



# CARIBBEAN FLAVOURS AND FRAGRANCES LTD.

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*"Tease the Senses"*

## REPORT TO SHAREHOLDERS ON THE COMPANY'S FINANCIAL PERFORMANCE FOR THE QUARTER ENDED MARCH 31, 2017

The Board of Directors of Caribbean Flavours and Fragrances Limited are pleased to report on the financial performance of Caribbean Flavours and Fragrances Limited for the third reporting quarter ending March 31, 2017.

The major financial highlights are outlined as follows:

- Revenue generated of \$88.821m representing, \$15.150m or 20.56% above the \$73.671m reported for the comparative quarter in 2016.
- Gross profit of \$34.872m, representing \$4.701m or 15.58% above the \$30.171m reported for the comparative quarter in 2016.
- Net profit of \$12.001m representing a decrease of \$7.132m or 37.28% below the \$19.133m reported at March 31, 2016. The reduction in net profit is in line with expectation and is as direct result of increased professional fees described below.
- Earnings per share of \$0.13 cents.

We continue to roll out our Annual Business Plan and are encouraged with the growth in the new business areas and the acceptance of the new services that we have identified as part of our strategic focus.

For the reporting period, the Company generated gross revenue of \$88.821m which represents a \$15.150m or 20.56% growth when compared to the \$73.671m recorded for the similar period in 2016. The increase in revenue was primarily driven by a rise in the sale of our core products within the domestic markets. The revenue reported for this Nine (9) months reporting period was \$300.674m.

The gross profit generated for this reporting quarter was \$34.872m or a 15.58% growth when compared to the \$30.171m reported for the similar period in 2016. The margins associated with both growth in local and foreign revenues combined with improvements in the sourcing of raw materials continues have contributed positively to the gross profit reported. The Company will continue with the modification and harmonization of the ordering strategies as well as the



maximization of other efficiencies within our system with the ultimate aim of improving profitability.

Net profit recorded for the quarter was \$12.001m representing a 37.28% decrease for this quarter when compared to the \$19.133m reported for the comparative reporting period in 2016. The nine (9) months net profit was \$54.846m at March 31, 2017. The net profit for the quarter was negatively impacted by one off professional costs incurred by the Company to undertake the regulatory requirements of the Board for the mandatory minority shareholders reviews, valuation and publishing as required by Rules of the Financial Services Commission and the Jamaica Stock Exchange.

On February 12, 2017, Derimon Trading Company Limited increased its shareholding in Caribbean Flavours & Fragrances Limited by purchasing a further 26% of the shares from Anand and Joan James thus taking Derrimon's total shareholding to 75.02%. Mr. James remains a Board member and continues to be active in the company working as a consultant.

During the quarter ended March 31, 2017 the Company was recognized as a leading manufacturer by winning for the third time, the prestigious JMA's Ray Hadeed Award for Best Small & Medium Sized Enterprise. The award highlights that the management and staff of CFF are determined to be leaders in best practices in manufacturing.

The quarter also saw the Company being recognized by NCB in being short-listed for their Nation Builder Award.

As we approach Q4, we will continue with the implementation of our Annual Business Plan within the pillars of revenue growth in both the domestic and overseas markets, remain focused on cost containment, make the necessary improvements to our fixed assets, improve investments in human capital developments and build on the results of our customer satisfaction survey thereby ensuring that the desired results are achieved by the end of the 2016/17 Financial Year.



Derrick Cotterell  
**Managing Director**

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

UNAUDITED

FINANCIAL STATEMENTS

FOR THE NINE MONTHS TO 31 MARCH 2017

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

FINANCIAL STATEMENTS

FOR THE NINE MONTHS TO 31 MARCH 2017

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CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED  
 STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME  
 FOR THE NINE MONTHS TO 31 MARCH 2017


