



# 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, 2019

The Board of Directors is pleased to report on the performance of Caribbean Flavours and Fragrances Limited for the first Quarter ending March 31, 2019.

Sales generated for the quarter were \$112.584 million representing a \$23.861 million or a 26.89% increase from the \$88.723 million recorded for the same period in 2018. The Company's positive growth was driven by a combination of strategies implemented both in the local and overseas market. We expect this trend to continue based on the pipeline of solutions that we are presently working on with these customers and in anticipation that they will be accepted and move from R&D into production.

The gross profit reported for the period was \$37.292 million representing a 7.50% increase when compared to the \$34.690 million reported for the similar period in 2018. This continues to be heading in the right direction despite lower than anticipated sales of some new products during the quarter. We will continue with the refinement of our strategies and the improvement to our various cost structures in order to drive the desired efficiency whilst improving our cost of sales and gross profit.

The net profit before tax recorded for the period was \$14.446 million and represents a \$ 0.969 million decrease in net profit when compared to the \$15.415 million recorded for the similar comparative reporting period. The marginal reduction in profit is expected given the platform that the Company is working to ensure that it is more solution driven as well as its quest to gain acceptance in new markets such as Cuba whilst deepening its presence in many of the local and overseas markets. We expect that this will bear fruits in the short to medium term.

It is important to note that the Company's 100% remission of taxes expired in October 2018. The Company's profits are now subject to a 50% of remission taxes to October 2023.

A significant achievement of the Company during the Quarter was the achievement of the Safe Quality Food Certification, an international Food Certification, which will, allows for the exporting of the Company's products worldwide. Only a few Companies in Jamaica have this designation with CFF being the only Flavour and Fragrance Company. We will continue with the implementation of Business Plans, which are anchored on the pillars of revenue growth and expense management in order to deliver on the desired results.

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



Howard Mitchell  
Chairman

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

UNAUDITED

FINANCIAL STATEMENTS

FOR THE THREE MONTHS TO 31 MARCH 2019

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

FINANCIAL STATEMENTS

FOR THE THREE MONTHS TO 31 MARCH 2019

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CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED  
STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME  
FOR THE THREE MONTHS TO 31 MARCH 2019


|                                | Unaudited<br>3 months ended<br>31 March 2019<br>\$ '000 | Unaudited<br>3 months ended<br>31 March 2018<br>\$ '000 | Audited<br>18 months ended<br>31 December 2018<br>\$ '000 |
|--------------------------------|---------------------------------------------------------|---------------------------------------------------------|-----------------------------------------------------------|
| REVENUE                        | 112,584                                                 | 88,723                                                  | 674,298                                                   |
| Cost of sales                  | <u>(75,292)</u>                                         | <u>(54,033)</u>                                         | <u>(432,190)</u>                                          |
| Gross profit                   | 37,292                                                  | 34,690                                                  | 242,108                                                   |
| Bad debt recovered             |                                                         |                                                         |                                                           |
| Selling and distribution costs | (297)                                                   | (935)                                                   | (7,262)                                                   |
| Administrative expenses        | (25,844)                                                | (20,245)                                                | (140,990)                                                 |
| Net finance income             | <u>3,295</u>                                            | <u>1,905</u>                                            | <u>24,229</u>                                             |
| Profit before tax              | 14,446                                                  | 15,415                                                  | 118,085                                                   |
| Taxation                       | (2,512)                                                 |                                                         | (2,204)                                                   |
| Net profit                     | 11,934                                                  | 15,415                                                  | 115,881                                                   |
| Earnings per share             | \$0.13                                                  | \$0.17                                                  | \$1.29                                                    |

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED  
STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2019

