fragrances Limited

Notes to the Financial Statements 31 December 2023

5. Property, plant and equipment

	Leasehold property \$'000	Leasehold Improvements \$'000	Plant, Machinery, Furniture & Fixtures \$'000	Office Computer & Equipment \$'000	Motor Vehicles \$'000	Total \$'000
Cost -						
1 January 2022	3,413	6,839	32,429	1,714	38,881	83,276
Additions	-	652	4,037	722	-	5,411
Disposals	(3,413)	-	-	-	(10,977)	(14,390)
31 December 2022	-	7,491	36,466	2,436	27,904	74,297
Additions	-	1,213	14,507	830	-	16,550
Disposals	-	(997)	(14,404)	(666)	-	(16,067)
31 December 2023	-	7,707	36,569	2,600	27,904	74,780
Depreciation -						
1 January 2022	3,413	2,379	14,553	1,527	16,722	38,594
Charge for year	-	738	3,506	247	6,313	10,804
Relieved on disposals	(3,413)	-	-	-	(10,977)	(14,390)
31 December 2022	-	3,117	18,059	1,774	12,058	35,008
Charge for year	-	725	2,606	461	5,650	9,442
Relieved on disposals	-	(1,355)	(12,469)	(1,135)	-	(14,959)
31 December 2023	-	2,487	8,196	1,100	17,708	29,491
Net book value -						
31 December 2023	-	5,220	28,373	1,500	10,196	45,289
31 December 2022	-	4,374	18,407	662	15,846	39,289

Caribbean Flavours and Fragrances Limited

Notes to the Financial Statements 31 December 2023

6. Right-of-use assets and related lease obligations

(i) Amounts recognized in the Statement of Financial Position

The statement of financial position shows the following amounts relating to leases: -

Right-of-use assets

	<u>2023</u>	<u>2022</u>
	<u>\$'000</u>	<u>\$'000</u>
Balance as at beginning of the year	74,638	81,156
Amortization	<u>(6,491)</u>	<u>(6,518)</u>
Balance as at end of year	<u><u>68,147</u></u>	<u><u>74,638</u></u>

Lease liability

	<u>2023</u>	<u>2022</u>
	<u>\$'000</u>	<u>\$'000</u>
Balance as at beginning of the year	83,664	88,302
Lease payments	(11,848)	(10,771)
Interest expense	<u>7,110</u>	<u>6,133</u>
Balance as at end of the year	<u><u>78,926</u></u>	<u><u>83,664</u></u>

	<u>2023</u>	<u>2022</u>
	<u>\$'000</u>	<u>\$'000</u>
Current	4,588	4,974
Non-current	<u>74,338</u>	<u>78,690</u>
Balance as at end of year	<u><u>78,926</u></u>	<u><u>83,664</u></u>

(ii) Amounts recognized in the Statement of Comprehensive Income

The statement of profit or loss shows the following amounts relating to leases:

	<u>2023</u>	<u>2022</u>
	<u>\$'000</u>	<u>\$'000</u>
Amortization charge of right-of-use asset (included in administrative expenses)	6,491	6,518
Interest expense (included in finance costs)	<u>7,110</u>	<u>6,133</u>

(iii) Amounts recognized in Statement of Cash Flows

	<u>2023</u>	<u>2022</u>
	<u>\$'000</u>	<u>\$'000</u>
Total cash outflows for lease	<u><u>11,848</u></u>	<u><u>10,771</u></u>

Caribbean Flavours and Fragrances Limited

Notes to the Financial Statements 31 December 2023

7. Investment securities

This represents Corporate Bonds which are fair valued through profit and loss.

