

ANNUAL REPORT 2018



CARIBBEAN
FLAVOURS &
FRAGRANCES
LIMITED

Innovating and Expanding for Growth





MISSION Statement

Caribbean Flavours and Fragrances Limited is dedicated to providing its customers with Flavours and Fragrances of the highest quality and functionality. We will maintain consistency in our batches through internal and external quality systems. We endeavour to ensure that our customers, our employees and all our stakeholders are satisfied by our daily efforts to “Tease The Senses”.



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CHAIRMAN'S REPORT



The 2018 financial year was a successful year for Caribbean Flavours and Fragrances Limited and a year of many firsts. Among them being the alignment of our financial reporting year with the calendar year rather than July 01 to June 30. This was a strategic decision given the changes in major shareholder ownership in the previous reporting period which required the consolidation of the financial performance of the parent company with that of its subsidiary.

Caribbean Flavours and Fragrances Limited continues to deliver upon its promise to:

- Provide new and innovative solutions to our customers
- Enhance skills and training of our technical and research teams
- Provide the highest levels of quality and functionality to our products

During this reporting period, the Company invested heavily in the upgrading of its manufacturing facility, equipping it with state-of-the-art equipment so as to ensure the delivery of the highest quality products

to consumers. This upgrade of infrastructural capacity was coupled with the strengthening of human capital with specialized skills designed to improve operational efficiency. These improvements have paved the way for our drive to attain the International Food Certification - SQF Food Safety Code for Manufacturing, Edition 8.

Over the past year there has been increased awareness of the incidence of lifestyle diseases due to high-sugar diets. The public education programme by the Ministry of Health has led Jamaicans to become more health conscious and desirous of exploring reduced sugar alternatives in their diets. Caribbean Flavours and Fragrances have responded to this drive by making available a suite of sugar-reduced products and/or additives which may be used by manufacturers within the juice industry. This initiative has gained increased market acceptance across the Caribbean markets within which we serve and will help

to achieve the overarching goal of increasing life expectancy and general wellness of the population.

The improvement in processes, product development and human capital has contributed to the positive financial performance of the Company.

- Revenue experienced double digit growth, as is evidenced by a 64.21% increase for the 18-month reporting period.
- Improvement in Gross Profit, moving from \$167.942 million in 2017 to \$242.108 million at the end of 2018 or a 44.16% increase.
- A 39.83% increase in Net Profit after tax moving from \$82.877 million to \$115.881 million.
- Payment of Dividends totaling \$19.293 million to our shareholders.

These results reflect positive indicators of the Company's direction as we continue to improve all aspects of our operations.

We remain confident that the strategic direction being pursued will ensure that there will be deeper penetration of our products in local and regional markets and that the CFF brand will continue to provide quality ingredients in the products being offered to consumers.

I wish to thank the full Board of Directors for their commitment and collective contributions, our valued shareholders and our team members, all of whom have contributed towards the success that we proudly report to you.

Howard Mitchell
CHAIRMAN

During this reporting period, the Company invested heavily in the upgrading of its manufacturing facility, equipping it with state-of-the-art equipment so as to ensure the delivery of the highest quality products to consumers.



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED (the "Company") will be held on September 11, 2019 at 1:00p.m. at the Terra Nova All-Suite Hotel to consider, and if thought fit, to pass the following resolutions: -

ORDINARY RESOLUTIONS

1. **To receive the report of the Board of Directors and the audited accounts of the Company for the financial year ended 31 December 2018.**

Resolution 1 - Audited Accounts
"THAT the audited accounts for the year ended 31 December 2018 together with the reports of the directors and auditors thereon be and are hereby adopted."
2. **To elect directors**
The Directors retiring by rotation pursuant to the Articles of Incorporation are Howard Mitchell, Derrick Cotterell and Ian Kelly who being eligible offer themselves for re-election.

Resolution 2a - Re-appointment of Howard Mitchell
"THAT the retiring Director, Howard Mitchell be re-elected a Director of the Company"

Resolution 2b - Re-appointment of Derrick Cotterell
"THAT the retiring Director, Derrick Cotterell be re-elected a Director of the Company"

Resolution 2c - Re-appointment of Ian Kelly
"THAT the retiring Director, Ian Kelly be re-elected a Director of the Company"
3. **To fix the remuneration of the directors**

Resolution 3 - Directors' Remuneration
"THAT the Board of Directors of the Company be and are hereby authorised to fix the remuneration of the individual directors."
4. **To appoint Auditors and fix their remuneration.**

Resolution 4 - Re-appointment of Auditors
"THAT the Board of Directors of the Company be and hereby authorized to appoint Auditors and fix their remuneration."
5. **Final Dividend**
That the dividend of \$0.25 per ordinary stock unit paid to the stockholders on July 2, 2018 be and is hereby approved as the final dividend for the year.

Dated the 18th day of July 2019

by Order of the Board

IAN KELLY
Company Secretary

Notes:

(1) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his place. Such proxy need not be a member of the Company.

(2) A member must lodge his Proxy Form with the Secretary at 226 Spanish Town Kingston 11, **not less than 48 hours before the Meeting**, but if not so lodged it may be handed to the Chairman of the Meeting.



FIVE YEAR STATISTICAL REVIEW

	2014 (J\$ '000)	2015 (J\$ '000)	2016 (J\$ '000)	2017 (J\$ '000)	2018 (J\$ '000)
INCOME STATEMENT					
Revenues	255,362	306,807	362,500	410,636	674,298
Gross Profit	101,635	113,452	134,695	167,942	242,108
Total Operating Expenses	55,690	61,390	72,196	95,012	148,250
Profit before Taxation	52,198	57,716	74,070	82,877	118,085
Net Profit	51,557	57,716	74,070	82,877	115,881

BALANCE SHEET					
Average Total Assets	136,883	203,896	262,228	336,100	407,233
Average Working Capital	110,905	176,580	224,967	298,826	367,578
Total Assets less Current Liabilities	156,710	202,281	273,354	324,297	432,055

IMPORTANT RATIOS					
Gross Profit Margin	39.80%	36.98%	37.16%	40.90%	35.91%
EBITDA Margin	22.69%	17.64%	17.49%	21.12%	18.75%
Profit before Taxation Margin	20.44%	18.81%	20.43%	20.18%	17.51%
Current Ratio	8.22	7.60	14.85	9.79	10.69
Quick Ratio	6.28	5.40	10.99	7.15	7.60
Debt-to-Equity	0.00	0.00	0.00	0.14	0.11



CORPORATE INFORMATION

REGISTERED OFFICE

Caribbean Flavours and Fragrances Limited
226 Spanish Town Road, Kingston 11
Telephone: 1 (876) 923-5111 / 1(876) 923-8777
Fax: 1(876) 923- 4323

ATTORNEYS-AT-LAW

Alexander Williams
2 Seymour Avenue, Unit 6A,
Seymour Park, Kingston 6

AUDITORS

McKenley & Associates
2 Seymour Avenue, Unit 11
Seymour Park, Kingston 6

REGISTRAR

**Jamaica Central
Securities Depository**
40 Harbour Street,
Kingston, Jamaica W.I.

BANKERS

National Commercial Bank
211 Spanish Town Road,
Kingston 11

Sagicor Jamaica Ltd.
17 Dominica Drive, Kingston 5

First Global Bank
28 - 48 Barbados Avenue,
Kingston 5

NCB Capital Markets
Hagley Park Road, Kingston 10

Mayberry Investments
1½ Oxford Road, Kingston 5

BOARD OF DIRECTORS

Executive Directors

Derrick Cotterrell , M.B.A, B.Sc (Hons) Managing Director	Ian Kelly , CPA, M.Sc (Hons), B.Sc (Hons) Chief Financial Officer and Company Secretary	Anand James , B.A, JP Technical Consultant
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Non - Executive Directors

Howard Mitchell , LL.M, B.Sc, OD, JP Chairman of the Board of Directors	Clive Nicholas , CD, FCA Deputy Chairman of the Board of Directors	Wilford "Bill" Heaven , OD, JP Director
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Carlton Samuels , B.Sc (Hons), M.S. Dip(ES) Director	Tania Waldron - Gooden , M.B.A, B.Sc Board Mentor
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SENIOR OFFICERS

Derrick Cotterrell , M.B.A, B.Sc (Hons) Managing Director	Ian Kelly , CPA, M.Sc (Hons), B.Sc (Hons) Chief Financial Officer	Anand James , B.A, JP Technical Consultant
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Janice Lee General Manager	Rechal Turner Operations Manager	Christopher Carless Chief Accountant	Rhonde-Gaye McPherson Quality Control & Product Development Manager
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DIRECTORS' REPORT

The Directors of Caribbean Flavours and Fragrances are pleased to present their report for the eighteen (18) months financial period ended December 30, 2018, to all our shareholders. This is our fifth report since being listed on the Junior Market of the Jamaica Stock Exchange.

The Statement of Comprehensive Income shows profit after tax of \$115.881 million, net of adjusted taxation of \$2.204 million. This represents a 39.83% increase over the previous reporting period and reflects adjusted taxation given the 100% waiver for the first five years upon being listed on the Junior Market of the Jamaica Stock Exchange.

During this financial period, our Company made major strides in the areas of:

- Communication and engagement with customers about industry innovations and new trends within our Caribbean markets.
- New product development and enhancements.
- Retooling of the factory and the replacement of new equipment.

This has resulted in the diversification of our revenue streams and also contributed to the deepening of our relationships with our existing customers to increase equity in our brand. The sugar substitute products being promoted to the markets we serve is of particular importance to the wellbeing of nations. As local legislation is modified and enforced, we anticipate that there will be further growth for these product lines.

We are a Company on the move that responds in a timely manner to technological innovations and trends in global markets. Our goal is to continue to engage our consumers and keep them abreast of new developments as we move towards increasing equity in our brand.

This will be achieved through a programme of training and retooling of our human capital inclusive of intensive customer service training geared toward solidifying our Company's competitive advantage in the marketplace.

We have evolved from being an order-taking institution to one that provides solutions to the market. The Board remains committed to delivering on these covenants. We will work closely with our customers and suppliers to ensure that we not only meet, but exceed their expectations, as we continue our journey to provide quality products to new and existing customers.

Our customers remain the cornerstone of our operations and providing superior customer service is paramount to our success, especially in an increasingly competitive environment.

DIRECTORS

The Directors of the Company as at December 31, 2018 are Messrs.

- HOWARD MITCHELL
- ANAND JAMES
- CLIVE NICHOLAS
- W. "BILLY" HEAVEN
- CARLTON SAMUELS
- DERRICK COTTERELL
- IAN KELLY

The mentor of the Company continues to be Mrs. Tania Waldron-Gooden.

AUDITORS

The Auditors of the Company, Mckenley & Associates of 2 Seymour Avenue, Unit 11, Seymour Park, Kingston 6 Jamaica have expressed their willingness to continue in office. The Directors recommend their reappointment.

We acknowledge and extend our sincerest appreciation for the dedication, commitment and hard work of the members of staff. We thank our customers, suppliers and all stakeholders for their past, present and future support.

FOR AND ON BEHALF OF THE BOARD

HOWARD MITCHELL
CHAIRMAN

The Statement of Comprehensive Income shows profit after tax of \$115.881 million, net of adjusted taxation of \$2.204 million. This represents a 39.83% increase over the previous reporting period



BOARD OF DIRECTORS



HOWARD MITCHELL, JP
Chairman,
Non-Executive Director

A lawyer by profession, Mr. Howard Mitchell maintained a successful Commercial Law Practice for thirty-five (35) years, with concentrations in Mining Law and Taxation, before retiring in 2010.

