Budding & Unfolding New Opportunities

CARIBBEAN FLAVOURS & FRAGRANCES LIMITED

ANNUAL REPORT **2017**

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

My Fellow Shareholders,

The Financial Year 2016/2017 saw the continued growth of our business and our expansion into new market spaces. While there remain challenges in the field of business, there are always opportunities and this year was no different. This year we achieved many firsts in the history of Caribbean Flavours and Fragrances Limited. We achieved record revenue of $410.636 million dollars representing a 13.28% year-over-year growth when compared to the $362.500 million dollars reported in the previous reporting period. This growth was a direct result of the foundation being laid and is driven by the deepening of existing relationships, new market focus, product development and improvement in customer experience. These strategies have been the direct catalyst for the growth that we continue to experience.

Our Net Profit position was negatively affected by the extraordinary one-off legal and regulatory cost of $11.05 million associated with Derrimon Trading's take-over due diligence exercise during the year. Notwithstanding, the net profit recorded of $82.877 million represents an 11.89% year-over-year growth. This increase in profit accelerated the growth in retained earnings to an accumulated retained earnings position of $274.370 million dollars and earnings per share of $0.92 cents since being listed on the Junior Market of the Jamaica Stock Exchange.

For the upcoming year, we will continue with the implementation of our five (5) year strategic plan and employ the appropriate strategies that will achieve the pillars of revenue growth in both domestic and overseas markets, efficiency and the management of expenses, people and product development and strengthening of our production capacity. We look forward to maintaining and enhancing our relationships with all our stakeholders, as we are cognizant that the continued support of all is critical for the success of our business.

Notwithstanding the challenges that are being experienced in the Jamaican and wider Caribbean economies that we sell to, it is still an appropriate time to invest in our business as a continued fiscal discipline by the various governments will support the gradual growth of these economies and industries that we serve and will subsequently increase demand of our products. We will continue to invest in our people and our communities as we are aware that when customers, communities and employees succeed we succeed.

I wish to say thanks to our Board of Directors, our valued shareholders and our team members, all whom have contributed to the success that we have reported on.

Clive Nicholas

Actg. Chairman.

EARNINGS PER SHARE OF **$0.92** SINCE BEING LISTED ON **JUNIOR MARKET** OF THE **JAMAICA STOCK EXCHANGE**

NET PROFIT RECORDED OF **$82.877M** REPRESENTING A **11.89%** YEAR-OVER-YEAR **GROWTH**

RECORD REVENUE OF **$410.636M** REPRESENTING A **13.28%** YEAR-OVER-YEAR **GROWTH**

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 at **10.00 a.m. on November 29, 2017** at **The Knutsford Court Hotel, 11 Ruthven Road, Kingston 10**, for the shareholders to consider, and if thought fit, to pass the following resolutions:

Ordinary Resolutions

1. **RECEIPT OF THE AUDITED ACCOUNTS FOR THE YEAR ENDED 30 JUNE, 2017**
   THAT the annual report and audited accounts of the Company for the financial year ended 30 June 2017 presented to the meeting and initialed by the Chairman for the purposes of identification, be and are hereby received.

2. **RETIREMENT AND RE-APPOINTMENT OF DIRECTORS**
   TO reappoint the following Directors of the Board, who, being the longest serving have retired by rotation prior to the reading of the resolution in accordance with the Articles of Incorporation of the Company, and, being eligible, have consented to be re-appointed and to act on reappointment:

   (a) Clive Nicholas
   (b) W. "Billy" Heaven
   (c) Anand James
   (d) Carlton Samuels

3. **DIRECTORS' REMUNERATION**
   THAT the Board be and is hereby approved to fix and agree the remuneration of the Directors.

4. **AUDITORS RE-APPOINTMENT AND REMUNERATIION**
   THAT the Board be and is hereby approved to re-appoint McKenley and Associates as the auditors of the Company, and to fix and agree their remuneration.

5. **FINAL DIVIDEND**
   That the dividend of $0.25 per ordinary stock unit paid to the stockholders on June 13, 2017 be and is hereby approved as the final dividend for the year.

Dated this 11th day of October 2017 by order of the Board of Directors.

Ian Kelly,
Company Secretary

Note: A form of proxy accompanies this Notice. A shareholder who is entitled to attend and vote at the Annual General Meeting of the Company may appoint one or more proxies to attend in his/her place. A proxy need not be a shareholder of the Company. The proxy form should bear stamp duty of $100.00, before being signed. The stamp duty may be paid by adhesive stamps, which are to be cancelled by the person signing the proxy. All completed original proxy forms must be deposited together with the power of attorney or other document appointing the proxy, at the registered office of the Company, at least forty-eight (48) hours before the Annual General Meeting.

Five Year Statistical Highlights

INCOME STATEMENT	2013 (J$ '000)	2014 (J$ '000)	2015 (J$ '000)	2016 (J$ '000)	2017 (J$ '000)
Revenues	229,892	255,362	306,807	362,500	410,636
Gross Profit	92,283	101,635	113,452	134,695	167,942
Total Operating Expenses	59,346	55,690	61,390	72,196	95,012
Profit before Taxation	50,388	51,188	57,716	74,070	82,877
Net Profit	38,832	47,394	57,716	74,070	82,877

BALANCE SHEET	2013 (J$ '000)	2014 (J$ '000)	2015 (J$ '000)	2016 (J$ '000)	2017 (J$ '000)
Average Total Assets	107,979	136,883	202,557	262,228	327,144
Average Working Capital	37,786	110,905	176,580	224,967	274,632
Total Assets less Current Liabilities	70,314	156,710	200,923	273,354	324,297

IMPORTANT RATIOS	2013 (J$ '000)	2014 (J$ '000)	2015 (J$ '000)	2016 (J$ '000)	2017 (J$ '000)
Gross Profit Margin	40.14%	39.80%	36.98%	37.16%	40.90%
EBITDA Margin	23.05%	22.69%	17.22%	17.49%	18.50%
Profit before Taxation Margin	21.92%	20.44%	18.81%	20.43%	20.18%
Current Ratio	3.63	8.22	7.60	14.85	9.79
Quick Ratio	2.02	6.28	5.40	10.99	5.88
Debt-to-Equity	0.03	0.00	0%	0%	2.61%

Corporate Information

Registered Office
Caribbean Flavours & Fragrances Limited
226 Spanish Town Road
Kingston 11, St. Andrew, Jamaica
Tel: (876) 923-5111| Fax: (876) 923-4323
Email: info@cffjamaica.com
Website: www.caribbeanflavoursjm.com

BOARD OF DIRECTORS

Executive Directors

DERRICK COTTERELL, M.B.A., B.Sc. (Hons)
Managing Director

IAN KELLY, CPA, Msc (Hons), Bsc. (Hons.)
Company Secretary & Chief Financial Officer

ANAND JAMES, B.A.
Technical Consultant

Non - Executive Directors

CLIVE COURTNEY NICHOLAS, CD, CA,
Acting Chairman

W. "BILLY" HEAVEN, O.D., J.P.

CARLTON SAMUELS Msc.

TANIA WALDRON-GOODEN, M.B.A., B.Sc.

LIST OF SENIOR OFFICERS

DERRICK COTTERELL, M.B.A., B.Sc. (Hons)
Managing Director

IAN KELLY, CPA, Msc (Hons), Bsc. (Hons.)
Company Secretary & Chief Financial Officer

ANAND JAMES, B.A.
Technical Consultant

JANICE LEE
General Manager

RHONDE MCPHERSON
Quality Assurance Manager

Auditors

McKenley & Associates
12 Kingslyn Avenue
Kingston 10, Jamaica W.I.

Registrar and Transfer Agents

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

Directors' Report

The Board of Directors of Caribbean Flavours and Fragrances (CFF) is pleased to present its report to all shareholders for the financial year ended June 30, 2017. This is our fourth report since our historic listing on the Junior Market of the Jamaica Stock Exchange in October 2013.

The Statement of Comprehensive Income reflects profit after tax of J$82.877 million representing an 11.89% increase over the previous reporting period ending June 30, 2016. While this net profit growth is positive, it was negatively impacted by the extraordinary legal and other costs totalling J$11.05 million incurred as a result of the position taken by two major shareholders to sell their further interest in the Company and the co-related decision by another major shareholder to acquire these shares. This occasioned a change in a control position and the need for additional regulatory due diligence of Directors as stipulated by the regulatory bodies.