	<u>2023</u>	<u>2022</u>
	<u>\$'000</u>	<u>\$'000</u>
Dolla Financial Services Limited - 2025	30,000	30,000
National Commercial Bank Jamaica Limited – 2024	15,000	15,000
	<u>45,000</u>	<u>45,000</u>

8. Deferred income taxes

Deferred income taxes are calculated in full on all temporary differences under the liability method using the applicable tax rate. Assets and liabilities recognised on the statement of financial position are as follows:

	<u>2023</u>	<u>2022</u>
	<u>\$'000</u>	<u>\$'000</u>
Deferred income tax assets	<u>343</u>	<u>1,740</u>

The movement on the net deferred income tax balance is as follows:

	<u>2023</u>	<u>2022</u>
	<u>\$'000</u>	<u>\$'000</u>
Net assets at beginning of year	1,740	881
Deferred tax (charged)/credited to the statement of comprehensive income (Note 21)	(1,397)	859
Net assets at end of year	<u>343</u>	<u>1,740</u>

Deferred income tax assets and liabilities are attributable to the following items:

	<u>2023</u>	<u>2022</u>
	<u>\$'000</u>	<u>\$'000</u>
Deferred income tax assets/(liabilities):		
Property, plant and equipment	(1,796)	(770)
Lease liability, net of right-of-use assets	2,695	2,257
Interest receivable	(514)	253
Other	(42)	-
Net assets at end of year	<u>343</u>	<u>1,740</u>

The amounts shown in the statement of financial position include the following:

	<u>2023</u>	<u>2022</u>
	<u>\$'000</u>	<u>\$'000</u>
Deferred tax assets to be recovered:		
- after more than 12 months	<u>343</u>	<u>1,740</u>

Caribbean Flavours and Fragrances Limited

Notes to the Financial Statements 31 December 2023

9. Inventories

	<u>2023</u>	<u>2022</u>
	<u>\$'000</u>	<u>\$'000</u>
Raw materials	90,237	110,890
Manufactured finished goods	15,704	12,916
Imported goods for resale	45,462	32,688
Goods-in-transit	65,582	22,866
	<u>216,985</u>	<u>179,360</u>

For the year ended 31 December 2023, inventories valuing \$1,184,276 (2022: \$5,703,431) were written off during the year.

10. Receivables

	<u>2023</u>	<u>2022</u>
	<u>\$'000</u>	<u>\$'000</u>
Trade receivables	169,382	130,305
Less: Expected credit loss provision	(8,145)	(3,651)
	161,237	126,654
Other	3,055	2,731
	<u>164,292</u>	<u>129,385</u>

Movement of the expected credit loss provision is as follows:

	<u>2023</u>	<u>2022</u>
	<u>\$'000</u>	<u>\$'000</u>
Balance at beginning of year	3,651	541
Increase in expected credit loss provision	4,494	3,110
Balance at end of year	<u>8,145</u>	<u>3,651</u>

Caribbean Flavours and Fragrances Limited

Notes to the Financial Statements 31 December 2023

11. Due from related parties

		<u>2023</u>	<u>2022</u>
		\$'000	\$'000
Interest bearing:			
Derrimon Trading Company Limited	(a)	173,956	15,937
Marnock LLC	(b)	<u>39,747</u>	<u>38,600</u>
Non-interest bearing:		213,703	54,537
Derrimon Trading Company Limited	(c)	<u>23,414</u>	-
		<u>237,117</u>	<u>54,537</u>

- (a) These represents Jamaican and United States dollars denominated loans to Derrimon Trading Company Limited, which attract interest rates ranging from 4% - 5%. Included in these amounts are interest receivable of \$6,784,000.
- (b) This represents a US\$250,000 loan to Marnock LLC, which attract interest rate of 3.5% per annum. Included in these amounts are interest receivable of \$1,351,000.
- (c) This represents advances to parent company, Derrimon Trading Company Limited which are interest free and have no repayment terms.