Mr. Mitchell has demonstrated a strong commitment to Public Service for decades and was appointed to the Board of the National Housing Trust (NHT) in 1987 and again served as Chairman from February 2008 to June 2012. He serves as a Justice of the Peace (JP) and in 2017 he was awarded the Order of Distinction (Commander Class) for outstanding service to Business and the Public Sector.

He has also served as Chairman on numerous statutory boards across a wide range of government ministries over the past twenty years and currently is:

- A director of the Jamaica Manufacturers and Exporters' Association (JMEA) (having previously served as deputy president for two years)
- Director of Cari-Med Limited and Kirk Distributors Limited - 2013 to Present
- Chairman of the Council of the Institute of Jamaica -
- Director of ISSA Trust Foundation - 2018
- Chairman of Caribbean Flavours and Fragrances - 2018

Mr. Mitchell has negotiated a number of Mining Agreements on behalf of the government of Jamaica and maintains a current consulting practice in that field. His contribution to Private Enterprise also includes the resuscitation of the Sports Development Agency (SDA) to become the Jamaica Lottery Company Limited (operators of Jamaica's first successful private lottery) and the co-founder of the Sports Development Foundation (SDF) (which was the forerunner of the CHASE Fund), as well as his leadership as chairman of the board of the popular chain of Island Grill Restaurants and the establishment of Jamaica's largest packaging manufacturing plant, Corrpak Jamaica Ltd., before selling that company in 2016.

Mr. Mitchell is currently the President of the Private Sector Organization of Jamaica (PSOJ) and is also currently serving as Chairman of All Jamaica Air Services (AJAS) Limited, as well as Director of TM Traders Ltd., Jamaica Packaging Industries Limited and SCL LTD

Mr. Mitchell's philanthropic activities include his financial support of numerous charities and his membership on the Board of Mustard Seed Foundation and former Chairmanship of St. Patrick's Foundation.

His interests include fishing and politics. He has been married for over 40 years and has 2 daughters.



DERRICK COTTERELL
Managing Director,
Executive Director

Derrick has the responsibility of being Chairman and CEO of Derrimon Trading Company Limited and Managing Director of Caribbean Flavours and Fragrances Limited effective January 1, 2016. Derrick has over 20 years' experience in the fields of Sales, Marketing and General Management.

He also serves as a director of the Governor General of Jamaica's "I Believe Initiative" which seeks to improve the lives of young Jamaicans.

Derrick is a graduate of the University of the West Indies and Florida International University, from which he attained a Bachelor of Science degree in Management Studies and a Master of Business Administration respectively.



IAN KELLY
Chief Financial Officer & Corporate Secretary
Executive Director

Ian is the Chief Financial Officer at Derrimon Trading Company Ltd and an Executive Director at Caribbean Flavours and Fragrances Limited. He is an experienced financial and risk manager with senior level experience in the areas of treasury, corresponding banking, corporate finance, securities trading and asset management.

He is a Certified Public Accountant – (CPA) and holds a Bachelor of Science Degree in Accounting, a Master of Science degree in Accounting from The University of the West Indies, and Executive Development Training Program from the Wharton Business School at The University of Pennsylvania.

Ian presently served as a member of the Clarendon College Board of Governors and served as the Chairman of Wigton Windfarm Ltd, Director of Jamaica Free Zone Limited, Director of Postal Corporation of Jamaica and serves as the Chairman of the Audit Committee for both Jamaica Free Zone and Postal Corporation of Jamaica during the period January 2012 – April 2016.



ANAND JAMES
Executive Director

Anand James is a founding shareholder and served as the Managing Director of the Company up to December 31, 2015. Mr. James has a Bachelor of Arts degree from the University of Guyana, and a Master of Arts degree from the University of the West Indies. He is a qualified teacher and worked in the management function of the Company's predecessor, Bush Boake Allen (Jamaica) Limited prior to its voluntary winding up in 2000.

Mr. James spearheaded the purchase of the assets of that entity and the founding of the current Company in 2001. He has over 20 years' combined experience in the Company. He is also a Director of Spurtree Spices Jamaica Limited, AMJ Agro Processors Guyana Inc., and Anjoja Limited.



CLIVE NICHOLAS, CD, FCA
Non-Executive Director

Mr. Clive Nicholas is a Tax Consultant and Chartered Accountant who retired as the Director General for Tax Administration after over forty (40) years of combined service to the Income Tax Department, the Revenue Board, the General Consumption Tax Department and the Ministry of Finance and Planning. He is also a graduate of Harvard Law School and was awarded the Order of Distinction (Commander Class) for his services to Jamaica.

Mr. Nicholas is a member of the Integrity Commission, a Director of the Financial Sector Adjustment Company Limited, Financial Institutions Services Limited, Land Taxation Relief Board, Kingston College Development Trust Fund, Caribbean Flavours and Fragrances Ltd, Public Accountancy Board, Marjoblac Limited, and a trustee of the Jamaica Church Pension Scheme. He has also served as a Director of Container Services Limited and a Commissioner of the Betting Gaming and Lotteries Commission.

He is currently the Chairman of the Land Taxation Relief Board, Kingston College Development Trust Fund Audit Committee and Interim Chairman of Caribbean Flavours and Fragrances Limited.



CARLTON SAMUELS
Non-Executive Director

Mr. Samuels is an international consultant with an extensive body of work in areas of strategy and governance with focus on ICT4D and technology in education. He is also an adjunct in Information Science in the Department of Library and Information Studies at The University of the West Indies, Mona.

Carlton has served on several high-level international panels. He was formerly a Vice-Chair of ICANN's At-Large Advisory Committee (ALAC) and a founding Director of the Caribbean Internet Forum.

He has held several senior executive positions in private sector and academic environments, most recently as CIO and University Director of IT at The University of the West Indies. He serves on several Boards and Committees related to education, library and information. These include HEART/NTA, JAMLIN, Kingston High School and Tivoli Gardens High School. He is a past Chair of the National ICT Advisory Council of Jamaica and serves on the ICT Council for Public Sector ICT Governance and Operations.



W. "BILLY" HEAVEN, OD, JP
Non-Executive Director

Mr. Heaven is the Chief Executive Officer of the CHASE Fund, a post he assumed in 2003. Prior to this he served as a Small Medium-sized Enterprise (SME) consultant and Executive Director of the National Development Foundation of Jamaica. Mr. Heaven has worked as an Accountant, Management Accountant and Financial Controller with local and multinational corporations.

Mr. Heaven is the Deputy Chairman of the Board of Directors for the Jamaica Civil Aviation Authority; Chairman of the Audit Committee and member of the Procurement Committee. He is Vice President of the Courtney Walsh Foundation, Director of the Heart Institute of the Caribbean and member of the Audit Committee of the Edna Manley College of the Visual and Performing Arts. Recently, he was elected President for the Jamaica Cricket Association. He is also a member of the Man and Biosphere Committee of the Jamaican National Commission of UNESCO and a member of the Development Committee, Bustamante Hospital for Children. He is a member of the Task Force that advises the Government on rural development.



TANIA WALDRON-GOODEN, BSc, MBA
Mentor

Tania is the Director of Investment Banking at Mayberry Investments Limited. She was appointed to the board of directors of Mayberry on October 30, 2017. She joined Mayberry as a management trainee approximately 11 years ago. She rotated through several departments including Research, Asset Management, Equity Trading and Corporate Finance.

Tania holds a Bachelor of Science degree in Geology from the University of the West Indies and a Master of Business Administration degree from the University of Sunderland in the UK.

Tania is a Director and Mentor of three (3) junior market companies: Derrimon Trading Company Limited, Main Event Entertainment Group Limited and Express Catering Limited. She is also a member of the Private Sector Organization of Jamaica (PSOJ) Standing Committee on Economic Policy & Tax Reform and Mentor to Caribbean Flavours and Fragrances Limited. She is also Director to the Board of Caribbean Assurance Brokers Limited.



DISCLOSURE OF SHAREHOLDINGS

Shareholdings of top ten (10) stockholders, directors and senior officers as at 31 December 2018.

TOP TEN (10) STOCKHOLDERS

DERRIMON TRADING CO. LTD.	58,465,327
DIGIPOINT LIMITED	8,992,003
MAYBERRY MANAGED CLIENTS ACCOUNT	2,836,771
IDEAL GLOBAL INVESTMENT LTD	2,650,437
IAN C. KELLY	2,322,814
KONRAD BERRY	1,763,333
JCSD TRUSTEE SERVICES LTD - SIGMA GLOBAL VENTURE	1,577,097
NCB CAPITAL MARKETS X TRADING A/C	1,116,555
TROPICAL BATTERY COMPANY LTD CONTRIBUTORY PENSION SCHEME	1,020,800
MAYBERRY INVESTMENTS LTD. PENSION SCHEME	972,945

DIRECTORS

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

SENIOR MANAGERS

JANICE LEE	0
RHONDE MCPHERSON	0

CONNECTED PARTIES

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





MANAGEMENT DISCUSSION & ANALYSIS

The year 2018 witnessed the Jamaican economy continuing its transformation to a stable economy with sound macroeconomic factors. Economic growth was measured at 1.4% in 2018 compared to the 0.9% average over the last 5 years.

Agriculture benefited from relatively favourable weather conditions, improved domestic output and increased relationships with the tourism sector via ongoing government initiatives. Tourism continued to benefit from growth in the US economy, a relatively strong labour market buoyed by increased non-farm payroll numbers, increased airlift and increased room capacity. Jamaica's tourism product has also shown increased diversity. The US, UK and Canada remained the principal sources. However, Latin America and parts of mainland Europe now represent significant sources of visitor arrivals.

Stable fiscal policies has resulted in the ongoing fiscal improvements. The country recorded a marginal surplus of approximately J\$6 billion, and for the first time in decades, pushed the debt/GDP measure below 100%. The fiscal controls and outcomes continue to create space for spending, especially on the Capital Expenditure side of the budget. Increased infrastructure investments and works are visible in all areas and is especially pronounced in the Corporate Area.

The unemployment rate fell to record lows of approximately 8% as at December 2018 driven by growth in tourism and the Business Process Outsourcing (BPO) sub-sectors. The increased employment levels have helped to fuel tax revenues which, for the last fiscal year, continually outperformed budgetary expectations.

These improvements experienced in the economy has positively impacted Caribbean Flavours and Fragrances Limited and it continues to be the choice supplier of quality fragrances and flavours in Jamaica and the other markets in which we serve.

Improvements experienced in the economy has positively impacted Caribbean Flavours and Fragrances Limited and it continues to be the choice supplier of quality fragrances and flavours in Jamaica and the other markets in which we serve.

This financial year was another momentous year in the history of the Company. Our focus was on the strengthening of the business pillars of research and development, preparing our Company for the Safe Quality Foods Certification (SQF), improving and modernizing our manufacturing capacity and ensuring that the sugar reduction products are available for the achievement of the healthy lifestyle capacity pillars. We can report to our shareholders that all of these initiatives were achieved whilst experiencing growth in our business.

Our mission continues to be grounded in the development, production and supply of quality flavours, fragrances and other innovative solutions to customers in our various market segments and we remain committed to Jamaica and doing our part to enable the continued positive growth of the various sectors that we serve. We continue to build on the rich tradition of manufacturing and providing the highest quality flavours and fragrances by sourcing unique oils and other inputs, formulating and blending for customized flavours and fragrances for our various market sectors.

Throughout the year, planned investments were made in key areas, resulting in continued improvements in safety, the productivity of our people, the processing environment as well as the reliability and productivity of our manufacturing plant. Our manufacturing plant was upgraded with new equipment installed, all aimed at achieving efficiency and improved output.