Our Company continues to build on the solid foundation and have earned a reputation for providing new and exciting quality products. These products are developed within our modern laboratory facilities for both local and overseas customers. Innovation, partnership and the exposure of our team and customers to new products and trends, within the flavours and fragrances space, continues to be an important part of our charter. These were valorized by the various local and overseas seminars and training programmes to which our team and customers were exposed. We remain excited by the closer working relationship with our international partners; the new products developed jointly, the growth of our local and international markets and the deepening of the wallet spend by our customers.

The financial and market growth experienced during the year from our core business of flavours and fragrances has justified the decision taken to invest in technology, training, inventory management, upgraded facilities and a new marketing and product development thrust. These, coupled with superior quality service delivery to our customers, are some of the critical succes factors for the Company's performance. We are cognizant that we operate in a market space that is in constant flux, where not only a rapid response to needs determines success, but also proactive responses predicated on actionable data and information. The laser focus on service delivery and customer satisfaction remain the centrepiece of our business. We continue to work closely with our customers to build a database that will facilitate continued research and development in anticipation of their future needs.

During the financial year, Mr Howard Mitchell resigned as Chairman of the Board of Directors to facilitate his assumption of the Chairmanship position of The Financial Services Commission. Given the national importance of this new appointment, the Board reluctantly accepted the resignation and subsequently appointed Director Clive Nicholas as Acting Chairman.

DIRECTORS

As at June 30, 2017, the directors of CFF were Messrs. Clive Nicholas, Anand James, W. "Billy" Heaven, Carlton Samuels, Derrick Cotterell and Ian Kelly. The mentor of the Company continues to be Mrs Tania Waldron-Gooden.

AUDITORS

The auditor of the Company, McKenley & Associates of 12 Kingslyn Avenue, Kingston 10, Jamaica has expressed their willingness to continue in office. The Directors recommend their reappointment.

We continue to thank our stakeholders, customers, staff, shareholders and service providers for their continued support and for the trust and confidence that they continue to demonstrate in this partnership. We are happy to be their supplier of choice and remain committed to continuing to be their supplier of the highest quality flavours and fragrances.

FOR and on behalf of the Directors,

Clive Nicholas

Actg. Chairman.

Board of Directors

CLIVE COURTNEY NICHOLAS, CD, CA
Acting Chairman,
Non Executive Director
(Appointed July 2013)

DERRICK COTTERELL
Managing Director,
Executive Director
(Appointed November 2014)

IAN KELLY,
CPA, Msc (Hons), Bsc. (Hons.)
Corporate Secretary,
Chief Financial Officer,
Executive Director
(Appointed November 2014)

ANAND JAMES
Technical Consultant,
Executive Director
(Appointed July 2011)

W. "BILLY" HEAVEN, O.D., J.P.
Non Executive Director
(Appointed July 2013)

CARLTON SAMUELS, Msc.
Non Executive Director
(Appointed November 2015)

TANIA WALDRON-GOODEN
Mentor to the Board

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CLIVE COURTNEY NICHOLAS, CD, CA

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, 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 Kingston College Development Trust Fund Audit Committee and Acting Chairman of Caribbean Flavours and Fragrances Limited.

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DERRICK COTTERELL

As Managing Director of Caribbean Flavours and Fragrances, Derrick is responsible for the strategic direction and growth of the Company. Derrick has a wealth of experience in the fields of Sales, Marketing and General Management. He is also the Chairman and Chief Executive Officer of Derrimon Trading Company Limited. He is a member of the Board for Dupont Primary and 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.

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IAN KELLY

Ian is an experienced Financial and Risk Manager with senior level experience in the areas of asset management, treasury, corresponding banking, corporate finance and securities trading. He currently serves in the role of Chief Financial Officer for Derrimon Trading as well as Chief Financial Officer & Company Secretary for Caribbean Flavours and Fragrances.

Ian is a Certified Public Accountant and holds a Bachelor of Science degree in Accounting and Master of Science degree in Accounting from The University of the West Indies.

Ian also completed the Executive Development Program at the Wharton Business School, the University of Pennsylvania.

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ANAND JAMES

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.

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W. "BILLY" HEAVEN, O.D., J.P.

W. Billy 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.

A knowledgeable and experienced senior executive, Mr. Heaven has a wealth of experience in the areas of management, corporate restructuring, finance and strategic planning. With respect to his private sector experience, Mr. Heaven has worked as an Accountant, Management Accountant and Financial Controller with local and multi-national corporations.

In addition to his vast experience in the business sector, Mr. Heaven is an educator, having served the teaching profession for many years after graduating with distinction in Teaching from Mico University College. A graduate of the University of the West Indies he holds a B.Sc. Accounting (Hons.) and a MBA from that institution. He also holds post graduate diploma for Senior Executives and has been exposed to extensive executive training in particular at the Development Bank of Canada.

Mr. Heaven has been the recipient of the Government of Jamaica Scholarship to pursue Senior Management Executive programme and the Canadian International Development Agency (CIDA) Scholarship to pursue the MBA programme.

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CARLTON SAMUELS

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 actively involved in defining telecommunications policy and regulation as well as Internet policy via the policy development process of the Internet's Domain Name System. He is also an adjunct in Information Science in the Department of Library and Information Studies in the Faculty of Humanities and Education at The University of the West Indies, Mona.

Carlton has served on several high-level international panels of strategic importance such as the Strategy Panel reviewing ICANN's role in the Internet Governance Ecosystem and the Expert Working Group, Panel for Next Generation Registration Data Directory Services for the Internet (EWG), and Panel on Competition, Consumer Confidence and Trust in the Domain Name System Review Team (CCT RT). 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.

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TANIA WALDRON-GOODEN

Tania Waldron-Gooden is the Senior Vice President, Corporate Finance, Research & Special Projects at Mayberry Investments Limited and serves as the Mentor of Caribbean Flavours and Fragrances.

As the Mentor of the Company, her responsibility is to provide the Board with support in establishing proper procedures, systems and controls for its compliance with the Junior Market Rule requirements for financial reporting, good corporate governance, and the making of timely announcements.

She 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 U.K.

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Disclosure of SHAREHOLDINGS

Shareholdings of top ten (10) stockholders, directors and senior officers as at 30 june 2017.

TOP TEN (10) STOCKHOLDERS	NUMBER OF SHARES HELD
DERRIMON TRADING COMPANY LIMITED	58,465,327
DIGIPOINT LIMITED	8,992,003
MAYBERRY MANAGED CLIENTS ACCOUNT	2,890,363
IAN KELLY	2,322,814
LLOYD BADLAL	2,241,982
KONRAD BERRY	1,768,214
HOWARD MITCHELL	1,444,395
JCSD TRUSTEE SERVICES LIMITED – SIGMA VENTURE	1,327,097
IDEAL GLOBAL INVESTMENT LIMITED	1,164,654
MANWEI INTERNATIONAL LIMITED	975,828

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

SENIOR MANAGERS	NUMBER OF SHARES HELD
JANICE LEE	0
RHONDE MCPHERSON	0

CONNECTED PARTIES	NUMBER OF SHARES HELD
IAN KELLY (DIRECTOR OF DERRIMON TRADING LTD)	2,322,814
DERRICK COTTERELL (DIRECTOR OF DERRIMON TRADING LTD)	0

MANAGEMENT DISCUSSION & ANALYSIS

OUR ECONOMIC ENVIRONMENT

The economic environment registered notable improvements during the financial year 2016/2017. This was reflected in the growth of the country's Gross Domestic Product (GDP), the reduction of its debt to GDP ratio from 132.72% to 111.2%, the reduction in unemployment rate from 12.8% to 12.20%, and the increase in the Net International Reserves (NIR) from US$2.4 billion to US$2.7 billion at March 31, 2017. Fuel rates and inflation rates increased slightly year over year with inflation increasing from 3% to 4.1%. That said, Jamaica's economic environment remains challenging for many, not the least of which is the manufacturing industry. The instability of the Jamaican Dollar to its other major trading currencies remains a challenge as well as changes in taxation, duties regime and fluctuation in the price of electricity.

