



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 JUNE 30, 2018

The Board of Directors is pleased to report on the performance of Caribbean Flavours and Fragrances Limited for the fourth Quarter ending June 30, 2018.

Sales generated for the quarter were \$120.706 million representing a \$10.744 million or a 9.77% increase from the \$109.962 million recorded for the same period in 2017. This represents a significant improvement over the previous quarter ending March 31, 2018 by 36.05%. Sales for the twelve month period were \$423.684 million as compared to \$410.636 million recorded in the comparative reporting period.

Gross profit reported for the period was \$49.370 million and was relatively flat when compared to the \$48.974 million reported for the similar period in 2017. The Company expects that there will be improvements in the upcoming quarters, as our sugar replacement substitute "Flavor Fit" is gaining traction with the larger manufacturers and we anticipate to start seeing returns in the next reporting period.

We will continue with the implementation of strategies geared towards managing our costs with a view to improving our efficiency and our profitability.

Net profit recorded for the period was \$29.323 million and represents a \$ 1.292 million increase when compared to the \$28.031 million recorded for the similar comparative reporting period. Net profit for the twelve month period was \$87.206 million when compared to the \$82.877 million reported in 2017.

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 TWELVE MONTHS TO 30 JUNE 2018

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS TO 30 JUNE 2018

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CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED
 STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME
 FOR THE YEAR TO 30 JUNE 2018

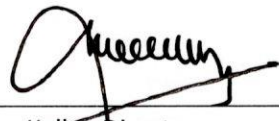
	Unaudited 3 months ended 30 June 2018 \$ '000	Unaudited 3 months ended 30 June 2017 \$ '000	Unaudited 12 months ended 30 June 2018 \$ '000	Audited 12 months ended 30 June 2017 \$ '000
REVENUE	120,706	109,962	423,684	410,636
Cost of sales	<u>(71,336)</u>	<u>(60,988)</u>	<u>(255,719)</u>	<u>(242,694)</u>
Gross profit	49,370	48,974	167,965	167,942
Bad debt recovered				
Selling and distribution costs	(2,042)	(3,009)	(5,090)	(6,327)
Administrative expenses	(22,778)	(24,032)	(87,390)	(88,685)
Net finance income	<u>4,773</u>	<u>6,098</u>	<u>11,721</u>	<u>9,947</u>
Profit before tax	29,323	28,031	87,206	82,877
Taxation			-	
Net profit	29,323	28,031	87,206	82,877
Earnings per share	\$0.33	\$0.31	\$0.97	\$0.92

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Unaudited 30 June 2018	Audited 30 June 2017
Note	<u>\$ '000</u>	<u>\$ '000</u>
ASSETS		
CURRENT ASSETS		
Cash and bank balances	83,296	67,828
Short term investments	145,387	131,202
Tax recoverable	5,630	4,823
Receivables and prepayments	62,620	60,122
Inventories	134,917	97,218
	<u>431,850</u>	<u>361,193</u>
NON-CURRENT ASSETS		
Property, plant and equipment	20,316	14,915
	<u>20,316</u>	<u>14,915</u>
	<u>452,166</u>	<u>376,108</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Payables and accruals	25,502	34,606
Current portion of long term loan	2,061	2,290
	<u>27,563</u>	<u>36,896</u>
LONG TERM LIABILITIES		
Long term bank loan	6,827	8,642
	<u>6,827</u>	<u>8,642</u>
EQUITY		
Share capital	56,200	56,200
Retained earnings	361,576	274,370
	<u>417,776</u>	<u>330,570</u>
Total liabilities and equity	<u>452,166</u>	<u>376,108</u>

Approved and signed on behalf of the Board by:


Anand James - Director


Ian Kelly - Director

CARIBBEAN FLAVOURS AND FRAGRANCES
STATEMENT OF CHANGES IN EQUITY
FOR THE TWELVE MONTHS TO 30 JUNE 2018

	Unaudited		Audited	
	30 June 2018		30 June 2017	
	Share	Retained	Share	Retained
	Capital	Earnings	Capital	Earnings
	<u>\$ '000</u>	<u>\$ '000</u>	<u>\$ '000</u>	<u>\$ '000</u>
Balance at beginning of period	56,200	274,370	56,200	220,151
Issue of shares			-	-
Net profit		87,206	-	82,877
Dividends paid	-		-	(28,658)
	<u>56,200</u>	<u>361,576</u>	<u>56,200</u>	<u>274,370</u>

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED
STATEMENT OF CASH FLOWS
FOR THE TWELVE MONTHS TO 30 JUNE 2018

	12 months ended 30 June 2018 <u>\$ '000</u>	12 months ended 30 June 2017 <u>\$ '000</u>
CASH RESOURCES WERE PROVIDED BY/(USED IN):		
OPERATING ACTIVITIES		
Profit before taxation	87,206	82,877
Adjustment for non-cash income and expenses		
Depreciation	3,608	3,037
Interest income	(11,721)	(7,968)
	<u>79,093</u>	<u>77,946</u>
Changes in operating assets and liabilities		
Inventories	(37,699)	(25,467)
Receivables and prepayments	(2,498)	(20,676)
Payables and accruals	(9,104)	14,865
Tax recoverable	(807)	(358)
	<u>(50,108)</u>	<u>(31,636)</u>
Net cash provided by operating activities	<u>28,985</u>	<u>46,310</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(9,009)	(14,954)
Purchase of investments	(14,185)	(78,400)
Dividends paid	-	(28,660)
Interest received	11,721	7,968
Net cash used in investing activities	<u>(11,473)</u>	<u>(114,046)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Bank loan	(2,044)	10,932
Net cash (used in)/provided by financing activities	<u>(2,044)</u>	<u>10,932</u>
NET INCREASE/(DECREASE) IN NET CASH AND CASH EQUIVALENTS	15,468	(56,804)
Cash and cash equivalents at beginning of year	67,828	124,632
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>83,296</u>	<u>67,828</u>
Represented by:		
Cash on hand	6,420	36,684
Bank balances	76,876	31,144
	<u>83,296</u>	<u>67,828</u>

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
TWELVE MONTHS ENDED 30 JUNE 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 30 JUNE 2018.

TOP (10) STOCKHOLDERS

	NUMBER OF SHARES HELD
DERRIMON TRADING COMPANY LIMITED	58,465,327
DIGIPOINT LIMITED	8,992,003
MAYBERRY MANAGED CLIENTS ACCOUNT	2,861,639
IDEAL GLOBAL INVESTMENT LIMITED	2,564,654
IAN C. KELLY	2,322,814
LLOYD BADAL	2,300,804
KONRAD BERRY	1,763,333
JCS D 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