| Note                              | Unaudited<br>31 March 2019<br>\$ '000 | Unaudited<br>31 March 2018<br>\$ '000 | Audited<br>31 December 2018<br>\$ '000 |
|-----------------------------------|---------------------------------------|---------------------------------------|----------------------------------------|
| <b>ASSETS</b>                     |                                       |                                       |                                        |
| <b>CURRENT ASSETS</b>             |                                       |                                       |                                        |
| Cash and bank balances            | 36,377                                | 95,540                                | 65,632                                 |
| Short term investments            | 154,396                               | 145,431                               | 154,416                                |
| Tax recoverable                   | 1,283                                 | 5,356                                 | 3,795                                  |
| Receivables and prepayments       | 130,135                               | 44,103                                | 96,364                                 |
| Inventories                       | 122,479                               | 137,621                               | 130,862                                |
|                                   | <u>444,670</u>                        | <u>428,051</u>                        | <u>451,069</u>                         |
| <b>NON-CURRENT ASSETS</b>         |                                       |                                       |                                        |
| Property, plant and equipment     | 21,456                                | 14,900                                | 21,196                                 |
|                                   | <u>21,456</u>                         | <u>14,900</u>                         | <u>21,196</u>                          |
|                                   | <u>466,126</u>                        | <u>442,951</u>                        | <u>472,265</u>                         |
| <b>LIABILITIES AND EQUITY</b>     |                                       |                                       |                                        |
| <b>CURRENT LIABILITIES</b>        |                                       |                                       |                                        |
| Payables and accruals             | 20,095                                | 45,136                                | 37,679                                 |
| Current portion of long term loan | 2,061                                 | 2,061                                 | 2,531                                  |
|                                   | <u>22,156</u>                         | <u>47,197</u>                         | <u>40,210</u>                          |
| <b>LONG TERM LIABILITIES</b>      |                                       |                                       |                                        |
| Long term bank loan               | 4,879                                 | 7,301                                 | 4,898                                  |
|                                   | <u>4,879</u>                          | <u>7,301</u>                          | <u>4,898</u>                           |
| <b>EQUITY</b>                     |                                       |                                       |                                        |
| Share capital                     | 56,200                                | 56,200                                | 56,200                                 |
| Retained earnings                 | 382,891                               | 332,253                               | 370,957                                |
|                                   | <u>439,091</u>                        | <u>388,453</u>                        | <u>427,157</u>                         |
| Total liabilities and equity      | <u>466,126</u>                        | <u>442,951</u>                        | <u>472,265</u>                         |

Approved and signed on behalf of the Board by:

  
Director  
CLIVE NICHOLAS

  
Director  
DERRICK COTTERELL

CARIBBEAN FLAVOURS AND FRAGRANCES  
STATEMENT OF CHANGES IN EQUITY  
FOR THE THREE MONTHS TO 31 MARCH 2019

|                                | Unaudited<br>31 March 2019  |                                 | Unaudited<br>31 March 2018  |                                 | Audited<br>31 December 2018 |                                 |
|--------------------------------|-----------------------------|---------------------------------|-----------------------------|---------------------------------|-----------------------------|---------------------------------|
|                                | Share<br>Capital<br>\$ '000 | Retained<br>Earnings<br>\$ '000 | Share<br>Capital<br>\$ '000 | Retained<br>Earnings<br>\$ '000 | Share<br>Capital<br>\$ '000 | Retained<br>Earnings<br>\$ '000 |
| Balance at beginning of period | 56,200                      | 370,957                         | 56,200                      | 316,838                         | 56,200                      | 274,369                         |
| Issue of shares                |                             |                                 |                             |                                 | -                           | -                               |
| Net profit                     |                             | 11,934                          |                             | 15,415                          | -                           | 115,881                         |
| Dividends paid                 | -                           |                                 | -                           | -                               | -                           | (19,293)                        |
|                                | <u>56,200</u>               | <u>382,891</u>                  | <u>56,200</u>               | <u>332,253</u>                  | <u>56,200</u>               | <u>370,957</u>                  |

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED  
STATEMENT OF CASH FLOWS  
FOR THE THREE MONTHS TO 31 MARCH 2019