Caribbean Flavours and Fragrances Limited continues to be the choice supplier of quality fragrances and flavours in Jamaica and the other markets in which we serve. Our evolution since 2001 from the then Bush Boake Allen Jamaica Limited, which was part of a multinational company operating in over forty (40) countries in the world, continues to serve a select and diverse group of customers within our operating environment. During this financial year, our focus on deepening relationships locally, and within the region, contributed positively to the growth in revenues of our Company.

Our mission has been grounded on sound research and development, innovation, and the production and supply of quality flavours and fragrances.These principles were enhanced during this financial year and will continue to be our major ethos for the foreseeable future. During this year, we exposed our customers to new worldwide trends in flavours and fragrances through training workshops, with the assistance of our international supplier partners. This was done to increase their awareness of the modern application of fragrances and flavours. We are confident that these innovations contribute to the continued growth of the sectors we serve within the manufacturing industry in Jamaica.

We are pleased with the continued growth of our business, as is reflected in our financial performance. A key contributor to this success has been the deepening of our business relationships with both suppliers and customers. Of our sixteen (16) years in business, this financial year has been a significant one as we have increased our footprint in The Dominican Republic. We believe that the size and opportunities of this market will lend well to our approach to strategic growth. We continue to work assiduously with our partners to increase our product offerings, as well as to achieve our growth target of 30% of revenue from the overseas market, within five (5) years.

During this financial year, Derrimon Trading Company Limited increased its ownership stake from 49% to 75% in our Company based on the sale of the remaining 26% of the ordinary shares of the then founding and major shareholders. This increased the ownership position and transformed Caribbean Flavours and Fragrances

Limited into a wholly owned subsidiary of Derrimon Trading Company Limited. Our Company will continue to be a publicly traded Company on the Junior Market of the Jamaica Stock Exchange and will continue to enjoy the benefits that accrue to it from it being publicly listed. As a subsidiary of Derrimon Trading Company Limited, Caribbean Flavours and Fragrances Limited will benefit from best practices in the areas of procurement and logistics, strategic planning and financial control - hallmarks of the parent company that will ensure that the Company continues to improve its efficiencies and, in some areas, reduce cost as a result of this new paradigm.

We remain committed to our customers in Jamaica, Barbados, St. Kitts, Trinidad and Tobago, Guyana, Grenada, Canada and the Dominican Republic. Cuba now being accessible, we have commenced work with some manufacturers with a view to forging new relationships with potential suppliers of flavours and fragrances. We are laying the groundwork and certainly will benefit from this initiative in the short term.

We are that wholesaler that caters to local and overseas manufacturers who use flavours and fragrances as part of their manufacturing process. Our products continue to be of the highest quality and satisfy all the specifications of our manufacturers. We are proud to remain their supplier of choice for the raw materials used to produce some of the most popular carbonated, non-alcoholic and alcoholic beverages, baked goods, soaps and other household cleaners. Our research and development team continue to work with local agricultural farmers of ginger and coffee as we move expeditiously into the extraction space. Our objective is to ensure that we have a consistent supply of the highest quality, locally grown raw materials, as we perfect this new phase of our journey. Our mandate is to produce the highest quality products consistently and to be able to supply our customers on a timely basis. We continue to improve our logistics management process and strengthen the relationship that exists between ourselves and our many service providers. This has ensured greater efficiencies in our production cycles, reduction in our logistics costs and ultimately faster turnaround time to our customers. Notwithstanding the movement in the foreign exchange rates, the savings achieved from these cost savings initiatives allowed Caribbean Flavours and Fragrances Limited to absorb some of these major input costs rather than passing them on to our customers. We will continue to improve the various aspects of our business to ensure that efficiencies are achieved at all levels of the business.

LOOKING AHEAD - STRATEGIC PLANNING

The industries that we serve continue to experience change and as such, we continue to position our organization to ensure that we remain relevant and are able to respond at a fast pace to our customers' needs. Both of our laboratory technicians and the business development officers proactively ascertain the needs of our customers, provide new innovations and develop new products based on trends and new information garnered from the various exposure forums. With this in mind, we will continue to work closely with our customers to ensure we are always meeting their needs while keeping them at the centre of our strategic planning process.

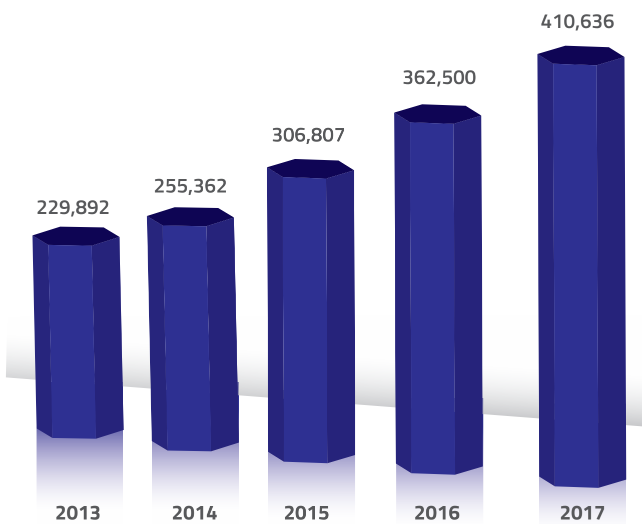
- For the financial year 2017/18 more focus will be given to the following initiatives which form part of our strategic plan:
- Define the growth targets for all major strategic markets aimed at broadening the revenue based on products and country.
- Accelerate the pace of the various strategic alliances in order to deepen our relationships in the markets that we serve.
- Continuous improvement of our supply chain management to ensure that efficiency is achieved throughout the entire organization. This includes timely deliveries of products and availability of raw materials and finished products.
- Explore new opportunities for the extraction of unique Jamaican and Caribbean flavours and fragrances and develop the associated competencies.
- Increase training of the team while improving investing in R&D to enhance our positioning strategy of being a proactive and trendy organization.

Our greatest assets continue to be our human resources and as such, we continue to invest in our people through local and international training, exposure through the mentorship program with our international partners and the train the trainer program that forms a critical part of our daily operations. The improvement in the physical plant and the installation of new and modern equipment within all areas of our facilities ensures operational efficiency; products delivered are of the highest standards and are delivered within a mutually agreeable time frame.

FINANCIAL PERFORMANCE HIGHLIGHTS

For the reporting period ending June 30, 2017, Caribbean Flavours and Fragrance Limited continued on the path of growth thereby exceeding many of the financial objectives, which were established by the Board of Directors in its Five (5) year strategic plan and its annual business plan. The timely implementation of the growth strategies, along with the monitoring of the strategic outcome from the Board and its Committees, ensured revenue growth and the efficient management of expenses and business. The Board and management continue to remain focused on innovation and new product development, effective implementation of new strategies and business plans geared at revenue enhancements and market penetration.

REVENUE

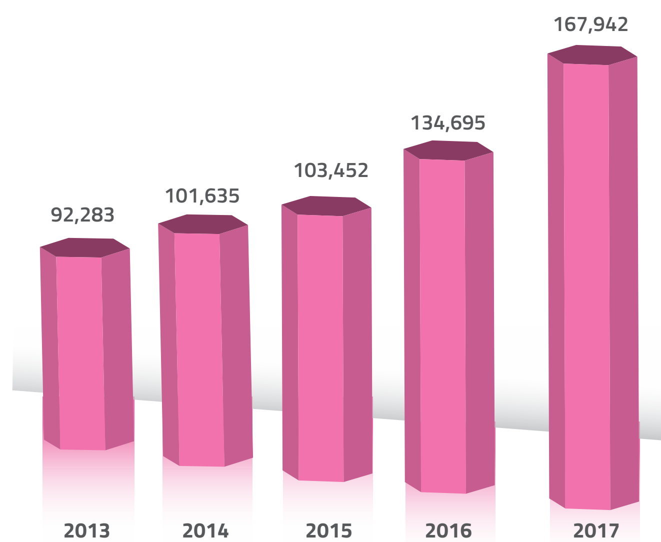


Revenue generated by the Company for the reporting period ending June 30, 2017, was $410.636 million; representing a 13.28% improvement over the $362.500 million reported for the similar reporting period in 2016. This growth in revenue continues to be driven by deliberate strategies of:

- New product developed for existing and new customers.
- Marketing our existing and improved products and services to existing and new customers.
- Deepening of relationships in both domestic and overseas markets.
- Improvement in the purchasing of raw materials and finished goods and continuous improvement in our logistics and supply chain management.
- Increased inventory levels that are being held in our warehouses for the major fast-moving inventory.