We cannot emphasize enough how proud we are that we have stayed the course and will remain committed to facilitating the various requests of our customers whilst enhancing the well-being of our most valuable resource, our people. As a science-driven company, we will continue to attract a high performing, motivated workforce, proud of their place of work and the quality of products produced.

Our products continue to meet world-class standards. We are pleased to report that for 2018, there were no reported instances of non-conforming product entering the market locally or overseas. All products dispatched met the various standards as well as the approved Safe Quality Food (SQF) certification process. The full Safe Quality Foods Certification is expected in early 2019 and will further enhance our plant management systems as we continue to stay abreast of best practices and to continue to deliver quality products to our customers.

The commitment to increasing our product offerings of flavours and fragrances to our various business partners was accelerated in 2018 and inured to a noticeable growth of our revenue. Customers in the local, regional and international markets were supplied with new and trending solutions in both our fragrances and flavours lines, thereby allowing them a wider selection for their own production lines. The research and development work executed in our renovated laboratory, as well as the training given to the staff, continue as routine tasks in the development of our team. This ensured that we continue to provide new solutions based on pre-established objectives.

We continue to serve our customers in Jamaica, Barbados, St. Kitts, Trinidad and Tobago, Guyana, Grenada, Suriname, Canada and the Dominican Republic. Active work has commenced in Cuba and based on the two exploratory missions undertaken during this financial reporting period, work has begun with this country to get the necessary approvals for registration and, eventually, trading. This being the first part of the process that is required for doing business with that country.

Financial Performance Highlights

For this reporting period ended December 31, 2018, Caribbean Flavours and Fragrance Limited continued on the path of improving its core competencies on a solid foundation. This has been influenced by the policy decision of the Government of Jamaica to see to reduced sugar content in beverages. The Company is supplying new products to the Suriname market as well as supplying of other flavours to newly-acquired customers in beverage manufacturing segment within the region. We have experienced exponential growth in the fragrances component of the business.

The ongoing implementation of the Company's strategic plan along with the upgrade in the manufacturing capabilities of the plant ensured that our response time to our customers has improved. The Board and management remain focused on innovation and new product development, implementation of new strategies geared at revenue enhancement, new market penetration and strategic alliances which creates synergies and value. These factors enabled growth in all revenue segments of the business.

Revenue

Revenue for the reporting period ending December 31, 2018 was \$674.30 million, representing a 64.21% improvement over the \$410.64 million reported for the 12 months reporting period ended June 30, 2017. This growth in revenue is directly attributable to a combination of strategies which involves growth in new markets, availing of new developed solutions to the locally manufacturing sectors and improvements in logistics and inventory. The financial impact of the holding cost associated with carrying higher inventory is appar-ent from these results.

Gross Profit

Gross profit of \$242.11 million was realized for this reporting period which translates to a \$74.17 million or 44.16 % growth over the \$167.94 million reported for 2017 period. This growth translates to approximately 29% over a twelve (12) month basis and above the rate of previous years twelve (12) month growth. This positive year over year growth and improvement in the gross profit all reflect the outcomes of an effective implementation of the strategic plan. We will continue to implement new approaches aimed at reducing our annual average cost of sales and logistics costs.

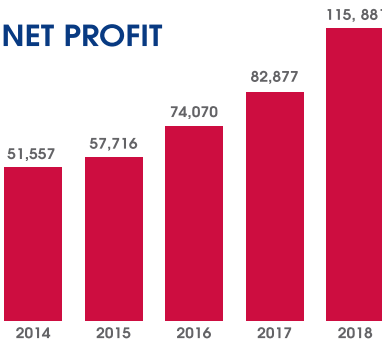
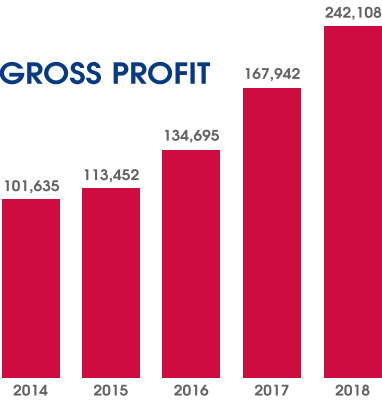
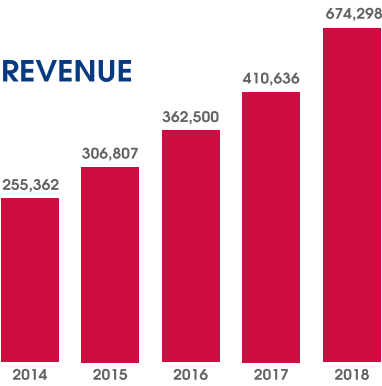
Operating Expenses

Active monitoring and management of our operating expenses were critical enabling components leading to the Company’s success. Expenses were held within budget for the reporting period and in instances where they were not justified, were deferred to match with revenue enhancement measures. Management of each expense item on a line by line basis ensures that costs that do not add immediate or near-term future value to the Company’s growth or result in a general improvement in efficiencies are deferred, unless justified.

For this eighteen (18) months reporting period, the total administrative expenses recorded was \$140.99 million. This represents \$52.30 million or a 58.98% increase over the \$88.69 million recorded for the twelve (12) month period in 2017. The area of major year-on-year increase was staff costs of \$20.22 million moving from \$29.60 million in June 30, 2017 to \$49.82 in December 2018. This increase was directly attributable to a growth in staff complement occasioned by added product lines, improvement in the compensation package of some of the technical staff as well as the mandatory increase in salaries for all staff based on inflation outturn. Modest increases were experienced in other cost components; rent, legal and professional fees, office and general expenses and utilities. Nonetheless, the general movement and increases in operation costs were in line with budget and the outturn were just in line with inflation.

Net Profit

The net profit after tax of \$115.88 million reported by the Company for this period represents a \$33.0 million or 39.82% growth over the \$82.88 million reported for the twelve month period ended June 30, 2017. The improvement in the bottom line growth is positively influenced by prudent management of the Company’s operating costs, growth in revenue and further gains from efficiencies in purchasing and logistics management. Taxation on profit became effective during this financial year. Earnings per Share was \$1.29 cents which was a 40.22% increase from; last period’s return of \$0.92.



Risk Management

Risk management continues to play a pivotal role in the daily operations of our business and the management team is required to manage the daily operation and enterprise risk of the Company within the policy framework established by the Board of Directors. At every level of our operations, the full evaluation of our risk is done to ensure that all of the known elements of risk are mitigated. The various enterprise risk is measured and managed, standards are maintained, testing of each production batch and further testing at the completion of the manufacturing process ensures that product quality is achieved and maintained. Activities such as receiving of raw materials to our stores; implementation of monthly and full quarterly cycle counts of the inventory; enhancements of the disbursement procedures for fragrances; internal auditing of our cash and cashiers’ daily lodgment; ratio analysis conducted on the monthly and quarterly financial statements are all executed. The present approach to achieving the Safe Quality Foods Certification ensures that the continuous auditing of our processes and facility is done, thereby providing actionable information for eliminating any risk that is actively identified.

In addition to the various reviews which continue to be done by the management team, the oversight given by the internal and external audit team complements the work being done by the Audit Committee to ensure that our corporate governance objective for effectively managing risks is met.

Guided by the findings of both the internal audit and external audit management letters, we continue to strengthen the internal controls of the Company. We continue to place high levels of focus on the areas of cash sales, credit sales, aging accounts receivables and management of the inventory process.

We continue to institute robust internal measures to increase the security of our assets as well as the safeguarding of proprietary trade secrets, client relationships and the data availability and assurance infrastructure; that will enable us to have business continuity in the event of any catastrophic occurrence. The Company will continue to manage its risks to protect its employees, assets and the interests of its stakeholders.

Outlook

We expect the current macroeconomic climate to continue towards further stable growth although there are troubling signs of some tremors in the foreign exchange market. Based on the prospects for increased trade and external business growth, we expect the Company’s revenue growth to continue in both local and overseas markets. As the Company continues to innovate and meet customer demands, exciting times are ahead and the expectation is that the groundwork that was done in 2018 will come on-stream in the new fiscal year.

For the fiscal year 2019, the Company will focus on new innovations in the flavour technology, one such area is the sugar reduction solution which was introduced to the market in 2018. The technical team at Caribbean Flavours and Fragrances has been working with a number of local and regional partners using this technology to reduce the sugar content so that they can offer their customers healthier products and the results have been very good. The Company will continue to focus on the development of locally grown products for extraction, products such as sorrel and ginger, as well as the expansion of fragrance sales in the regional market.

Other areas of focus will be on the sale of complementary products to give customers a one shop option for customer convenience; improvement in the supply chain to give customers a positive experience whenever they interact with any representative of the Company; continuous training and exposure of all members of the technical team as well as the improvements and further sensitization of all members of staff on Occupational Health and safety.



MANAGEMENT TEAM



DERRICK
COTTERELL
Managing Director



IAN KELLY
Chief Financial Officer



ANAND JAMES
Technical Consultant



JANICE LEE
General Manager



CHRISTOPHER
CARLESS
Chief Accountant



RHONDE
MCPHERSON
Quality Control & Product
Development Manager



RECHAL TURNER
Operations Manager





OUR TEAM

is the foundation that builds and fosters our continued growth.



ADMINISTRATION

Janice Lee - GM, Christopher Carless - Chief Accountant, Delvia Clarke- Admin. Assistant, Sherene Ormsby - Customer Service/Sales, Melissa Campbell - Business Development Officer.

LABORATORY

Rhonde-Gaye McPherson - Quality Assurance/Product Development Manager, Jodi Ann Howard - Product Development Officer, Sheryl Palmer - Lab Technician

FACTORY

Rechal Turner - Operations Manager, Gary Stewart - Factory Supervisor, Joan Bennett- Simmonds - Coordinator, Natalie Car-Walker - Production Assistant, Keshia Reid -Production Assistant, Ronald Smith - Production Assistant, Jenoy Legister - Production Assistant

WAREHOUSE

Tafawa Morgan - Warehouse Attendant



CORPORATE GOVERNANCE

Effective Corporate Governance continues to be a priority of the Board of Directors of Caribbean Flavours and Fragrances Limited. As such, we are fully committed to ensuring that we operate at the highest standards of corporate governance. The Company operates within an approved Board framework that ensures a proactive approach to governance and compliance of established financial policies, business strategies, internal controls and risk management.

The Board recognises its role in providing entrepreneurial leadership, strategic direction and guidance as critical components in creating long-term shareholder value while maintaining the confidence of its shareholders, employees, stakeholders and the community at all times. In doing so, we continue to update our various Charters to ensure its relevance and providing the best policy framework for the operations of the business and in keeping with the given authority levels bestowed to management in the execution of its daily activities.

The Directors of the Company are experienced professionals with diverse skill sets and knowledge from various professions. This ensures objective and high-level decisions are taken by the Board during deliberations both at the Board sub-committees and full Board meetings levels; and, that all such decisions are in the best interests of all stakeholders and the long-term success of the Company.

The management and staff of the Company are expected to exercise the highest standards of ethical conduct and adherence to Company policies and procedures, thereby ensuring compliance with the rules of the Jamaica Stock Exchange Junior Market and the laws and regulations of Jamaica. These are managed through various Committees of the Board, operational audits and performance reviews which are undertaken on a continuous basis.