|                                                          | 3 months ended<br>31 March 2019<br><u>\$ '000</u> | 3 months ended<br>31 March 2018<br><u>\$ '000</u> |
|----------------------------------------------------------|---------------------------------------------------|---------------------------------------------------|
| CASH RESOURCES WERE PROVIDED BY/(USED IN):               |                                                   |                                                   |
| OPERATING ACTIVITIES                                     |                                                   |                                                   |
| Profit after taxation                                    | 11,934                                            | 15,415                                            |
| Adjustment for non-cash income and expenses              |                                                   |                                                   |
| Depreciation                                             | 1,486                                             | 1,001                                             |
| Interest income                                          | -                                                 | (1,905)                                           |
|                                                          | <u>13,420</u>                                     | <u>14,511</u>                                     |
| Changes in operating assets and liabilities              |                                                   |                                                   |
| Inventories                                              | 8,383                                             | (52,666)                                          |
| Receivables and prepayments                              | (33,771)                                          | 22,698                                            |
| Payables and accruals                                    | (17,584)                                          | 21,346                                            |
| Tax recoverable                                          | 2,512                                             | (147)                                             |
|                                                          | <u>(40,460)</u>                                   | <u>(8,769)</u>                                    |
| Net cash (used in)/provided by operating activities      | <u>(27,040)</u>                                   | <u>5,742</u>                                      |
| CASH FLOW FROM INVESTING ACTIVITIES:                     |                                                   |                                                   |
| Purchase of property, plant and equipment                | (1,746)                                           | (451)                                             |
| Purchase of investments                                  | 20                                                | (12,817)                                          |
| Dividends paid                                           | -                                                 | -                                                 |
| Interest received                                        | -                                                 | 1,905                                             |
| Net cash used in investing activities                    | <u>(1,726)</u>                                    | <u>(11,363)</u>                                   |
| CASH FLOW FROM FINANCING ACTIVITIES                      |                                                   |                                                   |
| Bank loan                                                | (489)                                             | (450)                                             |
| Net cash used in financing activities                    | <u>(489)</u>                                      | <u>(450)</u>                                      |
| NET (DECREASE)/INCREASE IN NET CASH AND CASH EQUIVALENTS | (29,255)                                          | (6,071)                                           |
| Cash and cash equivalents at beginning of year           | 65,632                                            | 101,611                                           |
| CASH AND CASH EQUIVALENTS AT END OF YEAR                 | <u>36,377</u>                                     | <u>95,540</u>                                     |
| Represented by:                                          |                                                   |                                                   |
| Cash on hand                                             | 5,279                                             | 68,372                                            |
| Bank balances                                            | 31,098                                            | 27,168                                            |
|                                                          | <u>36,377</u>                                     | <u>95,540</u>                                     |



CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED  
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS  
THREE MONTHS ENDED 31 MARCH 2019

1. IDENTIFICATION AND PRINCIPAL ACTIVITIES

Caribbean Flavours and Fragrances Limited ("the Company") is a company limited by shares, incorporated and domiciled in Jamaica. Its registered office is located at 226 Spanish Town Road, Kingston 11. The principal activity of the company is the manufacture of and distribution of flavours mainly for the beverage, baking and confectionery industries. The company also sells food colouring and fragrances.

2. BASIS OF PREPARATION

Statement of Compliance

The financial statements of Caribbean Flavours and Fragrances Limited have been prepared in accordance with and compliance with International Financial Reporting Standards (IFRS) under the historical cost convention, as modified by the revaluation of certain financial assets. The same accounting policies and methods of computation are followed in the unaudited financial statements as were applied in the audited financial statements for the year ended December 31, 2018.

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%

The Company's 100% remission of income taxes expired 6 October 2018 and as a consequence the Company's taxable profits will be subject to 50% tax remission until 6 October 2023

#### **5. EARNINGS PER STOCK UNIT**

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

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| 6. SHARE CAPITAL                                               | 2019   | 2018   |
|----------------------------------------------------------------|--------|--------|
| <u>Authorised:</u>                                             |        |        |
| 91,452,000 ordinary shares of no par value<br>(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 2019.**

**TOP (10) STOCKHOLDERS**

|                                                      | NUMBER OF SHARES HELD |
|------------------------------------------------------|-----------------------|
| DERRIMON TRADING COMPANY LIMITED                     | 58,465,327            |
| DIGIPOINT LIMITED                                    | 8,992,003             |
| IDEAL GLOBAL INVESTMENT LIMITED                      | 2,763,811             |
| MAYBERRY MANAGED CLIENTS ACCOUNT                     | 2,723,116             |
| IAN C. KELLY                                         | 2,322,814             |
| KONRAD BERRY                                         | 1,763,333             |
| JCD TRUSTEES SERVICES SIGMA VENTURE                  | 1,577,097             |
| NCB CAPITAL MARKETS X TRADING A/C                    | 1,122,175             |
| TROPICAL BATTERY CO. LTD CONTRIBUTORY PENSION SCHEME | 1,020,800             |
| MAYBERRY INVESTMENT LIMITED PENSION SCHEME           | 972,945               |

**DIRECTORS**

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

**SENIOR MANAGERS**

|                  |   |
|------------------|---|
| ANAND JAMES      | 0 |
| 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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