The decision taken during the year to carry higher levels of inventory of raw materials than in previous years has positively impacted our ability to respond to the needs of our customers hence the positive impact on revenue. Our decision and focus continue to be on those faster moving inventory items which have long supplier lead time, inventory items which ensure that the Company maintains its competitive advantage and special orders for some of our major customers. Our decision to invest revenue growth was influenced strongly during this reporting period from increased sales in the fragrances category.

GROSS PROFIT



Gross profit of $167.942 million, for this reporting period, translates to a $33.247 million or 24.68% growth over the $134.695 million reported in the comparative 2016 period. This positive year over year growth and improvement in the gross profit continues to be bolstered by efficiencies in our operations and solid logistics and supply chains management, despite price increases of our major raw materials. It is a step in the right direction given the competitive landscape in which we operate. The implementation of new initiatives, availing new and modern best practices to our customers and the reduction of our annual average cost of sales, logistics costs and the modality of how we move our raw material from source points to our warehouses continues to be our focus. The improvement in gross profit was also positively influenced by the deliberate growth of the fragrances component of our business.

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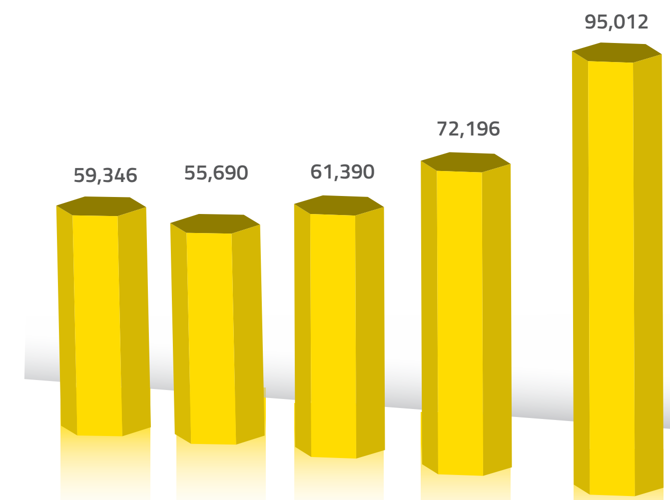
OPERATING EXPENSES

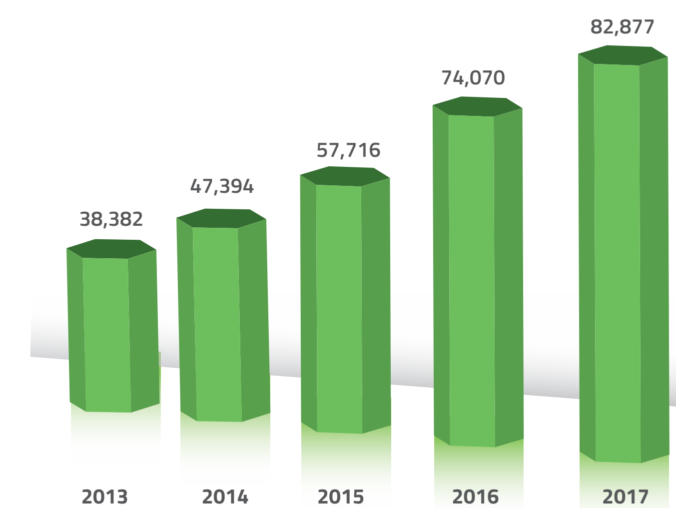


The continued management of our selling and distribution costs and operating expenses within budget continues to be examined on a daily basis in order to generate the desired outcome as required by our strategic plan and budget. We continue to manage each expense item on a line by line basis thereby ensuring that costs, which will not add immediate or future value to the Company's growth or a general improvement in efficiencies, are deferred or eliminated. Despite the new thrust of business development and product development for the local and international markets, the business development team and new markets team are required to justify expenses on an ongoing basis. Proper due diligence that includes cost-benefit analysis, quantifies the impact on revenue and future sustainability are paramount.

For this reporting period, the total administrative expenses recorded was $88.685 million, a $21.502 million or a 32.01% average increase over the $67.183 million recorded for the similar period in 2016. There were extraordinary one-off expenses of $11.05 million which was driven by legal and other costs related to the Directors due diligence exercise. This exercise was associated with the take-over process in February of this year, where the additional 26% of shares were being purchased by a major shareholder. This cost is not expected to recur in the foreseeable future. The other major year over year area of increase was directors remuneration of $5.179 million, moving from $6.000 million in 2016 to $11.179 million in 2017. This increase was directly attributable to a decision taken by the Board to appoint two directors to the executive management team to lead the new five-year strategic plan and the annual business plan and process. There were increases in the annual audit fees, travelling expenses due to new markets exploration, depreciation, donations and subscriptions and the rental rate of the factory that we operate from. Despite these adjustments in expenses, in general, they were not significant and were in line with our projection, budgets and the base inflation rates.

Selling and distribution cost is a direct function of the selling and distribution process. While there has been a tremendous growth in revenue, the costs associated with these activities were marginal. The cost incurred from these activities was $6.327 million, a growth of $1.314 million or 26.21% above the $5.013 million recorded in 2016. These costs include marketing and promotions, advertising and motor vehicle delivery costs. This expense line is expected to grow commensurate with revenue as we deepen our position within both the local and international markets that we target in the ensuing years.

NET PROFIT



Net profit of $82.877 million reported by the Company for this period, represents a $8.807 million or 11.89% growth over the $74.070 million reported for the same period in 2016. This growth, however, was negatively impacted by the extraordinary cost of $11.05 million associated with the take over cost in February. This would have positively influenced the net profit by an additional 11%. Notwithstanding, the positive improvement to the bottom line growth is positively influenced by the accelerated growth in revenue, the further gains from the purchasing and logistics management chain and the surgical management of the operating costs. This performance in Net Profit has positively influenced the Earnings per Share, which stood at $0.92 cents up by $0.10 cents or 12.20% from the $0.682 cents reported in

2016. The net profit to gross profit margin for this period was 49.35% down from the 55.00% reported in 2016.

RISK MANAGEMENT

Risk management continues to form a critical and pivotal role in the daily operations of our business. At every level of our operations, the full evaluation of our risk is done to ensure that standards are maintained, as well as, ensuring that product quality is achieved and maintained. From the receipt of raw materials to our stores, implementation of monthly and full quarterly cycle counts of the inventory owing to the inventory balance, 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, testing of each production batch and further tests at the completion of the manufacturing process ensures that the various enterprise risk is measured and managed. The Company was proactive based on the growth of the organization's operations and has increased its insurance with respect to product liability, goods in-transit, raw materials and inventory of finished goods during this financial year.

The management team continues to manage the daily operations of the business and the enterprise risk of the Company within the policy framework established by the Board of Directors. 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 risk is met.

In supporting our continued growth, we continue to strengthen the internal controls of the Company based on the findings of both the internal audit and external audit management letters. We continue to place high levels of focus on the areas of cash sales, credit sales, ageing accounts receivables and management of the inventory process.

We continue to institute robust internal measures to increase the security of our assets, the safeguarding of proprietary trade secrets, client relationship and the data protection 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.

Our Team
is the foundation that builds and fosters our continued growth.

Management Team

Operations Team

CORPORATE GOVERNANCE

The Board of Directors of Caribbean Flavours and Fragrances Limited recognises that adhering to rigorous standards of good corporate governance is essential for the Company to grow in a sustainable way and deliver value to stakeholders. The Company has adopted a Corporate Governance Policy which, among other things, is compliant with the applicable laws and regulations in oversight of the Financial Services Commission and the Codes of Corporate Governance that have been issued by the Jamaica Stock Exchange.