BOARD COMPOSITION

At the end of this reporting period, the Board consisted of seven (7) members, four (4) of which were independent members. These are outlined hereunder:

1.	HOWARD MITCHELL	- INDEPENDENT (CHAIRMAN)
2.	WILFORD (BILLY) HEAVEN	- INDEPENDENT
3.	CLIVE NICHOLAS	- INDEPENDENT
4.	CARLTON SAMUELS	- INDEPENDENT
5.	ANAND JAMES	- EXECUTIVE DIRECTOR
6.	DERRICK COTTERELL	- EXECUTIVE DIRECTOR
7.	IAN KELLY	- EXECUTIVE DIRECTOR

The Company continues to operate based on the recommendations of the Jamaica Stock Exchange Junior Market rules and has retained the services of Mrs. Tania Waldron-Gooden as its external mentor. She has provided useful and informative insights and guidance to ensure that the governing rules and regulations are adhered to.

The Board met on six (6) occasions during the financial year to deliberate on policy matters as well as to review management's stewardship. The focus has been on enhancing shareholder value and long-term viability through strategic planning and clinical execution of policy direction by management at all times.

The table below outlines the Directors and Mentor's attendance:

Name of Directors	No. of Meetings Attended
Howard Mitchell - Chairman	2
Clive Nicholas	6
Wilford "Billy" Heaven	3
Carlton Samuels	4
Anand James	4
Derrick Cotterell	6
Ian Kelly	5
Tania Waldron-Gooden - Mentor	3

In carrying out its work the Board was assisted by the following Board Committees:

AUDIT COMMITTEE

The Committee had a total of six (6) meetings during the eighteen (18) months period being reported and executed the following:

- Reviewed and recommended budgets for approval by the Board of Directors.
- Reviewed the integrity of the monthly, quarterly unaudited financial statements, dividend recommendations and audited annual financial statements.
- Reviewed the effectiveness of internal controls and risk management systems and other matters that fall within its mandate, as well as inventory cycle counts, receivables aging management and their findings.
- Reviewed the formal announcements relating to the Company's financial performance to the Jamaica Stock Exchange and the timeliness of same.
- Reviewed and maintained the independence, objectivity and effectiveness of the relationship with the external auditor.
- Made recommendations to the Board of Directors in relation to the reappointment of the external Auditor as well as the remuneration and other terms of engagement.

The Audit Committee comprises the following directors and attendance to meetings are outlined in the table below:

Audit Committee Members	No. of Meetings Attended
Clive Nicholas - Chairman	4
Wilford "Billy" Heavens	1
Ian C. Kelly	4
Janice Lee - Attendee	4

COMPENSATION COMMITTEE

This committee is charged with the responsibility of providing guidance and advice to the Board on all matters relating to remuneration of Directors and Senior Executives of the Company. The Committee met once during the year to review the fees paid to external Directors and its findings and recommendations to increase same were accepted. The composition of this Committee is outlined hereunder:

Compensation Committee Members

Clive Nicholas
Wilford "Billy" Heavens
Anand James
Carlton Samuels
Derrick Cotterell

EXTERNAL AUDITOR

McKenley and Associates served as external auditors during this reporting period and were responsible for the auditing of the financial operations during the eighteen (18) months period ending December 31, 2018. They met all timelines for the auditing and submission of the required statements and were compliant with the rules of the Jamaica Stock Exchange and the Companies Act. There were no reported incidents of fraud or any irregularities either from the exercise of the internal controls or the work of our external Auditor.

HOWARD MITCHELL
CHAIRMAN



CORPORATE SOCIAL RESPONSIBILITY

At CFF, we live by the maxim that the success of any organisation is highly correlated to how we treat our employees, customers, and the physical environment. As such, whatever we do as an organisation must be able to satisfy the test of time in all of these areas. During this financial period being reported on, our organisation's corporate responsibility remains committed to the following projects:

- Improving the educational standard at the pre-primary levels within selected inner city communities;
- Improving the physical environment;
- Health and welfare activities;

Caribbean Flavours and Fragrances is located within close proximity to many inner-city communities and a vital part of our social responsibility is to partner with the communities in events which lead to the improvement of the living standard of those around us. To this end, we continue to support the End Time Basic school with both cash bursaries, canteen supplies and toiletries which are necessary for its daily operations. In addition to these donations of cash and kind, the staff of CFF also give of their time through their visits to the school at special times of the year. This is very important to us as it helps to improve the bond that presently exists and solidifies the caring spirit of CFF.

We are also committed to improving our staff and their family's well being through the advancement of their educational pursuits. This is made possible through a fund that the Company continues to donate to on an annual basis in order to assist staff and eligible family members. During this financial year, five bursaries were provided to persons from this fund who are pursuing undergraduate studies at The UWI Mona and The University of Technology as well as other secondary level education.

At Caribbean Flavours and Fragrances Ltd (CFF) we are committed to preserving and improving the environment. We remain sensitive to factors that negatively impact the environment and therefore help to create that space whereby we encourage a culture of proper garbage disposal. We are a big supporter of recycling. As such, all liquid waste is treated before it is released into the environment and the appropriate garbage receptacles are installed and used to separate plastic and cardboard boxes for recycling.

Health and fitness are extremely important to any functioning workforce and our staff regularly participate in many of the corporate walks put on by Sagikor Sigma, Food for the Poor, Best Dressed Foods and Melbourne Cricket Club amongst others. In addition to supporting these many worthy causes these activities also help to build and improve the camaraderie among the staff whilst promoting a healthier lifestyle.

The Company has been assisting two university interns since 2016. We've been able to allow these students to work and gain valuable experience while affording them the flexibility to work within their school schedules. They are provided with some financial assistance and vital life skills that will enable them to be productive individuals.

We at Caribbean Flavours and Fragrances are proud to be a part of the Jamaican landscape at this time in our nation's history. We continue to take our responsibility seriously as nation builders and remain committed to Jamaica and its people.





FINANCIAL STATEMENTS

Independent Auditors' Report to the Members

Independent Auditors' Report

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Notes to the Financial Statements	5



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Independent Auditor's Report

To the Members of
Caribbean Flavours and Fragrances Limited

Report on the Audit of the Financial Statements

Our Opinion

We have audited the financial statements of Caribbean Flavours and Fragrances Limited ("the Company") which comprise the statement of comprehensive income, the statement of financial position as at 31 December 2018, the statement of cash flows and the statement of changes in equity for the 18 months period then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the 18 months period then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Jamaican Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under these standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company within the meaning of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our Audit Approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatements in the financial statements. In particular, we considered where management made subjective judgments, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters for consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.



Independent Auditor's Report

To the Members of
Caribbean Flavours and Fragrances Limited

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. Key audit matters are selected from the matters communicated with the Audit Committee members (those charged with Governance) but are not intended to represent all matters that were discussed with them. These matters are addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. During the audit, we encountered no key audit matter for disclosure.

Other Information

Management is responsible for the other information. The other information comprises the Annual Report inclusive of the Director's, Chairman of the Board and the Chief Executive Officer Reports but does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other Information, and we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information referred to above when it becomes available and, in doing so, we will consider whether the other information is materially consistent with the financial statements or whether knowledge obtained by us from the audit, or otherwise, appear to indicate any material misstatements.

When we read the Annual Report, if we conclude that there are any material misstatements therein, we are required to communicate the matter to the Board of Directors.

Management is responsible for the preparation of these financial statements that give a true and fair view in accordance with IFRS and the Jamaican Companies Act and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, matters relative to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.



Independent Auditor's Report

To the Members of
Caribbean Flavours and Fragrances Limited

Auditor's Responsibilities for the Audit of the Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are not responsible for the direction, supervision, and performance of the Company. We remain solely responsible for our audit opinion.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention to our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the Board of Directors, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships



Independent Auditors' Report

To the Members of
Caribbean Flavours and Fragrances Limited

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosures about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

The engagement partner on the audit resulting in this independent auditor's report is Wilfred McKenley.

McKenley & Associates
Chartered Accountants

27 February 2019
Kingston, Jamaica

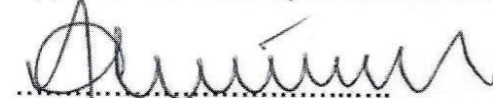
CARIBBEAN FLAVOURS & FRAGRANCES LTD. STATEMENT OF COMPREHENSIVE INCOME 18 MONTHS ENDED 31 DECEMBER 2018

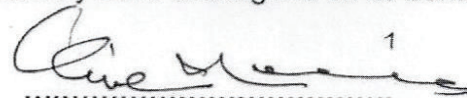
	Note	18 months ended 31 December 2018 \$'000	12 months ended 30 June 2017 \$'000
Revenue	3	674,298	410,636
Cost of sales	5	(432,190)	(242,694)
Gross profit		242,108	167,942
Selling and distribution costs	5	(7,262)	(6,327)
Administrative expenses	5	(140,990)	(88,685)
Operating profit		93,856	72,930
Finance income	6	25,381	10,777
Finance cost	6	(1,152)	(830)
Profit before tax		118,085	82,877
Taxation	7	(2,204)	-
Net profit being total comprehensive income for year		115,881	82,877
Dividends paid		(19,293)	(28,660)
Retained earnings		96,588	54,217
Earnings per share	8	\$1.29	\$0.92

CARIBBEAN FLAVOURS & FRAGRANCES LTD.
STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2018

	<u>Note</u>	<u>31 December</u> <u>2018</u> <u>\$'000</u>	<u>30 June</u> <u>2017</u> <u>\$'000</u>
Non-current assets			
Property, plant, and equipment	9	21,196	14,915
Current assets			
Inventories	10	130,862	97,218
Receivables	11	96,364	60,122
Taxation recoverable		5,999	4,823
Investments	12	154,416	131,202
Cash and cash equivalents	13	65,632	67,828
		453,273	361,193
Current liabilities			
Payables	14	37,679	34,606
Taxation payable		2,204	-
Current portion of long-term borrowings	16	2,531	2,290
		42,414	36,896
Net current assets		410,859	324,297
		432,055	339,212
Stockholders' Equity			
Share capital	15	56,200	56,200
Retained earnings		370,957	274,370
		427,157	330,570
Non- current liability			
Borrowings	16	4,898	8,642
		432,055	339,212

Approved for issue by the Board of Directors on 27 February 2019 and signed on its behalf by:


Howard Mitchell – Director


Clive Nicholas – Director

CARIBBEAN FLAVOURS & FRAGRANCES LTD.
STATEMENT OF CASH FLOWS
18 MONTHS ENDED 31 DECEMBER 2018

Cash flows from operating activities:

Profit for the year

Items not affecting cash:

Interest income

Interest expense

Depreciation

Changes in operating assets and liabilities -

Inventories

Receivables

Payables

Taxation payable

Taxation recoverable

Cash (used in)/provided by operating activities

Cash flows from investing activities

Purchase of fixed assets

Purchase of investments

Interest received

Net cash used in investing activities

Cash flows from financing activities

(Decrease)/Increase in loans

Interest expense

Dividends paid

Net cash used in financing activities

Decrease in cash and cash equivalents

Cash and cash equivalents at the beginning of year

Cash and cash equivalents at the end of year

Represented by:

Cash on hand

Bank balances

	<u>18 months</u> <u>ended 31</u> <u>December 2018</u> <u>\$'000</u>	<u>12 months</u> <u>ended 30 June</u> <u>2017</u> <u>\$'000</u>
	115,881	82,877
	(11,519)	(7,968)
	1,152	830
	7,185	3,037
	112,699	78,776
	(33,646)	(25,467)
	(36,242)	(20,676)
	3,073	14,865
	2,204	-
	(1,176)	(358)
	(65,787)	(31,636)
	46,912	47,140
	(13,466)	(14,954)
	(23,213)	(78,400)
	11,519	7,968
	(25,160)	(85,386)
	(3,503)	10,932
	(1,152)	(830)
	(19,293)	(28,660)
	(23,948)	(18,558)
	(2,196)	(56,804)
	67,828	124,632
	65,632	67,828
	51,303	30,863
	14,329	36,965
	65,632	67,828

CARIBBEAN FLAVOURS & FRAGRANCES LTD.
STATEMENT OF CHANGES IN EQUITY
18 MONTHS ENDED 31 DECEMBER 2018

Note	Share Capital	Retained Earnings	Total
	\$'000	\$'000	\$'000
Balance at 30 June 2015	56,200	146,082	202,282
Net Profit for 12 months ended 30 June 2015	-	74,070	74,070
Balance at 30 June 2016	56,200	220,152	276,352
Net profit for 12 months ended 30 June 2017	-	82,877	82,877
Dividend paid	-	(28,660)	(28,660)
Balance at 30 June 2017	56,200	274,369	330,569
Net profit for 18 months ended 31 December 2018	-	115,881	115,881
Dividend paid	-	(19,293)	(19,293)
Balance at 31 December 2018	56,200	370,957	427,157

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CARIBBEAN FLAVOURS & FRAGRANCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

1. IDENTIFICATION AND PRINCIPAL ACTIVITIES

Caribbean Flavours and Fragrances Limited ("the Company") is incorporated under the Companies Act of Jamaica and domiciled in Jamaica. Its principal activity is the manufacture and distribution of flavours, mainly for the beverage, baking and confectionary industries. The Company also manufactures fragrances primarily for household and general cleaning and sanitation purposes.