Caribbean Flavours and Fragrances Limited

Notes to the Financial Statements 31 December 2023

12. Cash and cash equivalents

	<u>2023</u>	<u>2022</u>
	<u>\$'000</u>	<u>\$'000</u>
Cash at bank and on hand		
Cash at bank	31,474	73,315
Cash on hand	1,483	2,869
	<u>32,957</u>	<u>76,184</u>
Short term investments		
Jamaica Money Market Brokers Limited (a)	31,137	69,334
Scotia Investments Jamaica Limited (b)	5,399	25,109
NCB Capital Markets Limited (c)	43,083	58,387
	<u>79,619</u>	<u>152,830</u>
	<u>112,576</u>	<u>229,014</u>

Cash at bank substantially comprise savings and operating accounts at licensed commercial banks in Jamaica. The rate of interest earned on the company's foreign currency savings accounts ranges from 0.0% to 0.4%.

- (a) This represents investments in repurchase agreement denominated in United States dollars with a maturity date of January 2, 2024, and with an interest rate of 5.00%.
- (b) This represents United States and Jamaican dollar investments in money market funds.
- (c) This represents investment in repurchase agreements denominated in Jamaican dollars (2022: United States dollars) with interest rate of 8.25% (2022: ranging from 1.05% and 3%).

Caribbean Flavours and Fragrances Limited

Notes to the Financial Statements 31 December 2023

13. Share capital

	<u>2023</u>	<u>2022</u>
	No. of shares	No. of shares
Authorised		
Ordinary shares of no par value	<u>2,600,000,000</u>	<u>2,600,000,000</u>
Issued and fully paid		
Issued and fully paid ordinary shares	<u>899,200,330</u>	<u>899,200,330</u>
	<u>2023</u>	<u>2022</u>
	\$'000	\$'000
Ordinary shares of no par value	<u>56,200</u>	<u>56,200</u>

14. Long term loan

	<u>2023</u>	<u>2022</u>
	\$'000	\$'000
First Global Bank Limited	13,458	17,610
Less: Current portion	<u>(4,165)</u>	<u>(4,250)</u>
	<u>9,293</u>	<u>13,360</u>

This loan, which was received in September 2021 attracts interest of 7% per annum and is repayable over 60 months in equal monthly instalments of \$445,527. This loan is secured by a lien on a motor vehicle.

15. Payables

	<u>2023</u>	<u>2022</u>
	\$'000	\$'000
Trade payables	110,085	68,223
Accrued charges	8,240	2,830
Other	21,459	16,942
	<u>139,784</u>	<u>87,995</u>

16. Revenue

Turnover represents the invoiced value of goods and services net of discounts allowed and General Consumption Tax.

Caribbean Flavours and Fragrances Limited

Notes to the Financial Statements 31 December 2023

17. Expenses by nature

	2023	2022
	\$'000	\$'000
Operating and administrative expenses		
Amortization of right-of-use asset	6,491	6,518
Audit fee	3,100	2,718
Impairment of financial assets	4,494	3,110
Bank charges	2,890	1,660
Depreciation	9,442	10,804
Directors' emoluments	27,797	24,056
Directors' fees	980	770
Donations and subscriptions	1,169	1,013
Entertainment	891	877
Equipment rental	1,584	1,320
Loss on disposal of property, plant and equipment	1,108	-
Insurance	7,007	6,177
Legal and professional fees	10,356	6,965
Motor vehicles expenses	3,084	2,268
Office and general expenses	9,477	8,978
Repairs and maintenance	1,968	1,493
Staff costs (Note 19)	67,927	56,351
Security	2,551	1,847
Travelling	5,747	7,448
Utilities	11,225	9,271
	<u>179,288</u>	<u>153,644</u>
Selling and distribution expenses		
Selling, advertising, promotion and distribution	9,698	8,095
Transportation costs	1,182	1,038
	<u>10,880</u>	<u>9,133</u>
Finance income, net (Note 20)	(21,184)	(6,185)
Cost of sales	576,017	543,217
	<u><u>745,001</u></u>	<u><u>699,809</u></u>

Caribbean Flavours and Fragrances Limited

Notes to the Financial Statements 31 December 2023

18. Operating profit

The following have been charged in arriving at operating profit:

	<u>2023</u>	<u>2022</u>
	<u>\$'000</u>	<u>\$'000</u>
Auditors' remuneration	3,100	2,718
Amortization of right-of-use asset	6,491	6,518
Depreciation	9,442	10,804
Director's emoluments: -		
- Managements remuneration	27,797	24,056
- Directors' fees	980	770
Staff costs (Note 19)	<u>67,927</u>	<u>56,351</u>

19. Staff costs

	<u>2023</u>	<u>2022</u>
	<u>\$'000</u>	<u>\$'000</u>
Salaries and wages	40,111	34,162
Statutory contributions	5,021	4,775
Casual labour	4,789	4,050
Other staff costs	7,284	4,619
Staff welfare and training	10,722	8,745
	<u>67,927</u>	<u>56,351</u>

20. Finance income, net

	<u>2023</u>	<u>2022</u>
	<u>\$'000</u>	<u>\$'000</u>
Interest income	(17,623)	(4,471)
Foreign exchange gains	(12,202)	(9,292)
	<u>(29,825)</u>	<u>(13,763)</u>
Loan interest expense	1,531	1,445
Lease interest expense	7,110	6,133
	<u>(21,184)</u>	<u>(6,185)</u>

Caribbean Flavours and Fragrances Limited

Notes to the Financial Statements 31 December 2023

21. Taxation

- (a) Taxation is computed on profit for the year adjusted for taxation purposes and comprises income tax at the applicable rate: -

	<u>2023</u>	<u>2022</u>
	<u>\$'000</u>	<u>\$'000</u>
Current taxation at 25%	36,393	19,782
Remission of income tax at 50%	(14,805)	(9,891)
	<u>21,588</u>	<u>9,891</u>
Deferred income taxes (Note 8)	1,397	(859)
	<u>22,985</u>	<u>9,032</u>

- (b) The taxation charged in the statement of comprehensive income differs from the theoretical amount that would arise using the applicable tax rate, as follows:

	<u>2023</u>	<u>2022</u>
	<u>\$'000</u>	<u>\$'000</u>
Profit before taxation	<u>155,804</u>	<u>70,730</u>
Tax calculated at a tax rate of 25%	38,951	17,683
Adjusted for the effects of: -		
Expenses not allowed for tax purposes	518	
Effect of permanent difference	1,244	1,244
Adjustment for the effect of remission of tax	(14,805)	(9,891)
Employment Tax Credit	(2,907)	-
Other charges and allowances	(16)	(4)
	<u>22,985</u>	<u>9,032</u>

- (c) Remission of income tax

By notice dated 13 August 2009, the Minister of Finance and the Public Service, issued and gazetted the Income Tax (Jamaica Stock Exchange Junior Market) (Remission) Notice, 2009. The Notice effectively granted a remission of income tax to eligible companies that were admitted to the Junior Market of the Jamaica Stock Exchange (JSE) if certain conditions were achieved after the date of initial admission.

Effective 2 October 2013, the Company's shares were listed on the Junior Market of the JSE. The Company is entitled to a remission of income taxes for ten years in the following proportion:

Years 2014 - 2018 – 100% of standard rate

Years 2019 - 2023 – 50% of standard rate

Caribbean Flavours and Fragrances Limited

Notes to the Financial Statements 31 December 2023

21. Taxation (continued)

(c) Remission of income tax (continued)

The Company's 100% remission of income taxes expired 2 October 2018, and as a consequence the Company's taxable profit was subject to 50% tax remission until 2 October 2023.

The Company will continue to benefit from the tax remission provided the following conditions are met:

- the Company remains listed for at least 15 years and is not suspended from the JSE for any breaches of its rules
- the Subscribed Participating Voting Share Capital of the Company does not exceed J\$500 million
- the Company has at least 50 Participating Voting Shareholders.

The financial statements have been prepared on the basis that the Company will have the full benefit of the tax remissions.

22. Earnings per stock unit

Profit per stock unit ("EPS") is computed by dividing the net profit attributable to stockholders of the company of \$132,819,000 (2022: \$61,698,000) by the weighted average number of ordinary stock units in issue during the year, numbering 899,200,330 (2022: 899,200,330).