The primary role of the Board of Directors is to provide oversight and effective leadership of the Company's affairs for the benefit of its shareholders and other stakeholders including its customers, team members, suppliers and the local community. They provide the necessary challenge, support and guide for the executive team in ensuring the safe and prudentially-sound operations of the organization. The Board examines the details of the Company's financial operations, the efficacy of its business strategies and the effectiveness of its internal control and risk management framework towards those objectives. It further endorses the risk appetite and approves the strategic plans, presented by management, geared towards achieving its objectives. The primary responsibility of the executive team is to execute Board directives and manage the daily operations of the business in accordance with the policies and objectives authorised by the Board

At Caribbean Flavours and Fragrances Limited, the operating policies and procedures are reviewed by the Board of Directors en banc. A deep dive into specific matters are in the responsibilities of two (2) subcommittees. The Board's two (2) subcommittees are:

AUDIT COMMITTEE
COMPENSATION COMMITTEE

The Board continues to see its primary role as assessing the strategic direction of the Company through:

- Effective and sound executive leadership with clear management authority and accountability.
- Ensuring that an adequate and effective risk management framework is in place.
- Ensuring that there is adequate succession planning for the executive team.
- Knowledge of statutory and legal obligations and ensuring compliance and adherence by implementing effective policies and procedures.
- Safeguarding stakeholder's value.
- Agree on the composition and terms of reference of the board subcommittees.
- Ensuring that all regulatory and statutory obligations are rigorously observed.

The Directors of the Company are experienced professionals with diverse skill sets and knowledge from various professions; and guarantee that decisions made are in the best interest of all stakeholders and the Company's long-term success. The Directors are expected to exercise independent thinking and sound business judgement in what they reasonably believe to be in the best interest of Caribbean Flavours and Fragrances. In discharging these obligations, the Directors must rely on the honesty and integrity of the Company's management and its external advisors and internal auditors.
The management and staff of the Company are expected to exercise the highest standard of ethical conduct and the 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.

BOARD COMPOSITION

At the beginning of the financial year 2016/2017, the Board consisted of seven (7) members, four (4) of which were independent members. These include:

1.	Howard Mitchell	Chairman (Independent)
2.	Wilford (Billy) Heaven	(Independent)
3.	Clive Nicholas	(Independent)
4.	Carlton Samuels	(Independent)
5.	Anand James	(Technical Consultant)
6.	Derrick Cotterell	Managing Director
7.	Ian Kelly	Company Secretary

During this financial year, Mr Howard Mitchell resigned as Chairman, and Mr Clive Nicholas acted as Chairman of the Board of Directors.

By virtue of the Jamaica Stock Exchange Junior Market Rules, the Company also has an external Mentor, Mrs Tania Waldron-Gooden. She is intimately involved with the direction of the Company and assists with monitoring of the various rules and regulations.

The Board met on four (4) occasions during the year 2016/2017 in which it reviewed the strategic and operational performance of the business. These activities are geared at improving shareholder value and ensuring that long-term viability is maintained while improving shareholder value. The table below outlines the Directors' attendance:

Name of Directors	No. of Meetings Attended
Howard Mitchell – Chairman (Resigned on Aug.9, 2016)	
Clive Nicholas	4
Wilford "Billy" Heaven	3
Anand James	4
Carlton Samuels	3
Derrick Cotterell	4
Ian C. Kelly	4

The members of the Board Committees and meeting attendance are:

AUDIT COMMITTEE

The committee had a total of four (4) meetings during the 2016/2017 financial year and executed the following tasks:

- Reviewed the integrity of the monthly, quarterly and annual financial statements;
- Reviewed the formal announcements relating to the Company's financial performance to the Jamaica Stock Exchange;
- Reviewed and recommended budgets for approval by the Board of Directors;
- Reviewed the effectiveness of internal controls and risk management systems and other matters that fall within its mandate, as well as inventory cycle counts and the findings from these periodic counts;
- Reviewed operational reports and controls implementation;
- Reviewed the independence, objectivity and effectiveness of the relationship with the external auditor;
- Made recommendations to the Board of Directors in relation to the re-appointment of the external auditor, as well as remuneration and other terms of engagement.

McKenley and Associates served as external auditors during this financial year and were responsible for the auditing of the financial operations during the year ended June 30, 2016. They met all the timelines for the auditing and submission of the required statements, to comply with the rules of the Jamaica Stock Exchange. There were no reported incidents of fraud or any irregularities either from the exercise of the internal controls or the work of our external auditors.

Audit Committee Members	No. of Meetings Attended
Clive Nicholas – Chairman	4
Wilford "Billy" Heaven	4
Ian C. Kelly	4

COMPENSATION COMMITTEE

The committee is charged with the responsibility for providing advice to the Board on all matters relating to the remuneration of the Directors and Senior Executives of the Company. The committee met once during the year, and its recommendations were submitted to the Board of Directors. Those recommendations were accepted. The composition of this committee is outlined as follows:

Compensation Committee Members	No. of Meetings Attended
Wilford "Billy" Heaven - Chairman	1
Clive Nicholas	1
Howard Mitchell (Resigned on August 9, 2016)	1
Carlton Samuels	1
Anand James	1

*Carlton Samuels was selected on resignation of Howard Mitchell

Clive Nicholas

Actg. Chairman.

Corporate SOCIAL RESPONSIBILITY

The Board of Directors, management, and staff of Caribbean Flavours and Fragrances Limited (CFF) continue to be mindful of our economic situation, various stakeholders and our general operating environment. As a policy, our Company remains committed to nation building with specific emphasis on improving the lives of our people through education, skills training, sports and youth empowerment within our operating community. These objectives are achieved through a combination of financial and other strategies which we were actively engaged in during this year.

We continue to support the End Time Basic School operated in the Waterhouse Community, as it perfectly fits within the education criterion and more importantly, early childhood education. Our ability to assist positively with the shaping of lives at this early age is very important to us. Therefore, we continue to work with the school to make improvements to the facilities that will enhance the student's experience. Two such improvements include the bathrooms and kitchen.

CFF also supports the school consistently during the school year with supplies for both the kitchen and bathrooms. Other assistance was given to the school in the form of refreshments during special events such as field trips and fun days. This year, the teaching staff was also specially recognized and feted by the Company at its annual Teachers' Day celebration.

We continued our annual assistance for the annual back to school treat of Scorner Youth Movement and the Progress Foundation. This is another way we support education and assist students in inner city communities. CFF also gave assistance to various summer camps and end of year Christmas treats during the last fiscal year.

We continue to encourage our team members to practice a more active and healthy lifestyle and as such the Company participated, this year, in the Best Dressed series of 5K and 10K walk/run, which was well supported by our team. Our annual involvement with the Melbourne Cricket Club continued with our participation in its annual 5K walk and further sponsorship of refreshments for its annual summer cricket camp.

We remain dedicated and demonstrate our commitment to nation building.

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED
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30 JUNE 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS
FINANCIAL STATEMENTS

McKENLEY & ASSOCIATES
CHARTERED ACCOUNTANTS
2 Seymour Avenue, Unit 11
Seymour Park, Kingston 6
Phone: (876) 978-3129 / (876) 978-9789
Fax: (876) 927-6409
Website: www.wmckenley.com

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 30 June 2017, the statement of cash flows and the statement of changes in equity for the year 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 30 June 2017, and of its financial performance and its cash flows for the 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.

Wilfred M. McKenley, F.C.C.A., F.C.A., M.B.A., Janice E. McKenley, B.Sc., EMBA., F.C.C.A., F.C.A. (Partner on Leave)

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 noted one key audit matter for disclosure.

- **Impairment provision on receivables**

  See notes 2(m) and 11 to the financial statements for management's disclosures of related accounting policies, judgments, and estimates.

  As at 30 June 2017, receivables amounted to $55.9 million with an impairment provision of $0.4 million representing 0.78% of this receivables balance. With a net profit of $82.9 million, the accounts receivable represent a possible credit risk.

  We focused on the method used by management to determine the necessity for a provision against long outstanding debts and customers who are experiencing financial difficulties. We discussed and reviewed the impaired balances and reviewed correspondence from the customers along with agreements reached and the level of subsequent payments after the year-end.

  We assessed and tested the fairness of the receivable balances by positive confirmation of certain customers along with reviewing payment pattern and determined that the reported balances were fairly stated. We reviewed subsequent payments and evaluated the payment arrangements with customers with balances over 90 days. The total balances owing to the Company over ninety (90) days amounted to $1.6 million and no amounts were written off during the year.