Its registered office is located at 226 Spanish Town Road, Kingston 11.

Effective 2 October 2013, Caribbean Flavours and Fragrances Limited (CFFL) shares were listed on the Junior Market of the Jamaica Stock Exchange.

Subsidiary: change of accounting year end date to 31 December

The Company's is a subsidiary of Derrimon Trading Company Limited (DTCL). The Company's year-end was formerly 30 June but during the year, the Company applied to Tax Administration Jamaica (TAJ) to change its year end to 31 December to align with that of its parent company, DTCL. Tax Administration Jamaica by letter dated 26 June 2017, approved the change to 31 December pursuant to Section 6 of the Income Tax Act. DTCL is the registered holder of 62.02% of the issued capital of CFFL.

2. SIGNIFICANT ACCOUNTING POLICIES

(a)Basis of preparation

Statement of compliance

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied for all the years presented, unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed herein.

CARIBBEAN FLAVOURS & FRAGRANCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation

Revenues and expenses

Revenues and expenses are recorded on the accrual basis, whereby transactions and events are recognized in the period in which the transactions and events occur, regardless of whether there has been a receipt or payment of cash or its equivalent

Functional and presentation currency

The financial statements are presented in Jamaican dollars (JA\$), the company's functional currency.

Judgments and estimates

The preparation of the financial statements in accordance with IFRS requires Management to make judgments and estimates that affect:

- The application of accounting policies;
- The reported amounts of assets and liabilities;
- Disclosures of contingent assets and liabilities; and
- The reported amounts of revenue and expenses during the reporting periods.

Actual results may differ from estimates made in the financial statements.

Judgments are made in the selection and assessment of the Company's accounting policies. Estimates are used mainly in determining the measurement of recognized transactions and balances. Estimates are based on historical experience, and other factors, including expectations of future events, believed to be reasonable under the circumstances. Judgments and estimates are interrelated. The Management's judgments and estimates are continually re-evaluated to ensure they remain appropriate. Revision to accounting estimates is recognized in the period in which the estimates are revised and in the future periods affected.

The following are the accounting policies that are subject to judgments and estimates that the Management believes could have the most significant impact on the amounts recognized in the financial statements.

Inventories

Estimation – Inventories are carried at the lower of cost and net realized value. The estimation of net realized value is based on the most reliable evidence available, at the time the estimates are made, of the amount the inventories are expected to realize. Additionally, estimation is required for inventory provision due to shrinkage, slow-moving and obsolescence.

It is possible, based on existing knowledge, that outcomes within the next financial year that are different from those assumptions could require a material adjustment to the carrying amount reflected in the financial statements.

CARIBBEAN FLAVOURS & FRAGRANCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Judgments and estimates (continued)

Income and other taxes

Judgment – Income and other taxes are subject to Government policies. In calculating current and recoverable income and other taxes, Management uses judgment when interpreting the tax rules and in determining the tax position. There are some transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business.

Estimation – Income and other taxes are subject to Government policies, and estimates are required in determining the provision. Management recognizes liabilities for possible tax issues based on estimates of whether additional taxes may be due.

Allowance for impairment losses on receivables

Estimation – Management's estimate of allowance on accounts receivable is based on analysis of the Aged Receivables and historical experience with delinquency and default. Default rates and the allowance amount are regularly reviewed against the actual outcomes to ensure that they remain appropriate. Management also makes estimates of the likely estimated future cash flows from impaired receivables which may be materially different in the subsequent financial year.

Others

Estimation – Other estimates include determining the useful lives of plant, property and equipment (PPE) for depreciation in accounting for and measuring payables and accruals and in measuring fair values of financial instruments.

Standards, interpretations, and amendments to published standards effective in the current year.

Certain amendments and clarifications to existing standards have been published that became effective during the current financial year. The Company has assessed the relevance of all such new amendments and clarifications and where applicable, have implemented the standard.

- **Amendments to IAS 7, 'Statement of Cash Flows'** effective for annual periods beginning on or after 1 January 2017. The amendment introduces an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. An entity is required to disclose information that will allow users to understand changes in liabilities arising from financing activities. This includes changes arising from cash flows, such as draw-downs and repayments of borrowings and non-cash changes, such as acquisitions, disposals, and unrealised exchange differences. The Company has provided the relevant disclosures in note 16, borrowings.
- **Amendments to IAS 12, 'Income Taxes'**, effective for annual periods beginning on or after 1 January 2017. The IASB published amendments to IAS 12, specifically clarifying how to account for deferred tax assets in general by adding examples and elaborating on some of the requirements in more detail. The amendments do not change the underlying principles for the recognition of deferred tax assets.

CARIBBEAN FLAVOURS & FRAGRANCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following new standards, amendments, and interpretations have been issued and may impact the financial statements, but have not been early adopted by the Company. The Company has assessed the relevance of all such standards, interpretations and amendments and has determined that the following may be relevant to its operations. Unless stated otherwise, the impact of the changes is still being assessed by the management of the Company.

- **IFRS 9 'Financial Instruments'**, which is effective for accounting periods beginning on or after 1 January 2018.

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments*, which brings together the classification and measurement, impairment and hedge-accounting phases of the IASB's project to replace IAS 39 – *Financial Instrument: Recognition and Measurement*. IFRS 9 principal focus includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets; and new disclosure requirements about expected credit loss and credit risk. For hedge accounting – The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

Management, based on its overall assessment of the effects of applying this new standard does not expect it to have any significant impact on the company's financial statements.

- **IFRS 15, 'Revenue from Contracts with Customers'**, effective for accounting periods beginning on or after 1 January 2018.

In May 2014, the IASB issued IFRS 15 – *Revenue from contracts with customers*, which replace IAS 11 – *Construction contracts*, IAS 18 – *Revenue and International Financial Reporting Interpretation Committee ("IFRIC") 13 – Customer loyalty program (IFRIC 13)*, as well as various other interpretations regarding revenue. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts, and financial instruments. It also contains enhanced disclosure requirements.

The standard deals with revenue recognition and establish principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

Management does not expect it to have any significant impact on the company's financial statements

CARIBBEAN FLAVOURS & FRAGRANCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company (continued)

- **Amendments to IFRS 15,' Revenue from contracts with customers'**, effective for annual periods beginning on or after 1 January 2018. This amendment comprises clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment as it relates to presenting gross versus net revenue.

Management is assessing the impact but does not expect it to have any significant impact on the company's financial statements

- **IFRS 16 'leases,'** which is effective for accounting periods beginning on or after 1 January 2019.

This standard replaces the current guidance in IAS 17. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use,' for virtually all lease contracts. The standard includes an optional exemption for certain short-term leases and leases of low-value assets.

- **Amendments to IAS 19, 'Employee benefits'** on plan amendment, curtailment or settlement, effective for annual period beginning on or after 1 January 2019. Management has no intention of implementing an employment benefit scheme and therefore this amendment will have no impact on the financial statements when it becomes applicable
- **Amendments to IAS 40. 'Investment property relating to transfer of investment property'**, effective for annul periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be change in use. To conclude, if a property has changed used, there should be an assessment of whether the property meets the definition.
- **IFRIC 22 'Foreign currency transactions and advance consideration,'** effective for annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payment/receipt are made. The guidance aims to reduce diversity in practice. It does not apply if the consideration received or paid at a later date other than the date of initial recognition of the non-monetary asset or non-monetary liability. also, the interpretation need not to be applied to income taxes, insurance contracts or reinsurance contracts.
- **IFRIC 23, 'Uncertainty over income tax treatments'**, effective for annual periods beginning on or after 1 January 2019. This IFRIC amendment clarifies how the recognition and measurement requirements of IAS 12, 'Income Taxes' are applied where there is uncertainty over income tax treatments. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether the treatment will be accepted by the tax authority.

CARIBBEAN FLAVOURS & FRAGRANCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company (continued)

- **Annual Improvements to IFRSs 2014 -2016 cycles.** The amendments to IAS 28, 'Investment in associates and joint ventures', effective for annual periods beginning on or after 1 January 2018, clarifies that the election by venture capital organizations, mutual funds, unit trusts and similar entities to measure investments in associates or joint venture at fair value through profit or loss should be made separately for each associate or joint venture at initial recognition. There was no significant impact of adopting this amendment because the Company made no acquisition or entered into any joint arrangement during the year.
- **Annual Improvements to IFRS 2015-2017 Cycle – Amendments to IFRS, IAS 12 and IAS 23**, effective for annual periods beginning on or after 1 January 2019. The amendment to IFRS 3 clarifies how a company re-measures its previously held interest in a joint operation when it obtains control of a business. The amendments to IAS 12 clarify that all income tax consequences of dividends should be recognised in profit or loss, regardless how the tax arises. The amendment to IAS 32 clarifies that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a material impact on the operations of the Company.

The Company is assessing the likely impact of future adoption of these likely changes and other IFRS or IFRIC interpretations that are not yet effective and has determined that these standards are not expected to have any material impact on the accounting policies or financial disclosures of the Company.

CARIBBEAN FLAVOURS & FRAGRANCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Functional and presentation currency

The financial statements are presented in Jamaican dollars, which is the Company's functional currency. All financial information presented has been rounded to the nearest thousand dollars, unless otherwise indicated.

(c) Foreign currency translation

Transactions in foreign currencies are translated into Jamaican dollars at rates in effect at the date of the transaction.

Monetary assets and liabilities in foreign currencies are translated into Jamaican dollars at the closing exchange rate at the statement of financial position date. Non-monetary assets and liabilities in foreign currencies that are measured in terms of historical cost are translated into Jamaican dollars at the exchange rate in effect at the date of the transaction or initial recognition. Non-monetary items in foreign currencies that are measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange gains and losses arising from translation are included in profit or loss.

Exchange rates are determined by the published weighted average rate at which commercial banks trade in foreign exchanges.

(d) Financial instruments – recognition and measurement

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. Financial assets and financial liabilities are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of a financial instrument. All financial instruments are required to be measured at fair value on initial recognition. Subsequent measurement of these assets and liabilities is based on fair value or amortized cost using the effective interest method.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, except those classified as fair value through profit or loss ("FVTPL"), are added to or deducted from the fair value of the financial assets and financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities classified as fair value through profit or loss are recognized immediately in net income.