	Unaudited 3 months ended 31 March 2017 \$ '000	Unaudited 3 months ended 31 March 2016 \$ '000	Unaudited 9 months ended 31 March 2017 \$ '000	Unaudited 9 months ended 31 March 2016 \$ '000	Audited 12 months ended 30 June 2016 \$ '000
REVENUE	88,821	73,671	300,674	266,113	362,500
Cost of sales	<u>(53,949)</u>	<u>(43,500)</u>	<u>(181,706)</u>	<u>(167,961)</u>	<u>(227,805)</u>
Gross profit	34,872	30,171	118,968	98,152	134,695
Bad debt recovered		-		-	
Selling and distribution costs	(1,395)	(644)	(3,318)	(1,712)	(5,013)
Administrative expenses	(22,507)	(11,695)	(64,653)	(45,482)	(67,183)
Net finance income	<u>1,031</u>	<u>1,301</u>	<u>3,849</u>	<u>5,460</u>	<u>11,571</u>
Profit before tax	12,001	19,133	54,846	56,418	74,070
Taxation		-	-	-	
Net profit	12,001	19,133	54,846	56,418	74,070
Earnings per share	\$0.13	\$0.21	\$0.61	\$0.63	\$0.82

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED  
STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2017

	Unaudited 31 March 2017	Unaudited 31 March 2016	Audited 30 June 2016
Note	<u>\$ '000</u>	<u>\$ '000</u>	<u>\$ '000</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and bank balances	33,646	49,146	124,632
Short term investments	173,128	101,067	52,803
Tax recoverable	4,464	3,153	4,464
Receivables and prepayments	48,966	31,877	39,445
Inventories	<u>112,989</u>	<u>92,000</u>	<u>71,751</u>
	<u>373,193</u>	<u>277,243</u>	<u>293,095</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	<u>15,294</u>	<u>1,725</u>	<u>2,997</u>
	<u>15,294</u>	<u>1,725</u>	<u>2,997</u>
	<u>388,487</u>	<u>278,968</u>	<u>296,092</u>
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Payables and accruals	<u>54,400</u>	<u>20,269</u>	<u>19,741</u>
	<u>54,400</u>	<u>20,269</u>	<u>19,741</u>
<b>LONG TERM LIABILITIES</b>			
Long term bank loan	<u>11,882</u>	<u>-</u>	<u>-</u>
	<u>11,882</u>	<u>-</u>	<u>-</u>
<b>EQUITY</b>			
Share capital	56,200	56,200	56,200
Retained earnings	<u>266,005</u>	<u>202,499</u>	<u>220,151</u>
	<u>322,205</u>	<u>258,699</u>	<u>276,351</u>
Total liabilities and equity	<u>388,487</u>	<u>278,968</u>	<u>296,092</u>

Approved and signed on behalf of the Board by:

  
\_\_\_\_\_  
Derrick Cotterell  
Managing Director

  
\_\_\_\_\_  
Ian Kelly  
Director - Finance

CARIBBEAN FLAVOURS AND FRAGRANCES  
STATEMENT OF CHANGES IN EQUITY  
FOR THE NINE MONTHS TO 31 MARCH 2017

	Unaudited 31 March 2017		Unaudited 31 March 2016		Audited 30 June 2016	
	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	220,151	56,200	146,081	56,200	146,081
Issue of shares			-		-	-
Net profit		54,846		56,418	-	74,070
Dividends paid	-	(8,992)	-	-	-	-
	<u>56,200</u>	<u>266,005</u>	<u>56,200</u>	<u>202,499</u>	<u>56,200</u>	<u>220,151</u>



CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED  
STATEMENT OF CASH FLOWS  
FOR THE NINE MONTHS TO 31 MARCH 2017

	9 months ended 31 March 2017 <u>\$ '000</u>	9 months ended 31 March 2016 <u>\$ '000</u>
CASH RESOURCES WERE PROVIDED BY/(USED IN):		
OPERATING ACTIVITIES		
Profit before taxation	54,846	56,418
Adjustment for non-cash income and expenses		
Depreciation	2,099	396
Interest income	(3,849)	(5,460)
	<u>53,096</u>	<u>51,354</u>
Changes in operating assets and liabilities		
Inventories	(41,238)	(29,127)
Receivables and prepayments	(9,521)	29,037
Payables and accruals	34,659	(10,168)
Tax recoverable	-	932
	<u>(16,100)</u>	<u>(9,326)</u>
Net cash provided by operating activities	<u>36,996</u>	<u>42,028</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(14,396)	(764)
Purchase of investments	(120,325)	(51,066)
Dividends paid	(8,992)	-
Interest received	3,849	5,460
Net cash used in investing activities	<u>(139,864)</u>	<u>(46,370)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Bank loan	11,882	-
Net cash (used in)/provided by financing activities	<u>11,882</u>	<u>-</u>
NET DECREASE IN NET CASH AND CASH EQUIVALENTS	(90,986)	(4,342)
Cash and cash equivalents at beginning of year	124,632	53,488
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>33,646</u>	<u>49,146</u>
Represented by:		
Cash on hand	2,382	4,500
Bank balances	31,264	44,646
	<u>33,646</u>	<u>49,146</u>



CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED  
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS TO 31 MARCH 2017

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 June 30, 2016.

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.

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### 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.

#### **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.

#### **Comparative information**

Comparative figures have been reclassified, where necessary, to conform to changes in presentation in the current year.

#### **Valuation of property, plant and equipment**

Management exercises judgement in determining whether cost incurred can accrue significant future economic benefits to the Company to enable the value to be treated as a capital expense. Further judgement is applied in the annual review of the useful lives of all categories of property, plant and equipment and their expected utility to the Company resulting in the depreciation determined thereon.

#### **Depreciation**

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

- Leasehold property & improvements 10%
  - Buildings 2 ½%
  - Plant and machinery, furniture  
& fixtures, office equipment 10%
  - Computer equipment 33⅓%
  - Motor vehicles 25%
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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 recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or material associated costs on the possible return of goods.

#### **Foreign currency translation**

Balances in foreign currencies are translated at the rate of exchange ruling at the statement of financial position date. Transactions during the year are translated at the exchange rate prevailing at the date of the transactions. Gains or losses on translation are dealt with in the statement of comprehensive income. Exchange rates are determined by the weighted average rate at which Commercial Banks trade in foreign currencies as published by the Central Bank.

#### **Trade receivables**

Trade receivables are carried at anticipated realizable value. A provision is made for impairment of trade receivables when it is established that there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivable. Subsequent recoveries of amounts previously written off are credited in the statement of comprehensive income.

#### 4. TAXATION -

The Company's shares were listed on the Junior Market of the Jamaica Stock Exchange on October 7, 2013. Consequently the company is entitled to a remission of taxes for ten (10) years in the proportions set out below, provided the shares remain listed for at least fifteen (15) years.

Years 1 to 5 (October 7, 2013 – October 6, 2018) – 100%

Years 6 to 10 (October 7, 2018 – October 6, 2023) – 50%

#### 5. EARNINGS PER STOCK UNIT

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

6. SHARE CAPITAL	2017	2016
<u>Authorised:</u>		
91,452,000 ordinary shares of no par value (2012:5,621,000)		
<u>Issued and fully paid:</u>		
89,920,033 ordinary shares of no par value	56,200	56,200

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**SHAREHOLDINGS OF TOP TEN (10) STOCKHOLDERS, DIRECTORS AND SENIOR OFFICERS AS AT 31 MARCH 2017.**

**TOP (10) STOCKHOLDERS**

	NUMBER OF SHARES HELD
DERRIMON TRADING COMPANY LIMITED	67,457,330
MAYBERRY MANAGED CLIENTS ACCOUNT	2,682,809
IAN C. KELLY	2,322,814
LLOYD BADLAL	2,241,982
KONRAD BERRY	1,768,214
HOWARD MITCHELL	1,444,395
JCD TRUSTEES SERVICES SIGMA VENTURE	1,327,097
IDEAL GLOBAL INVESTMENT LIMITED	1,165,654
MANWEI INTERNATIONAL LIMITED	975,828
MAYBERRY INVESTMENTS LTD. PENSION SCHEME	972,945

**DIRECTORS**

IAN C. KELLY	2,322,814
CLIVE NICHOLAS	100,000
CARLTON E. SAMUELS	50,000
WILFORD HEAVEN	0
DERRICK COTTERELL	0

**SENIOR MANAGERS**

JANICE LEE	0
RHONDE MCPHERSON	0

**CONNECTED PARTIES**

IAN C. KELLY (DIRECTOR OF DERRIMON TRADING LTD)	2,322,814
DERRICK COTTERELL (DIRECTOR OF DERRIMON TRADING LTD)	0

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