  We also queried certain assumptions by management as to why no additional increase in the provision is necessary, especially in regards to dormant receivable balances and those customers who continue to access credit from the Company while having significant balances over 90 days. We also evaluated the historical experience for customers within the industry with similar risk characteristics who have long outstanding balances.

  Management has implemented some measures to enhance the Company's credit strategy including a zero-credit policy. We evaluated the performance of the receivables, had discussions with management and reviewed the new policies established by management along with assessing subsequent receipts to determine whether there was any requirement for further adjustment to the impairment provision.

  Based on our work we consider the impairment provision to be reasonable and no further provision is considered necessary as at 30 June 2017.

Independent Auditor's Report

To the Members of
Caribbean Flavours and Fragrances Limited

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.

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.

Caribbean Flavours and Fragrances Limited Auditor's Report 2017

Independent Auditor's Report

To the Members of
Caribbean Flavours and Fragrances Limited

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

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 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.

Independent Auditor's Report

To the Members of
Caribbean Flavours and Fragrances Limited

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

23 August 2017
Kingston, Jamaica

Caribbean Flavours and Fragrances Limited Auditor's Report 2017

Caribbean Flavours and Fragrances Limited
Statement of Comprehensive Income
Year ended 30 June 2017

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	Note	2017 $'000	2016 $'000
Revenue	3	410,636	362,500
Cost of sales	5	(242,694)	(227,805)
Gross profit		167,942	134,695
Selling and distribution costs	5	(6,327)	(5,013)
Administrative expenses	5	(88,685)	(67,183)
Operating profit		72,930	62,499
Finance income	6	10,777	11,571
Finance cost	6	(830)	-
Profit before tax		82,877	74,070
Taxation	7	-	-
Net profit being total comprehensive income for year		82,877	74,070
Dividends paid		(28,660)	-
Retained earnings		54,217	74,070
Earnings per share	8	$0.92	$0.82

Caribbean Flavours and Fragrances Limited
Statement of Financial Position
30 June 2017

Page 2

	Note	2017 $'000	2016 $'000
Non-current assets			
Property, plant, and equipment	9	14,915	2,997
Current assets			
Inventories	10	97,218	71,751
Receivables	11	60,122	39,445
Taxation recoverable		4,823	4,464
Investments	12	131,202	52,803
Cash and cash equivalents	13	67,828	124,632
		361,193	293,095
Current liabilities			
Payables	14	34,606	19,741
Current portion of long-term borrowings	16	2,290	-
		36,896	19,741
Net current assets		324,297	273,354
		339,212	276,351
Stockholders' Equity			
Share capital	15	56,200	56,200
Retained earnings		274,370	220,151
		330,570	276,351
Non- current liability			
Borrowings	16	8,642	-
		339,212	276,351

Approved for issue by the Board of Directors on 23 August 2017 and signed on its behalf by:

Clive Nicholas – Director

Wilford Heaven – Director

Caribbean Flavours and Fragrances Limited
Statement of Cash Flows
Year ended 30 June 2017

	Note	2017 $'000	2016 $'000
Cash flows from operating activities:			
Profit for the year		82,877	74,070
Items not affecting cash:			
Interest income	6	(7,968)	(6,521)
Interest expense	6	830	-
Depreciation	9	3,037	918
Loss on disposal of fixed assets		-	1
		78,776	68,468
Changes in operating assets and liabilities -			
Inventories		(25,467)	(8,878)
Receivables		(20,676)	21,469
Payables		14,865	(10,696)
Taxation recoverable		(358)	(379)
		(31,636)	1,516
Cash provided by operating activities		47,140	69,984
Cash flows from investing activities			
Purchase of fixed assets	9	(14,954)	(2,558)
Purchase of investments		(78,400)	(2,803)
Interest received		7,968	6,521
Net cash (used in)/ provided by investing activities		(85,386)	1,160
Cash flows from financing activities			
Increase in loans		10,932	-
Interest expense		(830)	-
Dividends paid	18	(28,660)	-
Net cash used in financing activities		(18,558)	-
(Decrease)/ Increase in cash and cash equivalents		(56,804)	71,144
Cash and cash equivalents at the beginning of year		124,632	53,488
Cash and cash equivalents at the end of year	13	67,828	124,632
Represented by:			
Cash on hand		36,684	718
Bank balances		31,144	123,914
		67,828	124,632

Caribbean Flavours and Fragrances Limited
Statement of Changes in Equity
Year ended 30 June 2017

	Note	Share Capital $'000	Retained Earnings $'000	Total $'000
Balance restated as at 30 June 2014		56,200	97,357	153,557
Net Profit		-	57,716	57,716
Dividend paid		-	(8,992)	(8,992)
Balance at 30 June 2015		56,200	146,081	202,281
Net Profit		-	74,070	74,070
Balance at 30 June 2016		56,200	220,151	276,351
Net profit		-	82,877	82,877
Dividend paid	18	-	(28,660)	(28,660)
Rounding adjustment		-	2	2
Balance at 30 June 2017		56,200	274,370	330,570

Caribbean Flavours and Fragrances Limited
Notes to the Financial Statements
30 June 2017

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, the Company shares were listed on the Junior Market of the Jamaica Stock Exchange.

Subsidiary

The Company's was an associate at Derrimon Trading Company Limited (Derrimon) at the beginning of the financial year. Derrimon is also a listed company on the Junior Market of the Jamaica Stock Exchange. Derrimon had a 49.02% shareholding in CFFL, but in February 2017, they gained control by acquiring additional shares increasing their holding to 75.02% of the issued capital, thereby becoming the parent company 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 and Fragrances Limited
Notes to the Financial Statements
30 June 2017

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.

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.

Caribbean Flavours and Fragrances Limited
Notes to the Financial Statements
30 June 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Judgments and estimates (continued)

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.

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.

- **Annual improvements to IFRSs 2012-2014 cycles, effective for periods beginning on or after 1 January 2016**. There was no impact from the adoption of these amendments and clarifications.
- Amendment to IFRS 11, 'Joint arrangements', effective for the periods beginning on or after 1 January 2016, clarifies the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. This amendment requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. There was no significant impact of adopting this amendment because the Company made no acquisition or entered into any joint arrangement during the year.

- **Amendment to IAS 16,' Property, Plant and Equipment' and IAS 38 'Intangible Assets,' effective for the periods beginning on or after 1 January 2016.** In these amendments, the IASB has clarified that the use of revenue –based methods to calculate the depreciation of assets is not appropriate because revenue generated by an activity that includes the use of an asset reflects factors other than the consumption of the economic benefits embodied in the asset. There was no impact from the adoption of this amendment, as the Company does not use revenue –based depreciation or amortisation methods.

Caribbean Flavours and Fragrances Limited
Notes to the Financial Statements
30 June 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

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

- **Amendments to IAS 27, 'Separate Financial Statements,' effective for annual accounting periods beginning on or after January 1, 2016**. This amendment allows entities to use the equity method to account for investment in subsidiaries, joint ventures and associates in its separate financial statements at (i) cost, (ii) in accordance with IFRS 9 or (iii) using the equity method as described in IAS 28. The IASB has also clarified the definition of separate financial statements. There was no impact from the adoption of this amendment as no such situation existed at the end of the reporting period, 30 June 2017.

- **Amendments to IFRS 10 and IAS 28, Consolidated Financial Statements, effective for accounting periods beginning on or after January 1, 2016**. The amendments clarify the relief from consolidation which is available to entities in group structures involving investment entities and are likely to reduce the number of entities which produce consolidated financial statements. The amendments also provide relief to non-investment entity investors in associates and joint ventures, who would otherwise incur practical difficulties or additional costs in unwinding fair value measurements and performing additional consolidations. There was no impact from the adoption of this amendment.

- **Amendment to IAS 1, 'Presentation of financial statements,' effective for accounting periods beginning on or after January 1, 2016.** This amendment forms part of the IASB's Disclosure Initiative, which explores how financial statements disclosures can be improved. It clarifies guidance in IAS 1 on:

  (i) The structure of financial statements and that the order of notes is not prescribed
  (ii) Presenting subtotals on the statement of financial position and in the statement of profit or loss and other comprehensive income (OCI)
  (iii) The presentation in the statement of OCI of items arising from joint ventures and associates should be accounted for according to the equity method and follows IAS1 approach of splitting items into those that may be reclassified to profit or loss and those that will never be reclassified
  (iv) Materiality and aggregation

  The implementation of these amendments did not result in any significant effect on the financial statements.