The Company classifies financial instruments, at the time of initial recognition, according to their characteristic and management's choice and intentions related to it for ongoing measurement. Classification choices for financial assets include:

- FVTPL
- Held-to-maturity investments
- Available-for-sale, and
- Loans and receivables

Financial instruments are classified as FVTPL when the instrument is either held for trading or designed as such upon initial recognition. Financial instruments are classified as held for trading.

CARIBBEAN FLAVOURS & FRAGRANCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial instruments – recognition and measurement (continued)

if acquired principally to sell shortly or if part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit making.

Fair value through profit or loss

Financial instruments classified as FVTPL are measured at fair value, with changes in fair value recorded in net income in the period in which they arise.

Held-to-maturity investments

Financial assets are classified as held-to-maturity investments on initial recognition when the entity has a positive intention and ability to hold to maturity. These financial assets have fixed or determinable payments and fixed maturity. After initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest rate method, less any impairment, with gains and losses recognized in net income in the period that the asset is derecognized or impaired.

Available-for-sale

Financial assets classified as available-for-sale, are measured at fair value with changes in fair value recognized in Other Comprehensive Income (“OCI”) until realized through disposal or other than temporary impairment, at which point the change in fair value is recognized in net income. Dividend income from available-for-sale financial assets is recognized in net income when the Company’s right to receive payments is established. Interest income on available-for-sale financial assets, calculated using the effective interest rate method, is recognized in net income.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method, less any impairment, with gains and losses recognized in net income in the period that the asset is de-recognized or impaired.

Other liabilities

After initial recognition, other financial liabilities are measured at amortized cost using the effective interest rate method, less any impairment, with gains and losses recognized in net income in the period that the liability is derecognized.

De-recognition of financial instruments

A financial asset is derecognized when the contractual rights to the cash flow from the assets expire or when the Company transfers the financial asset to another party without retaining control or substantially all the risks and rewards of ownership of the asset. Any interest in transferred financial assets created or retained by the Company is recognized as a separate asset or liability.

A financial liability is derecognized when the contractual obligations are discharged, canceled or expire.

CARIBBEAN FLAVOURS & FRAGRANCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation on all other property, plant and equipment is calculated on the straight-line basis at annual rates estimated to write-off the carrying value of the assets over the period of their estimated useful lives. The land is not depreciated.

The annual rates are as follows: -

Leasehold property & improvements	10%
Buildings	2 1/2%
Plant and machinery, furniture and fixtures, office equipment	10%
Computer equipment	33 1/3%
Motor vehicles	25%

The assets’ residual values and useful life 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.

(f) Inventories

Inventories are valued at the lower of cost, determined principally on a weighted average cost basis and fair value less costs to sell. Cost, where applicable, is determined as follows:

Finished goods:	costs of the product, plus all indirect costs, such as labour and appropriate allocations for overhead expenses, to bring the product to a saleable condition.
Work-in-progress:	cost of product, labour plus appropriate allocations for overhead expenses.
Goods-in-transit:	cost of goods translated at the year- end exchange rate.

(g) Trade receivables

Trade and other receivables are carried at anticipated realizable value. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in bad debt expense in the statement of comprehensive income. When a trade receivable is deemed uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognized as recovery and (credited to bad debt expense in the statement of comprehensive income.

CARIBBEAN FLAVOURS & FRAGRANCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Dividends

Dividends on ordinary shares are recognized in stockholder's equity in the period in which they become legally payable. Interim dividends are due when declared and approved by the directors while final dividends are approved by shareholders at the Annual General Meeting.

Dividends for the year that are declared after the reporting date are disclosed in the subsequent events note.

(i) Trade and other payables

Trade payables are obligations of the Company for goods or services acquired in the ordinary course of business from vendors and suppliers and are stated at cost.

(j) Current and deferred income taxes

Current

Current tax charges are based on taxable profits for the year, which differ from the profit before tax reported because taxable profits exclude items that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated at tax rates that have been enacted at the reporting date.

Deferred tax

Deferred tax is the tax that is expected to be paid or recovered on the differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax is charged or credited to statement of income, except where it relates to items charged or credited to other comprehensive income or equity, in which case deferred tax is also dealt with in other comprehensive income or equity.

Effective 3 October 2018, the 100% tax remission status of the Company expired under the Junior Market tax incentive agreement. The Company is now subject to 50% tax remission of Income Taxes for the next 5 years to 2 October 2023. Deferred taxation was accounted for during the period ended 31 December 2018.

CARIBBEAN FLAVOURS & FRAGRANCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Cash and cash equivalents

Cash and cash equivalents are carried at the statement of financial position date at cost. For the cash flow statement, cash and cash equivalents comprise cash at bank and in hand and short-term deposits with original maturities of three months or less, net of any bank overdraft.

(l) Employee benefits

- (i) Employee benefits include current or short-term benefits such as salaries, statutory contributions paid, annual vacation and sick leave and non-monetary benefits such as medical care. Entitlement to annual leave and other benefits are recognized when they accrue to employees.
- (ii) The Company does not operate a pension scheme
- (iii) The Company does not have a formal profit-sharing or bonus plan in place for permanent employees.

(m) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

Where there are some similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as an interest expense.

(n) Debt: borrowing cost and interest

Debt is classified as current when the Company expects to settle the liability in its normal operating cycle, it holds the liability primarily for trading, the liability is due to be settled within 12 months after the date of the statement of financial position, or it does not have an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position; otherwise, it is classified as long-term. After initial recognition, debt is measured at amortized cost using the effective interest rate method, less any impairment, with gains and losses recognized in net income in the period that the liability is derecognized.

Bank and other borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost.

All other borrowing costs are recognized in the statement of comprehensive income in the period in which they are incurred.

CARIBBEAN FLAVOURS & FRAGRANCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Earnings per share

The earnings per share are computed by dividing the profit attributable to the ordinary shareholders by the number of ordinary shares issued.

(p) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributed to the issue of ordinary shares are recognized as a deduction from equity.

(q) Impairment of non-current assets

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the assets exceeds its recoverable amount, which is the greater of an asset's net selling price and value in use. To assess impairment, assets are grouped at the lowest levels for which there are separately identical cash flows.

Calculation of recoverable amount and reversal of impairment

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation. Such reversal is recognized in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

(r) Segment reporting

An operating segment is a component of a company that engages in business activities from which it may earn revenues and incur expenses. The entity's Chief Operation Decision Maker (CODM) also regularly reviews the operating results to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Based on the information presented to and reviewed by the CODM, the entire operations of the Company are considered as one operating segment.

CARIBBEAN FLAVOURS & FRAGRANCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Related parties

A related party is a person or entity that is related to the entity that is preparing the financial statements; referred to in IAS 24 Related Party Disclosures as the "reporting entity."

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) Has control or joint control over the reporting entity;
- (ii) Has significant influence over the reporting entity; or
- (iii) Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions apply:

- (i) The entity and the reporting entity are members of the same group.
- (ii) One entity is an associate or joint venture of the other entity.
- (iii) Both entities are joint ventures of the same third party
- (iv) One entity is a joint venture of a third entity, and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of either the reporting entity or an entity related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a) above.
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

(t) Comparative balances

When necessary, comparative figures are reclassified to conform to the changes in presentation in the current year. However, the comparative profit or loss figures relate to transactions for the year ended June 30, 2016 while the current figures cover the 18-month period from 1 July 2017 to 31 December 2018. The current statement of financial position is at 31 December 2018 while the comparative statement of financial position is as at June 30, 2017.

The Company's year-end was changed from 30 June to 31 December to align with that of its parent company to facilitate consolidating the company's results with its parent Company.

CARIBBEAN FLAVOURS & FRAGRANCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

3. REVENUE RECOGNITION

Revenue is recognized when the amount can be reliably measured, when it is probable that future economic benefits will flow to the Company, and when specific criteria have been met for each of the activities described below:

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration that is due relating to the delivery and supply of goods.

Services rendered

Revenue from the provision of services is recognized when the service has been provided to customers.

Finance income

Finance income comprises interest-earned on funds invested and foreign exchange gains recognized in profit or loss. Interest income is recognized using the effective interest method as it accrues.

Other operating income

Other operating income, where applicable, includes gains on disposal of assets recognized when the transaction is complete, rental of investment property recognized when earned, and miscellaneous inflows recognized when received and monies lodged to the Company's bank account.

4. GOING CONCERN

The preparation of financial statements in accordance with IFRS assumes that the Company will continue in operation for the foreseeable future. This means, in part, that the statements of profit or loss and comprehensive income and the statement of financial position assume no intention or necessity to liquidate or curtail operations. This is commonly referred to as the *going concern* basis. Management believes that the preparation of the financial statements on the going concern basis continues to be appropriate.

CARIBBEAN FLAVOURS & FRAGRANCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

5. LIST OF EXPENSE CATEGORIES

	<u>18 months ended</u> <u>31 December</u> <u>2018</u> <u>\$'000</u>	<u>12 months ended</u> <u>30 June</u> <u>2017</u> <u>\$'000</u>
Cost of inventories recognized as expense	432,190	242,694
Sub-total: cost of sales	432,190	242,694
Selling, advertising, promotion and distribution	6,017	4,444
Motor vehicle expenses	1,244	1,883
Sub-total: Selling and distribution	7,262	6,327
Audit fee	2,550	2,500
Bank charges	2,237	1,656
Depreciation	7,185	3,037
Donations and subscriptions	793	469
Entertainment	350	299
Insurance	3,842	2,027
Rent	14,815	8,703
Legal and professional fees	8,453	5,103
Motor vehicle	1,966	-
Office and general	6,960	2,280
Asset and other taxes	213	229
Printing and stationery	1,107	639
Minimum business tax	90	30
Repairs and maintenance	2,777	1,423
Staff costs (note 17)	49,816	29,601
Security	2,310	1,416
Telephone and postage	2,798	1,324
Travelling	9,830	5,428
Utilities	4,089	2,664
Directors' fees	810	800
Directors' remuneration	18,000	11,179
Provision for doubtful debts/(recoveries)	-	(223)
Acquisition costs: professional fees	-	8,101
Sub-total:	140,990	88,685
Grand total	580,442	337,706

CARIBBEAN FLAVOURS & FRAGRANCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

6. FINANCE INCOME AND COSTS

	<u>18 Months ended</u> <u>31 December</u> <u>2018</u> <u>\$'000</u>	<u>12 Months ended</u> <u>30 June</u> <u>2017</u> <u>\$'000</u>
Finance income		
Interest income	11,519	7,968
Net foreign exchange gains	13,861	2,809
	<u>25,381</u>	<u>10,777</u>
Finance costs		
Loan interest incurred	1,152	830

7. TAXATION

Taxation is based on profit for the year adjusted for taxation purposes and comprises:

	<u>18 Months ended</u> <u>31 December</u> <u>2018</u> <u>\$'000</u>	<u>12 Months ended</u> <u>30 June</u> <u>2017</u> <u>\$'000</u>
Current taxation	<u>2,204</u>	<u>-</u>

The tax effect of the difference between the treatment of items for financial statements and taxation purposes is as follows:

	<u>18 Months ended</u> <u>31 December</u> <u>2018</u> <u>\$'000</u>	<u>12 Months ended</u> <u>30 June</u> <u>2017</u> <u>\$'000</u>
Profit before tax	118,085	82,877
Taxation at 25%	25,325	20,719
Difference between depreciation and capital allowances	334	209
Expenses not allowed for tax purposes	73	2,029
Remission of income tax	(23,528)	(22,957)
Current taxation	<u>2,204</u>	<u>-</u>

Remission of income tax

By notice dated 13 August 2009, the Minister of Finance and the Public Service, issued and gazette the Income Tax (Jamaica Stock Exchange Junior Market) (Remission) Notice, 2009. The Notice effectively granted a remission of income tax to eligible companies that were admitted to the Junior Market of the Jamaica Stock Exchange (JSE) if certain conditions were achieved after the date of initial admission.