23. Dividends

	<u>2023</u>	<u>2022</u>
	<u>\$'000</u>	<u>\$'000</u>
Declared and paid at 0.05 (2022: 0.025) cents per share	44,960	22,480
Total dividends to shareholders	<u>44,960</u>	<u>22,480</u>

Caribbean Flavours and Fragrances Limited

Notes to the Financial Statements 31 December 2023

24. Related party transactions

(a) The following transactions were carried out with related parties: -

	<u>2023</u>	<u>2022</u>
	<u>\$'000</u>	<u>\$'000</u>
Sales:		
Sales to Derrimon Trading Company Limited	18,543	6,141
Purchases:		
Purchases from Derrimon Trading Company Limited	1,743	-
Key management compensation:		
Directors' emoluments	27,797	24,056
Directors' fees	980	770
Expenses:		
Rent paid to a company connected to a director	11,848	10,771
Consultancy payments to a related party	5,973	5,173
Dividends:		
Dividend payment to the parent company	29,233	14,616

Caribbean Flavours and Fragrances Limited

Notes to the Financial Statements 31 December 2023

24. Related party transactions (continued)

(b) Year end balances with related parties: -

	<u>2023</u>	<u>2022</u>
	<u>\$'000</u>	<u>\$'000</u>
Interest bearing:		
Derrimon Trading Company Limited	173,956	15,937
Marnock LLC	<u>39,747</u>	<u>38,600</u>
Non-interest bearing:	213,703	54,537
Derrimon Trading Company Limited	<u>23,414</u>	<u>-</u>
	<u>237,117</u>	<u>54,537</u>

SHAREHOLDINGS OF TOP TEN (10) STOCKHOLDERS, DIRECTORS, SENIOR OFFICERS AS AT DECEMBER 31, 2023

#	Name of Shareholder	Volume	Percentage Ownership
1	DERRIMON TRADING COMPANY LIMITED	584,653,270	65.0192%
2	DIGIPOINT LIMITED	69,220,000	7.6980%
3	JCSD TRUSTEE SERVICES LIMITED A/C BARITA UNIT TRUST CAPITAL GROWTH FUND	61,202,288	6.8063%
4	IDEAL GLOBAL INVESTMENTS LIMITED	30,968,610	3.4440%
5	NIGEL O. COKE	23,556,079	2.6197%
6	IAN C. KELLY	23,228,140	2.5832%
7	TROPICAL BATTERY COMPANY LTD CONTRIBUTORY PENSION SCHEME	10,190,987	1.1333%
8	MAYBERRY INVESTMENTS LTD PENSION SCHEME	9,729,450	1.0820%
9	SAGICOR SELECT FUND LTD ('CLASS C' SHARES) MANUFACTURING & DISTRIBUTION	7,212,860	0.8021%
10	KONRAD BERRY	6,951,663	0.7731%
Top 10 Holdings		826,913,347	91.9610%
Other Shareholders		72,286,983	8.0390%
Total		899,200,330	100%

Directors	Direct	Connected Parties	Total	Percentage
DERRICK COTTERELL ¹	0	584,653,270	584,653,270	65.0192%
ANAND JAMES	0	0	0	0%
IAN C. KELLY ¹	23,228,140	0	23,228,140	2.5832%
HOWARD MITCHELL	1,450,000	0	1,450,000	0.1613%
CLIVE C. NICHOLAS	329,756	0	329,756	0.0367%
CARLTON E. SAMUELS	250,000	0	250,000	0.0278%
WILFORD HEAVEN	0	0	0	0%
TANIA WALDRON-GOODEN	0	0	0	0%

1. Executive Directors of Derrimon Trading Company Limited.

Senior Manager	SHAREHOLDINGS	PERCENTAGE
JANICE LEE	110,000	0.0122%
ANAND JAMES	0	0%
RHONDE MCPHERSON	0	0%
CHRISTOPHER CARLESS	0	0%
RECHAL TURNER	0	0%