Caribbean Flavours and Fragrances Limited
Notes to the Financial Statements
30 June 2017

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 are not effective for the fiscal year ended 30 June 2017 and, accordingly, have not been applied in preparing the financial statements.

- **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. **IFRS 9 will be applied retrospectively for annual periods beginning on or after January 1, 2018.**

- **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.

  In April 2016, the IASB published clarifications to IFRS 15 which address three topics (identifying performance obligations, principal versus agent considerations and licensing) and provided some transition relief for modified contracts and completed contracts.

  IFRS 15 and the amendments will be applied retrospectively for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

- **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: however, this exemption can only be applied by lessees.

  For Lessor, the accounting treatment remains similar to current practice as the lessor will continue to classify leases as finance and operating leases. Finance lease accounting will be based on IAS 17, lease accounting, with recognition of the net investment in lease comprising receivable and residual asset. Operating lease accounting will be based on IAS 17. IFRS 16 will be applied retrospectively for annual periods beginning on or after January 1, 2019. Early adoption is permitted if IFRS 15 has also been applied.

Caribbean Flavours and Fragrances Limited
Notes to the Financial Statements
30 June 2017

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 4 'Insurance Contracts,' effective for annual periods beginning on or after 1 January 2018**. This standard addresses the concerns of insurance companies about the different effective dates of IFRS 9, 'Financial Instruments', and the forthcoming new insurance contracts standard. This standard is not expected to have any impact on the Company.

- **Amendments to IAS 12, 'Income Taxes,' effective for annual periods on or after 1 January 2017**. The amendments clarify the accounting for deferred tax where an asset is measured at fair value, and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets.
- **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 adoption of this amendment is expected to impact the nature and extent of the Company's disclosures.
- **Amendments to IFRS 2, 'Share-Based Payment,' effective for annual periods on or after 1 January 2018.** The amendment addresses the accounting for cash-settled, share based payments and equity-settled awards that include a 'net settlement' feature in respect of withholding taxes. The amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligations associated with a share -based payment and pay that amount to the tax authorities. The Company is currently assessing the impact of this amendment.

- **Amendment to IAS 40, 'Investment property,' effective for annual periods beginning on or after 1 January 2018.** These amendments clarify that to transfer to, or from investment properties, there must be a change in use. To conclude, if a property has changed use there should be an assessment of whether the property meets the definition and there must be supportable evidence for the change.

- **IFRC 22 'Foreign currency transactions and advance consideration,' effective for annual periods beginning on or after 1 January 2018.** These amendments clarified how to determine the date of the transaction to determine the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) on the de-recognition of a non-monetary asset or non-monetary liability arising from payment or receipt of advance consideration in a foreign currency.

  Early application is permitted, and the Company is required to disclose that fact. The Company is assessing the impact of this amendment.

Caribbean Flavours and Fragrances Limited
Notes to the Financial Statements
30 June 2017

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.** These amendments do not have any significant impact on the Company's operations.

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.

(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.

Caribbean Flavours and Fragrances Limited
Notes to the Financial Statements
30 June 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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:

a. FVTPL
b. Held-to-maturity investments
c. Available-for-sale, and
d. 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

No account is taken of deferred taxation during the year ended 30 June 2017 because the Company was granted a remission of income tax as a result of listing on the Junior Market of the Jamaica Stock Exchange (JSE), effective 2 October 2013.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 transactions 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

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 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 includes gains on disposal of assets recognized when received, rental of investment property recognized when earned, and miscellaneous inflows recognized when received.

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.

5. LIST OF EXPENSE CATEGORIES

	2017 $'000	2016 $'000
Cost of inventories recognized as expense	242,694	227,805
Sub-total: cost of sales	**242,694**	**227,805**
Selling, advertising, promotion and distribution	4,444	3,500
Bad debts written off	-	878
Motor vehicle expenses	1,883	635
Sub-total: Selling and distribution	**6,327**	**5,013**
Audit fee	2,500	1,500
Bank charges	1,656	794
Depreciation	3,037	918
Donations and subscriptions	469	754
Entertainment	299	18
Insurance	2,027	1,591
Rent	8,703	7,740
Legal and professional fees	5,103	1,990
Motor vehicle	-	442
Office and general	2,280	2,273
Asset and other taxes	229	252
Printing and stationery	639	342
Minimum business tax	30	30
Repairs and maintenance	1,423	2,412
Staff costs (note 17)	29,601	30,499
Security	1,416	1,255
Telephone and postage	1,324	1,691
Travelling	5,428	2,756
Utilities	2,664	2,496
Director's fees	800	1,430
Director's remuneration	11,179	6,000
Provision for doubtful debts	(223)	-
Acquisition costs: professional fees	8,101	-
Sub-total: Administrative	**88,685**	**67,183**
Grand total	337,706	300,001

6. FINANCE INCOME AND COSTS

	2017 $'000	2016 $'000
Finance income -		
Interest income	7,968	6,521
Net foreign exchange gains	2,809	5,050
	10,777	11,571
Finance costs -		
Loan interest incurred	830	-

7. TAXATION

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

	2017 $'000	2016 $'000
Current taxation	-	-

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

	2017 $'000	2016 $'000
Profit before tax	82,877	74,070
Taxation at 25%	20,719	18,518
Difference between depreciation and capital allowances	209	(75)
Expenses not allowed for tax purposes	2,029	71
Remission of income tax	(22,957)	(18,514)
Current taxation	-	-

No account is taken of deferred taxation during the year ended 30 June 2017 because the Company was granted a remission of income tax as a result of listing on the Junior Market of the Jamaica Stock Exchange (JSE), effective 2 October 2013.

Remission of income tax

By notice dated 13 August 2009, the Minister of Finance and the Public Service, issued and gazetted 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 and are therefore not subject to income tax for the year ended 30 June 2017. 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

7. TAXATION (continued)

Remission of income tax (continued)

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.

8. EARNINGS PER SHARE

Earnings per share are calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year. The profit for the year was $82,877,000(2016 - $74,070,000) and the numbers of shares were 89,920,033. (2016 was 89,920,033).

9. PROPERTY, PLANT AND EQUIPMENT

2017

	Leasehold Property	Leasehold Improvements	Land & Building	Plant, Machinery Furniture & Fixtures	Office Computer & Equipment	Motor Vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At cost -							
30 June 2016	3,413	-	-	7,502	228	-	11,143
Additions	-	1,921	-	1,201	855	10,975	14,954
30 June 2017	3,413	1,921	-	8,703	1,083	10,975	26,095
Depreciation -							
30 June 2016	3,269	-	-	4,854	23	-	8,146
Charge for the year	144	115	-	766	181	1,829	3,037
30 June 2017	3,413	115	-	5,620	204	1,829	11,181
Net Book Value -							
30 June 2017	-	1,806	-	3,083	879	9,146	14,915

9. PROPERTY, PLANT AND EQUIPMENT (continued)

2016

	Leasehold Property	Leasehold Improvements	Land & Building	Plant, Machinery Furniture & Fixtures	Office Computer & Equipment	Motor Vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At cost -							
30 June 2015	3,413	-	-	5,172	-	8,943	17,528
Additions	-	-	-	2,330	228	-	2,558
Disposals	-	-	-	-	-	(8,943)	(8,943)
30 June 2016	3,413	-	-	7,502	228	-	11,143
Depreciation -							
30 June 2015	2,928	-	-	4,300	-	8,942	16,170
Charge for the year	341	-	-	554	23	-	918
Relieved on disposal	-	-	-	-	-	(8,942)	(8,942)
30 June 2016	3,269	-	-	4,854	23	-	8,146
Net Book Value -							
30 June 2016	144	-	-	2,648	205	-	2,997

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10. INVENTORIES

	2017 $'000	2016 $'000
Inventories comprise:		
Raw materials	57,029	49,972
Finished goods	9,229	6,118
Resale goods	30,960	15,661
	97,218	71,751

There were no inventory write-downs for the current or the previous year.