Effective 2 October 2013, the Company's shares were listed on the Junior Market of the JSE. The Company is entitled to a remission of income taxes for ten years in the following proportion:

Years 2014 - 2018 – 100% of standard rate
Years 2019 - 2023 – 50% of standard rate

CARIBBEAN FLAVOURS & FRAGRANCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

7. TAXATION (continued)

Remission of income tax (continued)

The Company's 100% remission of income taxes expired 2 October 2018, and as a consequence the Company's taxable profits will be subject to 50% tax remission until 2 October 2023. Income tax is calculated at 50% of the Company's taxable profits for the three (3) months ended 31 December 2018.

The Company will continue to benefit from the tax remission provided the following conditions are met:

- (i) the Company remains listed for at least 15 years and is not suspended from the JSE for any breaches of its rules
- (ii) the Subscribed Participating Voting Share Capital of the Company does not exceed J\$500 million
- (iii) the Company has at least 50 Participating Voting Shareholders.

The financial statements have been prepared on the basis that the Company will have the full benefit of the tax remissions. The Company did not consider the potential 2018 deferred tax liability of approximately fifty thousand dollars to be significant but the full impact will be recorded in the financial statements for the year ended 31 December 2019.

8. EARNINGS PER SHARE

Earnings per share are calculated by dividing the profit for the eighteen (18) month period by the weighted average number of ordinary shares outstanding during the period. The profit for the period was \$118,085,330 (year ended 30 June 2017 - \$82,877,000) and the numbers of shares were 89,920,033 as at 31 December 2018. (89,920,033 as at 30 June 2017).

CARIBBEAN FLAVOURS & FRAGRANCES LTD.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

9. PROPERTY, PLANT AND EQUIPMENT

	2018				
	<u>Leasehold Property</u>	<u>Leasehold Improvements</u>	<u>Plant, Machinery Furniture & Fixtures</u>	<u>Office Computer & Equipment</u>	<u>Motor Vehicles</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
At cost -					
1 July 2017	3,413	1,922	8,704	1,083	10,975
Additions	-	2,699	5,399	62	5,306
31 December 2018	3,413	4,621	14,103	1,145	16,281
Depreciation -					
1 July 2017	3,413	116	5,621	203	1,829
Charge for the period	-	377	1,701	276	4,830
31 December 2018	3,413	493	7,322	479	6,660
Net Book Value -					
31 December 2018	-	4,128	6,782	666	9,622
					21,196

CARIBBEAN FLAVOURS & FRAGRANCES LTD.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

9. PROPERTY, PLANT AND EQUIPMENT (continued)

	2017				
	<u>Leasehold Property</u>	<u>Leasehold Improvements</u>	<u>Plant, Machinery Furniture & Fixtures</u>	<u>Office Computer & Equipment</u>	<u>Motor Vehicles</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
At cost -					
1 July 2016	3,413	-	7,502	228	-
Additions	-	1,922	1,202	855	10,975
30 June 2017	3,413	1,922	8,704	1,083	10,975
Depreciation -					
30 June 2016	3,269	-	4,854	23	-
Charge for the year	144	116	767	181	1,829
30 June 2017	3,413	116	5,621	204	1,829
Net Book Value -					
30 June 2017	-	1,806	3,083	879	9,146
					14,915

CARIBBEAN FLAVOURS & FRAGRANCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

10. INVENTORIES

	<u>31 December</u> <u>2018</u> <u>\$'000</u>	<u>30 June</u> <u>2017</u> <u>\$'000</u>
Inventories comprise:		
Raw materials	79,441	57,029
Manufactured finished goods	9,550	9,229
Imported goods for resale	41,871	30,960
	<u>130,862</u>	<u>97,218</u>

During the period, there was \$2.5 Million (2017 – Nil) inventory write-downs..

11. RECEIVABLES

	<u>31 December</u> <u>2018</u> <u>\$'000</u>	<u>30 June</u> <u>2017</u> <u>\$'000</u>
Trade	92,929	55,975
Less provision for bad debts	(853)	(432)
	<u>92,076</u>	<u>55,543</u>
Prepaid purchases	404	-
Prepaid insurance	1,424	820
Staff loans & deposit on fixed assets	1,083	2,388
Other	1,377	1,371
	<u>96,364</u>	<u>60,122</u>

Movement during the year in the allowance for doubtful debts account was as follows:

	<u>31 December</u> <u>2018</u> <u>\$'000</u>	<u>30 June</u> <u>2017</u> <u>\$'000</u>
Opening balance at 30 June	432	655
Increase/(decrease) in provision	421	(223)
Closing balance at 31 December	<u>853</u>	<u>432</u>

12. INVESTMENTS

	<u>31 December</u> <u>2018</u> <u>\$'000</u>	<u>30 June</u> <u>2017</u> <u>\$'000</u>
Held-to-Maturity		
(i) 2.25 % : Jamaica Money Market Brokers	106,659	69,365
(ii) 11.00 % : Derrimon Trading Company Limited	-	15,227
(iii) 1.35 % : NCB Capital Markets	47,757	46,610
	<u>154,416</u>	<u>131,202</u>

- (i) This represents an investment in US Dollars.
(ii) This represents a private placement by Mayberry Investments Limited.
(iii) This represents a repurchase agreement in US Dollars.

CARIBBEAN FLAVOURS & FRAGRANCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

13. CASH AND CASH EQUIVALENTS

	<u>31 December</u> <u>2018</u> <u>\$'000</u>	<u>30 June</u> <u>2017</u> <u>\$'000</u>
Cash on hand	302	30,863
Cash equivalent: J\$ bank balances	4,107	17,883
Cash equivalent: US\$ and other foreign currency balances	10,222	19,082
	<u>14,632</u>	<u>67,828</u>

The weighted average effective interest rate, in 2018, on Jamaican dollar (J\$) cash equivalent was approximately 2.75% and on US\$ cash equivalent was approximately 1.15%.

14. PAYABLES

	<u>31 December</u> <u>2018</u> <u>\$'000</u>	<u>30 June</u> <u>2017</u> <u>\$'000</u>
Trade payables	20,612	17,126
General Consumption Tax (GCT)	5,846	5,142
Professional fees	2,550	2,500
Statutory contributions	1,274	408
Vacation leave	354	606
Other	7,043	8,824
	<u>37,679</u>	<u>34,606</u>

15. SHARE CAPITAL

	<u>31 December</u> <u>2018</u> <u>\$'000</u>	<u>30 June</u> <u>2017</u> <u>\$'000</u>
Authorized:		
91,452,000 ordinary shares of no-par value		
Issued and fully paid:		
89,920,033 ordinary shares of no-par value	56,200	56,200

16. BORROWINGS

	<u>31 December</u> <u>2018</u> <u>\$'000</u>	<u>30 June</u> <u>2017</u> <u>\$'000</u>
8.35% First Global Bank (FGB)	7,429	10,932
Less current portion due within 12 months	(2,531)	(2,290)
	<u>4,898</u>	<u>8,642</u>

The FGB loan monthly repayment is \$ 254,642, inclusive of interest and final repayment date is September 2021. The loan is secured by a motor vehicle.

CARIBBEAN FLAVOURS & FRAGRANCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

17. STAFF COSTS

	<u>31 December</u> <u>2018</u> <u>\$'000</u>	<u>30 June</u> <u>2017</u> <u>\$'000</u>
Casual labour	2,844	1,365
Salaries and wages	28,490	18,527
Statutory contributions	4,233	1,920
Travelling allowance	6,004	2,783
Staff welfare & training	6,370	3,471
Health and group life insurance	1,874	1,535
	<u>49,816</u>	<u>29,601</u>

The average number of persons employed by the Company during the year is as follows:

	<u>31 December</u> <u>2018</u> <u>\$'000</u>	<u>30 June</u> <u>2017</u> <u>\$'000</u>
Full time	19	18
Part time	2	1
	<u>21</u>	<u>19</u>

18. DIVIDENDS

	<u>31 December</u> <u>2018</u> <u>\$'000</u>	<u>30 June</u> <u>2017</u> <u>\$'000</u>
Dividends paid during the year	19,293	28,660

The Board of Directors on 8 June 2018, approved the payment of a dividend of \$0.25 per share to shareholders on record on 20 June 2018. The payment was made 2 July 2018.

During the year ended 30 June 2017, the Board of Directors of the Company approved on 10 May 2017 a dividend of \$0.25 per stock unit which was paid on 13 June 2017 to stockholders.

CARIBBEAN FLAVOURS & FRAGRANCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Overview and risk management framework

The Company's overall risk management policies are established to identify and analyze the risks it faces and to set appropriate risk levels and controls and to monitor risk and adherence to limits. Derivative financial instruments are not used to reduce exposure to any of the risk.

The Board of Directors is ultimately responsible for the oversight of the Company's risk management and has established committees such as audit and treasury to monitor risks. The Company seeks to minimize potential adverse effects on the Company's financial performance and to manage these risks by close monitoring of each risk factor.

The Company has exposure to the following risks from the use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (including foreign currency and interest rate risk)

The Company has exposure to the following risks from its operations:

- Operational risk; and
- Reputational risk

The following presents information about the Company's exposure to each of the above risks and the Company's objectives, policies, and processes for measuring and managing these risks. Further quantitative disclosures are included throughout the financial statements and notes thereof.

(i) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The maximum exposure to credit risk at the reporting date is represented by the carrying amount of each relevant financial asset.

Cash and cash equivalents,

The Company limits its exposure to credit risk by:

- Placing cash resources with reputable financial institutions which they consider to be stable and have minimal risk of default and
- Investing in liquid securities with credit worthy institutions.

CARIBBEAN FLAVOURS & FRAGRANCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(i) Credit risk (continued)

Trade receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management has a credit policy in place under which each customer is analysed for credit worthiness before being offered credit. The Company does not require collateral in respect of trade and other receivables.

At 31 December 2018, there were no significant concentrations of credit risk in respect of the five (5) major customers that comprise 71% (30 June 2017 - 64 %) of the trade receivables balance.

At 31 December 2018, amounts receivable from these customers aggregated approximately \$62 million (30 June 2017 - \$35 million)

Due to related parties

At the reporting date, there were no amounts due to any related parties.

There were no significant changes in the Company's approach to managing credit risk during the year.

Exposure to credit risk:

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	31 December 2018 \$'000	30 June 2017 \$'000
Cash and cash equivalent	14,632	67,828
Accounts receivable	96,364	60,122
	110,996	127,950

CARIBBEAN FLAVOURS & FRAGRANCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(i) Credit risk (continued)

Impairment:

The Company establishes a provision for impairment that represents its estimate of possible incurred losses in respect of trade receivables. Impairment is assessed for each customer balance over 90 days. The Company's exposure to this risk is minimal because approximately 0.9%. (30 June 2017 – 0.7%) of its gross trade debtors were over 90 days).

The Company's credit period on the sale of goods ranges from 7 to 30 days Trade receivables over 90 days overdue are considered impaired and are reviewed for any necessary provision. The impairment recognized represents an estimate of possible incurred losses in respect of trade receivables over 90 days. The impaired receivables mainly relate to customers who are in unexpected difficult economic situations. It was assessed that a portion of the impaired receivables is expected to be recovered.

The Company has provided fully for all receivables where collectability is deemed doubtful.

