



CARIBBEAN FLAVOURS AND FRAGRANCES LTD.

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"Tease the Senses"

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

REPORT TO SHAREHOLDERS ON THE COMPANY'S FINANCIAL PERFORMANCE
FOR THE QUARTER ENDED MARCH 31, 2018

The Board of Directors is pleased to report on the performance of Caribbean Flavours and Fragrances Limited for the third Quarter ending March 31, 2018.

The quarter ending March 31, 2018 was negatively impacted by the slow recovery of the economy from the unusual weather conditions which affected the island for the last 6 months of 2017.

Sales generated for the quarter were \$88.723 million representing a \$0.098 million or a 0.11% decrease from the \$88.821 million recorded for the same period in 2017.

The gross profit reported for the period was \$34.690 million representing a 0.52% decrease when compared to the \$34.872 million reported for the similar period in 2017. The Company expects that there will be normality to the many issues faced during this quarter, and we believe that as the new sugar replacement substitute "Flavor Fit" initiative is accepted by the many large manufacturers that the results will be positively impacted.

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 recorded for the period was \$15.415 million and represents a \$ 3.414 million increase in net profit when compared to the \$12.001 million recorded for the similar comparative reporting period.

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.

Clive Nicholas
Actg. Chairman of the Board of Directors

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

UNAUDITED

FINANCIAL STATEMENTS

FOR THE NINE MONTHS TO 31 MARCH 2018

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

FINANCIAL STATEMENTS

FOR THE NINE MONTHS TO 31 MARCH 2018

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CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED
 STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME
 FOR THE NINE MONTHS TO 31 MARCH 2018

	Unaudited 3 months ended 31 March 2018 \$ '000	Unaudited 3 months ended 31 March 2017 \$ '000	Unaudited 9 months ended 31 March 2018 \$ '000	Unaudited 9 months ended 31 March 2017 \$ '000	Audited 12 months ended 30 June 2017 \$ '000
REVENUE	88,723	88,821	302,978	300,674	410,636
Cost of sales	<u>(54,033)</u>	<u>(53,949)</u>	<u>(184,383)</u>	<u>(181,706)</u>	<u>(242,694)</u>
Gross profit	34,690	34,872	118,595	118,968	167,942
Bad debt recovered					
Selling and distribution costs	(935)	(1,395)	(3,048)	(3,318)	(6,327)
Administrative expenses	(20,245)	(22,507)	(64,612)	(64,653)	(88,685)
Net finance income	<u>1,905</u>	<u>1,031</u>	<u>6,948</u>	<u>3,849</u>	<u>9,947</u>
Profit before tax	15,415	12,001	57,883	54,846	82,877
Taxation			-	-	
Net profit	15,415	12,001	57,883	54,846	82,877
Earnings per share	\$0.17	\$0.13	\$0.64	\$0.61	\$0.92

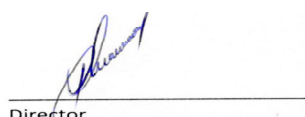
CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

Note	Unaudited 31 March 2018 \$ '000	Unaudited 31 March 2017 \$ '000	Audited 30 June 2017 \$ '000
ASSETS			
CURRENT ASSETS			
Cash and bank balances	95,540	33,646	67,828
Short term investments	145,431	173,128	131,202
Tax recoverable	5,356	4,464	4,823
Receivables and prepayments	44,103	48,966	60,122
Inventories	137,621	112,989	97,218
	<u>428,051</u>	<u>373,193</u>	<u>361,193</u>
NON-CURRENT ASSETS			
Property, plant and equipment	14,900	15,294	14,915
	<u>14,900</u>	<u>15,294</u>	<u>14,915</u>
	<u>442,951</u>	<u>388,487</u>	<u>376,108</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Payables and accruals	45,136	54,400	34,606
Current portion of long term loan	2,061		2,290
	<u>47,197</u>	<u>54,400</u>	<u>36,896</u>
LONG TERM LIABILITIES			
Long term bank loan	7,301	11,882	8,642
	<u>7,301</u>	<u>11,882</u>	<u>8,642</u>
EQUITY			
Share capital	56,200	56,200	56,200
Retained earnings	332,253	266,005	274,370
	<u>388,453</u>	<u>322,205</u>	<u>330,570</u>
Total liabilities and equity	<u>442,951</u>	<u>388,487</u>	<u>376,108</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 NINE MONTHS TO 31 MARCH 2018

	Unaudited 31 March 2018		Unaudited 31 March 2017		Audited 30 June 2017	
	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	274,370	56,200	220,151	56,200	220,151
Issue of shares					-	-
Net profit		57,883		54,846	-	82,877
Dividends paid	-		-	(8,992)	-	(28,658)
	<u>56,200</u>	<u>332,253</u>	<u>56,200</u>	<u>266,005</u>	<u>56,200</u>	<u>274,370</u>

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED
STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS TO 31 MARCH 2018

	9 months ended 31 March 2018 <u>\$ '000</u>	9 months ended 31 March 2017 <u>\$ '000</u>
CASH RESOURCES WERE PROVIDED BY/(USED IN):		
OPERATING ACTIVITIES		
Profit before taxation	57,883	54,846
Adjustment for non-cash income and expenses		
Depreciation	2,605	2,099
Interest income	(6,948)	(3,849)
	<u>53,540</u>	<u>53,096</u>
Changes in operating assets and liabilities		
Inventories	(40,403)	(41,238)
Receivables and prepayments	16,019	(9,521)
Payables and accruals	10,530	34,659
Tax recoverable	(533)	-
	<u>(14,387)</u>	<u>(16,100)</u>
Net cash provided by operating activities	<u>39,153</u>	<u>36,996</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(2,590)	(14,396)
Purchase of investments	(14,229)	(120,325)
Dividends paid	-	(8,992)
Interest received	6,948	3,849
Net cash used in investing activities	<u>(9,871)</u>	<u>(139,864)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Bank loan	(1,570)	11,882
Net cash (used in)/provided by financing activities	<u>(1,570)</u>	<u>11,882</u>
NET INCREASE/(DECREASE) IN NET CASH AND CASH EQUIVALENTS	27,712	(90,986)
Cash and cash equivalents at beginning of year	67,828	124,632
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>95,540</u>	<u>33,646</u>
Represented by:		
Cash on hand	68,372	2,382
Bank balances	27,168	31,264
	<u>95,540</u>	<u>33,646</u>

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
NINE MONTHS ENDED 31 MARCH 2018

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, 2017.

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.

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%
-

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	2015	2014
<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

SHAREHOLDINGS OF TOP TEN (10) STOCKHOLDERS, DIRECTORS AND SENIOR OFFICERS AS AT 31 MARCH 2018.

TOP (10) STOCKHOLDERS

	NUMBER OF SHARES HELD
DERRIMON TRADING COMPANY LIMITED	58,465,327
DIGIPOINT LIMITED	8,992,003
MAYBERRY MANAGED CLIENTS ACCOUNT	2,871,536
IDEAL GLOBAL INVESTMENT LIMITED	2,564,654
IAN C. KELLY	2,322,814
LLOYD BADAL	2,241,982
KONRAD BERRY	1,763,333
JCD TRUSTEES SERVICES SIGMA VENTURE	1,577,097
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