11. RECEIVABLES

	2017 $'000	2016 $'000
Trade	55,975	38,121
Less provision for bad debts	(432)	(655)
	55,543	37,466
Prepaid purchases	-	1,690
Prepaid insurance	820	289
Staff loans & deposit on fixed assets	2,388	-
Other	1,371	-
	60,122	39,445

Movement during the year in the allowance for doubtful debts account

	2017 $'000	2016 $'000
Opening balance at 30 June	655	501
(decrease)/Increase in provision	(223)	154
Closing balance at 30 June	432	655

12. INVESTMENTS

Held-to-Maturity	2017 $'000	2016 $'000
(i) 2.25 % : Jamaica Money Market Brokers	69,365	-
(ii) 11 % : Derrimon Trading Company Limited	15,227	15,000
(iii)1.35 % : NCB Capital Markets	46,610	37,803
	131,202	52,803

(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.

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13. CASH AND CASH EQUIVALENTS

	2017 $'000	2016 $'000
Cash on hand	30,863	718
Cash equivalent: J$ bank balances	17,883	65,523
Cash equivalent: US$ and other foreign currency balances	19,082	58,391
	67,828	124,632

The weighted average effective interest rate, in 2017, on Jamaican dollar (J$) cash equivalent was approximately 8.75% and on US$ cash equivalent was approximately 2.15%.

14. PAYABLES

	2017 $'000	2016 $'000
Trade	17,126	12,789
General Consumption Tax (GCT)	5,142	3,649
Audit fee	2,500	1,395
Statutory contributions	408	467
Vacation leave	606	630
Other	8,824	811
	34,606	19,741

15. SHARE CAPITAL

	2017 $'000	2016 $'000
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

	2017 $'000	2016 $'000
8.35% First Global Bank (FGB)	10,932	-
Less current portion due within 12 months	(2,290)	-
	8,642	-

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.

17. STAFF COSTS

	2017 $'000	2016 $'000
Casual labour	1,365	896
Redundancy	-	334
Salaries and wages	18,527	21,050
Statutory contributions	1,920	2,003
Travelling allowance	2,783	1,379
Staff welfare & training	3,471	2,920
Health and group life insurance	1,535	1,787
Vacation leave	-	130
	29,601	30,499

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

	2017	2016
Full time	18	15
Part time	1	3
	19	18

18. DIVIDENDS

	2017 $'000	2016 $'000
Dividends paid during the year	28,660	-

During the year the Company paid a special dividend of $0.25 per stock unit on 13 June 2017 to stockholders. The dividend payment was approved on 10 May 2017 by the Board of Directors.

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 and Fragrances Limited
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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 the reporting date, there were no significant concentrations of credit risk in respect of the five (5) major customers that comprise 64 % (2016 - 58%) of the trade receivables balance.

At 30 June 2017, amounts receivable from these customers aggregated approximately $35 million (2016 -$22 million)

Due to related parties

At the reporting date, there was no amount receivable from related parties.

There were no 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:

	2017 $'000	2016 $'000
Cash and cash equivalent	67,828	124,632
Accounts receivable	60,122	37,466
	127,950	162,098

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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 2.8 % of its gross trade debtors are 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.

	30 June 2017 $		30 June 2016 $	
	Gross $'000	Impairment $'000	Gross $'000	Impairment $'000
Past due 0 to 60 days	53,259	-	35,264	-
Past due 61 to 90 days	1,145	-	1,630	-
Past due over 90 days	1,571	432	1,227	655
	55,975	432	38,121	655

As of 30 June 2017, trade receivables of $ 1,571 (2016 - $ 1,227) for the Company were impaired and the amount of the provision was $ 432 (2016 - $ 655).

Financial instruments counterparty

The Company 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

	2017 $'000	2016 $'000
Credit risk exposures are as follows:		
Investments	131,202	52,803
Cash and short term cash equivalents	67,828	124,632
	199,030	177,435

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(i) Credit risk (continued)

Due from related parties

	2017 $'000	2016 $'000
Credit risk exposures are as follows:		
Opening balance:	-	50,000
Amounts loaned during the year	201,665	-
Amounts repaid during the year	(201,665)	(50,000)
Balance at the end of the year	-	-

Amounts were loaned to and repaid by the Company's parent company and major shareholder during the year. The amounts were loaned interest-free with no defined repayment period. At the reporting date, there was no balance due to or from any related parties.

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:

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

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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:

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

2016	Carrying Amount $'000	Contractual Cash Flows $'000	1 year or less $'000	1-2 years $'000	2-5 years $'000
Accounts payable	19,741	19,741	19,741	-	-
Long-term liabilities	-	-	-	-	-
Total financial liabilities	19,741	19,741	19,741	-	-

(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 and Fragrances Limited
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19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(iii) Market risk (continued)

Exposure to currency risk

At 30 June 2017, the Company incurred 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:

		2017 $'000	2016 $'000
Cash and cash equivalent		150	397
Accounts receivable		36	31
Investments		905	301
Accounts payable		(85)	(88)
Net cash position	US$	1,006	641
Equivalent to	J$	128,405	80,772

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

	US$	EURO€
At 30 June 2017	127.64	141.33
At 30 June 2016	126.01	140.49

Foreign currency sensitivity

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

	Increase/(decrease) in profit for the year 2017 $'000	2016 $'000
10% (2016:10%) strengthening of the US$ and Euro (€) against the J$	12,840	8,908
1% (2016 : 1%) weakening of the US$ and Euro (€) against the J$	(1,284)	(891)

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.

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Notes to the Financial Statements
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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

	2017 $'000	2016 $'000
Fixed rate instruments		
Financial assets	199,030	176,717
Financial liabilities	(10,932)	-
	188,098	176,717

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 instruments held by the Company at 30 June 2017 (2016- 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:

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:

I. 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.

II. 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.

III. Related party balances are carried at their contracted settlement values due to their short-term nature.

IV. 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.

20. RELATED PARTIES TRANSACTIONS AND BALANCES

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

Expense/(income)	2017 $'000	2016 $'000
Key management compensation:		
Salaries	11,179	6,000
Rental expense:		
Paid to a company connected to a director	8,703	7,740
Directors fees:		
Management charges	800	1,430
Interest income:		
Received from a related company	5,809	6,472

(b) The statement of financial position

There were no balances due to or from any related party as at 30 June 2017.

21. CAPITAL COMMITMENTS AND CONTINGENCIES

I. 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 30 June 2017 (2016- $NIL)

II. As at 30 June 2017, as far as the Board of Directors of the Company are aware, there were no legal claims against the Company. The Company's attorneys also reported in their letter dated 18 August 2017, that they were not aware of any outstanding, actual or threatened litigation, inclusive of any contingent liabilities, breaches or possible breaches of any laws or regulations against the Company that may result in financial loss.

III. As at 30 June 2017, under the 2016 Income Tax (Amended) Act, as a result of its listing on the Junior Market of the Jamaican Stock Exchange, income tax remission amounted to approximately $68.7 Million over the four (4) year period. 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. .

Caribbean Flavours and Fragrances Limited
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22. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

At 30 June 2017, 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 the 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.

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NOTES

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FORM OF PROXY

A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a Proxy to vote on her behalf. A Proxy need not be a member. A suitable form of Proxy is below.

The Proxy must be signed and deposited, duly stamped with duty at the Stamp Office, at the registered office of **CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED** at **226 Spanish Town Road, Kingston 11, Jamaica, W.I.** not less than 48 hours prior to the meeting.

I/We, ____

(Name(s) of Shareholder(s))

of, ____

(Address(es) of Shareholder(s))

in the parish of _____________________, being a member(s) of Caribbean Flavours and Fragrances Limited

hereby appoint, ____

(Name of Proxy)

of, ____

(Address of Proxy)

or failing him, ____

(Name of Alternative Proxy)

of, ____

Address of Alternative Proxy

as my Proxy/our Proxy to vote on my/our behalf at the Annual General Meeting to be held on November 29, 2017

This form is to be used IN FAVOUR of resolutions numbered__________________.

This form is to be used AGAINST resolutions numbered_____________________.

Signed this ______ day of _______ 2017.

____

Signatures(s) of Shareholder(s)

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