	31 December 2018 \$'000	30 June 2017 \$'000
	Gross \$'000	Impairment \$'000
Past due 0 to 60 days	70,148	-
Past due 61 to 90 days	16,871	-
Past due over 90 days	5,910	853
	92,929	853

As of 31 December 2018, trade receivables of \$5,910,000 (30 June 2017- \$1,571,000) for the Company were impaired and the amount of the provision was \$853,000 (30 June 2017 - \$432,000). The Company made provision for all debts considered uncollectible and considered the provision to be adequate as at 31 December 2018.

Financial instruments counterparty

The Company's exposure to financial instruments counterparty credit risk is related to its activities with cash and cash equivalent balances and investments. The Company manages this exposure to financial instruments by maintaining these balances with licensed financial institutions considered to be stable and are deemed to have low risk of default and to transact only with highly rated counterparties.

Maximum exposure to financial instruments counterparty credit risk

	31 December 2018 \$'000	30 June 2017 \$'000
Credit risk exposures are as follows:		
Investments	154,416	131,202
Cash and short-term cash equivalents	14,632	67,828
	169,048	199,030

CARIBBEAN FLAVOURS & FRAGRANCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(i) Credit risk (continued)

Due from related parties:

Credit risk exposures are as follows:

	31 December 2018 \$'000	30 June 2017 \$'000
Opening balance:	-	-
Amounts loaned during the year	289,060	201,665
Amounts repaid during the year	(289,060)	(201,665)
Balance at the end of the year	-	-

Amounts were loaned to and repaid by the Company's parent company during the year. The amounts were loaned interest-free with no defined repayment period.

There were no significant changes in the Company's approach to managing credit risk during the year.

(ii) Liquidity risk

Liquidity risk is the risk that the Company might encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities.

Liquidity risk management process

The Company manages its liquidity risk by maintaining an appropriate level of resources in liquid or near liquid form. The Company maintains cash and short-term deposits for up to 90-day periods to meet its liquidity requirements.

The Company's liquidity management process, as carried out by the Company and monitored by the Treasury function, includes:

- Monitoring future cash flows and liquidity on an ongoing basis. This incorporates an assessment of expected cash flows.
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow.
- Maintaining committed lines of credit.
- Managing the concentration and profile of debt maturities
- Optimizing cash returns on investments.

CARIBBEAN FLAVOURS & FRAGRANCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(ii) Liquidity risk (continued)

Cash flows of financial liabilities

The Company's financial liabilities comprise long-term loans and payables and accruals. The table below shows the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to settle its liabilities. These amounts are due as follows:

		31 December 2018			
	Carrying Amount \$'000	Contractual Cash Flows \$'000	1 year or less \$'000	1-2 years \$'000	2-5 years \$'000
Accounts payable	37,679	37,679	-	-	-
Long-term liabilities	7,429	8,403	3,056	5,347	-
Total financial liabilities	45,108	46,082	3,056	5,347	-

		30 June 2017			
	Carrying Amount \$'000	Contractual Cash Flows \$'000	1 year or less \$'000	1-2 years \$'000	2-5 years \$'000
Accounts payable	34,606	34,606	34,606	-	-
Long-term liabilities	10,932	12,987	3,056	6,111	3,820
Total financial liabilities	45,538	47,593	37,662	6,111	3,820

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage market risk exposures within acceptable parameters while optimizing the return. The Company's financial risk management policy establishes guidelines on how the Company is to manage the market risk inherent in the business and provides mechanisms to ensure business transactions are executed in accordance with established limits, processes and procedures.

All such transactions are carried out within the established guidelines. The Company does not use derivatives to manage the volatility of market risk.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company conducts business globally and is exposed to these risks arising from various transactions denominated in foreign currencies, primarily United States ("US\$") dollar.

The Company manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. The Company further manages this risk by maximizing foreign currency earnings and holding foreign currency balances.

CARIBBEAN FLAVOURS & FRAGRANCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(iii) Market risk (continued)

Exposure to currency risk

At 31 December 2018, the Company was exposed to foreign currency risk primarily on cash and cash equivalents, purchases, and receivables that are denominated in a currency other than the Jamaican dollar. The principal foreign currency exposures of the Company are denominated in United States dollars (US\$).

Exposure to foreign currency risk on US\$ denominated balances were as follows:

	31 December 2018 \$'000	30 June 2017 \$'000
Cash and cash equivalent	58	150
Accounts receivable	29	36
Investments	830	905
Accounts payable	(60)	(85)
Net cash position	US\$ 857	1,006
Equivalent to	J\$ 109,456	128,405

Exchange rates regarding the Jamaican dollar (\$) to the United States dollar (US\$) and Euro (€) were as follows:

	US\$	EURO€
At 31 December 2018	127.72	144.19
At 30 June 2017	128.22	127.64

Foreign currency sensitivity

Changes in the exchange rates of the Jamaican dollar (\$) to the United States dollar (US\$) and the Euro (€) would have the effects on profit as described below:

	31 December 2018 \$'000	30 June 2017 \$'000
10% (2017:10%) strengthening of the US\$ and Euro (€) against the J\$	13,980	12,840
1% (2017:1%) weakening of the US\$ and Euro (€) against the J\$	(1,398)	(1,284)

The analysis assumes that all other variables, in particular, interest rates, remain constant. The analysis is performed on the same basis for 2017 as that of 2016.

CARIBBEAN FLAVOURS & FRAGRANCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(iv) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Interest-bearing financial assets are primarily cash and cash equivalent, securities purchased under resale agreements and investments. Interest bearing financial liabilities are represented by loans and bank overdrafts.

The Company attempts to manage the risk relating to financial liabilities by procuring the most advantageous rates, where possible, under contracts with interest rates that are fixed for the life of the contract. A financial asset is primarily managed by investing excess cash in short-term deposits and maintains interest-earning bank accounts with licensed, reputable financial institutions.

At the reporting date, the interest profile of the Company's interest bearing financial instruments was

	31 December 2018 \$'000	30 June 2017 \$'000
Fixed rate instruments		
Financial assets	153,848	199,030
Financial liabilities	(7,429)	(10,932)
	146,419	188,098

At the statement of financial position there were no variable rate instruments:

Fair value sensitivity analysis for fixed rate instruments

The Company does not hold any financial instruments that are carried at fair value. As a consequence, at the reporting date, no analysis was necessary.

Cash flow sensitivity analysis for variable rate instruments

An increase or decrease in basis points in interest rates at the reporting date would not have increased/(decreased) profit for the year because there were no variable rate instruments held by the Company at 31 December 2018 (30 June 2017- NIL).

Determination of fair value and disclosure of fair value of financial instruments

Fair value is considered as the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market, such as a recognized stock exchange exists, as it is the best evidence of the fair value of a financial instrument.

Financial instruments are grouped into levels 1 to 3 based on the degree to which the fair value is observed, as follows:

CARIBBEAN FLAVOURS & FRAGRANCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Determination of fair value and disclosure of fair value of financial instruments (continued)

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in an active market for identical instruments. The available-for-sale instruments in financial repurchase agreement (repo) are classified as level 1.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the instrument either directly (i.e., as prices) or indirectly (i.e., derived from prices). There were no financial instruments held by the Company in this category.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the instruments that are not based on observable market data (unobservable inputs). There were no financial instruments held by the Company in this category.

The following methods and assumptions have been used in preparing the financial statements at the reporting date:

- The carrying value of cash and cash equivalents, accounts receivable and accounts payable are assumed to approximate to their carrying values due to their short-term nature.
- Long term liability carrying value approximate fair value as the loan is carried at amortized cost reflecting its contractual obligations and the interest rate is reflective of market rates for similar loans.
- Related party balances are carried at their contracted settlement values due to their short-term nature.
- Investments classified as available-for-sale are measured at fair value by reference to price quotes as published by established and reputable managers of these instruments.

CARIBBEAN FLAVOURS & FRAGRANCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

20. RELATED PARTIES TRANSACTIONS AND BALANCES

(a) The statement of comprehensive income includes the following related party transactions

Expense/(income)	18 Months ended 31 December 2018 \$'000	12 Months ended 30 June 2017 \$'000
Key management compensation:		
Salaries	18,000	11,179
Rental expense:		
Paid to a company connected to a director	14,815	8,703
Consultancy and salary payments to a related party	4,800	3,000
Dividend payment to the parent company	11,966	17,775
Directors fees:		
Management charges	810	800
Interest income:		
Received from a related company	(5,847)	(5,809)

(b) The statement of financial position

There were no balances due to or from related parties as at 31 December 2018. .

21. CAPITAL COMMITMENTS AND CONTINGENCIES

- The Company had no outstanding significant capital commitments in respect of projects being undertaken, nor was there any lease arrangements or off-balance sheet transactions as at 31 December 2018 (30 June 2017- \$NIL).
- As at 31 December 2018, as far as the Board of Directors of the Company are aware, there were no legal claims against the Company.
- The Company's attorneys that routinely act on behalf of the Company, by letter dated 20 February 2019, reported as follows:
 - They were not aware of any judgment or settlement or any actual pending or threatened litigation or claim, nor of any outstanding, actual, pending or threatened litigation
 - They were not aware of any outstanding tax or other claim against the Company whether pending or threatened, nor are they aware of any other contingent liability against the Company.
- As at 31 December 2018, under the 2016 Income Tax (Amended) Act, as a result of its listing on the Junior Market of the Jamaican Stock Exchange, the Company's 100% 5 year income tax remission period expired 2 October 2018. The amount of the income tax remission amounted to \$92.2 Million (30 June 2017, - \$68.7 Million).

Should the Company default on any of the Junior Market requirements of listing, the total income tax waived will crystallize and be immediately payable to Tax Administration Jamaica.

22. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

At 31 December 2018, to the best of management's knowledge and belief, they were not aware of any events that occurred after the statement of financial position date and through to the date of approval of these financial statements that would require adjustment to or disclosure in the aforementioned financial statements. Also, they were not aware of any event or matter, although not affecting such financial statements or disclosures, have caused or are likely to cause any material change, adverse or otherwise, in the financial position or results of operations of the Company.

NOTES

CARIBBEAN FLAVOURS & FRAGRANCES LTD.



CARIBBEAN FLAVOURS & FRAGRANCES LTD.

FORM OF PROXY

I/WE.....of.....
.....
being a shareholder(s) of **CARIBBEAN FLAVOURS AND FRAGRANCES LTD** HEREBY APPOINT:
.....of.....
.....or failing him/her.....
.....of.....
..... as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on September 11, 2019 at 1:00p.m. at the Terra Nova All-Suite Hote and at any adjournment thereof, to vote for me/us and in my/our name for the said resolutions (either with or without modification, as my/our Proxy may approve) or against the said resolutions as hereby indicated.

I desire this form to be used as follows (unless directed by the proxy will vote as he sees fit):

	For	Against
ORDINARY BUSINESS		
RESOLUTION 1 - To receive the audited accounts for the year ended 31 December 2018		
RESOLUTION 2(a) - To re-appoint Howard Mitchell to the Board of Directors		
RESOLUTION 2(b) - To re-appoint Derrick Cotterell to the Board of Directors.		
RESOLUTION 2(c) - To re-appoint Ian Kelly to the Board of Directors.		
RESOLUTION 3 - To fix the remuneration of the Directors.		
RESOLUTION 4 - To appoint Auditors and fix their remuneration.		
RESOLUTION 5 – That the dividend of \$0.25 per ordinary stock unit paid to the stockholders on July 2, 2018 be and is hereby approved as the final dividend for the year.		

Signed: _____ Signed : _____

Dated this _____ day of _____ 2019



Innovating and Expanding
for Growth



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