



# 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 JUNE 30, 2019

The Board of Directors is pleased to report on the performance of Caribbean Flavours and Fragrances Limited for the second Quarter ending June 30, 2019.

Sales generated for the quarter were \$113.746 million representing a \$6.960 million or a 5.77% decrease from the \$120.706 million recorded for the same period in 2018. Notwithstanding the marginal fluctuation on sales, the Company's year-to-date sales performance exceeds the previous year by \$16.901 million or 8.07%

The gross profit reported for the period was \$47.208 million representing a 4.38% decrease when compared to the \$49.370 million reported for the similar period in 2018. Sales continue 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 \$25.797 million and represents a \$ 3.526 million decrease in net profit when compared to the \$29.323 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.

The Company continues 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 30 JUNE 2019

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

FINANCIAL STATEMENTS

FOR THE THREE MONTHS TO 30 JUNE 2019

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CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED  
 STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME  
 FOR THE SIX MONTHS TO 30 JUNE 2019

	Unaudited 3 months ended 30 June 2019 \$ '000	Unaudited 3 months ended 30 June 2018 \$ '000	Unaudited 6 months ended 30 June 2019 \$ '000	Unaudited 6 months ended 30 June 2018 \$ '000	Audited 18 months ended 30 June 2018 \$ '000
REVENUE	113,746	120,706	226,330	209,429	674,298
Cost of sales	<u>(66,538)</u>	<u>(71,336)</u>	<u>(141,830)</u>	<u>(125,369)</u>	<u>(432,190)</u>
Gross profit	47,208	49,370	84,500	84,060	242,108
Selling and distribution costs	(397)	(2,042)	(694)	(2,977)	(7,262)
Administrative expenses	(23,199)	(22,778)	(49,043)	(43,023)	(140,990)
Net finance income	<u>2,184</u>	<u>4,773</u>	<u>5,479</u>	<u>6,678</u>	<u>24,229</u>
Profit before tax	25,797	29,323	40,243	44,738	118,085
Taxation	(2,511)	-	(5,023)	-	(2,204)
Net profit	23,286	29,323	35,220	44,738	115,881
Earnings per share	\$0.26	\$0.33	\$0.39	\$0.50	\$1.29

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED  
STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2019

	Unaudited 30 June 2019 \$ '000	Unaudited 30 June 2018 \$ '000	Audited 31 December 2018 \$ '000
ASSETS			
CURRENT ASSETS			
Cash and bank balances	41,295	83,296	65,632
Short term investments	216,938	145,387	154,416
Tax recoverable	-	5,630	3,795
Receivables and prepayments	64,422	62,620	96,364
Inventories	171,261	134,917	130,862
	<u>493,916</u>	<u>431,850</u>	<u>451,069</u>
NON-CURRENT ASSETS			
Property, plant and equipment	19,417	20,316	21,196
	<u>19,417</u>	<u>20,316</u>	<u>21,196</u>
	<u>513,333</u>	<u>452,166</u>	<u>472,265</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Payables and accruals	44,506	25,502	37,679
Current portion of long term loan	2,370	2,061	2,531
	<u>46,876</u>	<u>27,563</u>	<u>40,210</u>
LONG TERM LIABILITIES			
Long term bank loan	4,080	6,827	4,898
	<u>4,080</u>	<u>6,827</u>	<u>4,898</u>
EQUITY			
Share capital	56,200	56,200	56,200
Retained earnings	406,177	361,576	370,957
	<u>462,377</u>	<u>417,776</u>	<u>427,157</u>
Total liabilities and equity	<u>513,333</u>	<u>452,166</u>	<u>472,265</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 SIX MONTHS TO 30 JUNE 2019

	Unaudited 30 June 2019		Unaudited 30 June 2018		Audited 31 December 2018	
	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	370,957	56,200	316,838	56,200	274,369
Issue of shares					-	-
Net profit		35,220		44,738	-	115,881
Dividends paid	-		-		-	(19,293)
	<u>56,200</u>	<u>406,177</u>	<u>56,200</u>	<u>361,576</u>	<u>56,200</u>	<u>370,957</u>

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED  
STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS TO 30 JUNE 2019

	6 months ended 30 June 2019 \$ '000	6 months ended 30 June 2018 \$ '000
CASH RESOURCES WERE PROVIDED BY/(USED IN):		
OPERATING ACTIVITIES		
Profit before taxation	35,220	44,738
Adjustment for non-cash income and expenses		
Depreciation	2,971	2,004
Interest income	(4,109)	(6,678)
	<u>34,082</u>	<u>40,064</u>
Changes in operating assets and liabilities		
Inventories	(40,399)	(49,962)
Receivables and prepayments	31,942	4,181
Payables and accruals	6,827	1,712
Tax recoverable	3,795	(421)
	<u>2,165</u>	<u>(44,490)</u>
Net cash provided by operating activities	<u>36,247</u>	<u>(4,426)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(1,192)	(6,870)
Purchase of investments	(62,522)	(12,773)
Dividends paid	-	-
Interest received	4,109	6,678
Net cash used in investing activities	<u>(59,605)</u>	<u>(12,965)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Bank loan	(979)	(924)
Net cash (used in)/provided by financing activities	<u>(979)</u>	<u>(924)</u>
NET INCREASE/(DECREASE) IN NET CASH AND CASH EQUIVALENTS	(24,337)	(18,315)
Cash and cash equivalents at beginning of year	65,632	101,611
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>41,295</u>	<u>83,296</u>
Represented by:		
Cash on hand	7,815	6,420
Bank balances	33,480	76,876
	<u>41,295</u>	<u>83,296</u>

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED  
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS  
SIX MONTHS ENDED 30 JUNE 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 (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 30 JUNE 2019.**

**TOP (10) STOCKHOLDERS**

	NUMBER OF SHARES HELD
DERRIMON TRADING COMPANY LIMITED	58,465,327
DIGIPOINT LIMITED	8,992,003
IDEAL GLOBAL INVESTMENT LIMITED	3,037,461
MAYBERRY MANAGED CLIENTS ACCOUNT	2,700,321
IAN C. KELLY	2,322,814
KONRAD BERRY	1,763,333
JCD TRUSTEES SERVICES SIGMA VENTURE	1,577,097
NCB CAPITAL MARKETS A/C # 2231	1,132,872
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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