



CARIBBEAN FLAVOURS AND FRAGRANCES LTD.

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"Tease the Senses"

Highlights of Q1 2023

	Jan - Mar 2023	Jan - Mar 2022	Change
	\$' 000	\$' 000	
Revenues	212,831	174,158	22.21%
Gross Profit	68,599	56,832	20.70%
Gross Profit Margin	32.23%	32.63%	-1.23%
Net Profit before Tax	29,327	23,397	25.35%
Earnings Per Share	\$0.03	\$0.02	50.00%

Performance Review of Q1 2023

The Board of Directors is pleased to report on the performance of Caribbean Flavours and Fragrances Limited (CFF) for the first quarter ending March 31, 2023. Revenue increased by 22.21% to \$212.831 million as the economy continued to recover from Covid-19. In the quarter we continued to see growth in our exports primarily to the Eastern Caribbean.

The Company has continued in its efforts to satisfy its customer needs by focusing its energies on strengthening its business development capabilities with additional personnel.

Gross profit increased by 20.70% to \$68.599 million which can be attributed to cost of sales growing slower than our sales growth. The Company's gross profit margin for the quarter was 32.23% and is relatively stable as it compares well to the 32.63% of 2022.

Total expenses rose by 28.64% to \$44.494 million as we spent more on our staff and increased our efforts to secure additional business in regional markets.

Our profit before tax increased by 25.35% to \$29.327 million while earnings per share moved from \$0.02 to \$0.03.

Balance Sheet

Total assets improved by 11.74% to \$795.752 million on a year over year basis. Current assets continue to represent the largest portion of our asset base at \$638.126 million. Our cash balance currently stands at \$39.188 million while our short-term investments stand at \$191.318 million. Non-current assets was \$157.626 million.

Total liabilities increased by 23.23% to \$206.075 million. Current liabilities increased by 71.22% to \$116.444 million primarily driven by an increase in trade payables. Shareholders' equity increased by 8.19% to \$589.677 million.

Market Performance

	March 31, 2023	March 31, 2022	Percentage
CFF Stock Price	\$1.25	\$2.01	-37.81%
Junior Market Index	3,795.21	4,223.33	-10.14%
JSE Manufacturing and Distribution Index	97.16	109.58	-11.33%
Market Capitalization	\$1.12 Billion	\$1.81 Billion	-37.81%

CFF's stock price declined by 37.81% on a year over year comparison relative to the Junior Market Index and JSE Manufacturing and Distribution Index which also experienced double digit declines. CFF's stock price declined 31.32% during the first quarter from \$1.82 which was higher than the 4.80% and 0.27% decline experienced for the corresponding indices. The decline being observed in the stock market reflects the rising interest rate environment and capital moving to assets giving better yields with lower risk. There was also no new market offers during the period relative to the initial public offerings (IPO) and other market offers seen in the fourth quarter. While this decrease in the stock price was larger than the market indices, the company is still operating to its best capacity and focused on growth of its export portfolio. The company's market capitalization stood at a solid \$1.12 Billion at the end of the quarter.

Outlook and Risks

We have identified these key risks to our businesses and noted how we are currently addressing them below.

Currency Risk – This arises from the settlement of transactions in a currency other than the company's functional currency which is the Jamaica Dollar (JMD). Since the JMD depreciates against major currencies such as the United States Dollar, Canadian Dollar and Great British Pound, this creates additional cost when the transaction is to be completed. The company continues to maintain an adequate balance of foreign exchange relative to our JMD bank holdings. By maintaining our current position plus exporting more to other markets, we've limited some of the risks that come with the depreciation of the local currency.

Supply Chain Risk – Supply chain risk arises when there is a delay for goods to be received by the company in the expected timeline. While we can maintain an additional buffer of inventory to mitigate against the delay in receiving raw materials from suppliers, it is done consciously to ensure that inventory write-off's are minimized. The company is also being more forthright about projections when considering what key products to stock up and in what quantities as well.

CFF hosted a Fragrance Open Day at our 226 Spanish Town Road head office where we had about 30 small businesses present learning from demonstrations by our team and receiving insights from the Jamaica Customs Agency and Small Business Association of Jamaica. Apart from learning how to make soap and fabric softener, they were also exposed to liquid colour powder products from company's array of offerings. We view these Open Days as a way to provide small businesses with opportunity to interact with critical local bodies while establishing a deeper relationship with CFF.

Between April 27 – 30, CFF was one of the businesses which was present at the JMEA (Jamaica Manufacturers and Exporters Association) Expo at the National Indoor Sports Centre. JMEA President John Mahfood and The Most Honourable Andrew Holness, Prime Minister of Jamaica, explored our booth and took valuable insights from the demonstrations we had to offer and gain a better understanding of our significance in some of Jamaica’s favourite manufactured goods. We also introduced The Flavours and Fragrances Lab which allowed Expo patrons to understand the features of the sensory system in providing an encapsulating experience with the senses. Through virtual reality, CFF displayed computer-generated visuals to allow users to interact with new and existing scents. Our main presentation on stage was “Build A Drink! Improve Yuh Ting” where we demonstrated how to create a full sugar orange drink. We look forward to future EXPO’s held locally and giving persons locally and abroad a taste of what we produce.

CFF will continue planting new seeds in the export market while growing its presence in the domestic market through new products and a growing client pool of new businesses. We have added a product development officer and continue staff training in developing their technical skills which will be crucial as new opportunities come our way. The company continues to get increases from suppliers on certain raw materials with the surcharge to bring the item into the country being higher as well. Apart from one Eastern Caribbean country where we’ve made substantial headways in the last 12 months, we have begun to explore Guyana in a more material way as we look to work on providing different flavours and ingredients to businesses in that market.

We continue to thank our employees for their commitment and dedication bearing in mind the challenges faced during this reporting period and to our shareholders, customers and other stakeholders for their support as we continue to expand our business and bring greater value to all parties. We’ve done well so far this year and remain positive for the remainder of 2023.

We would like to encourage all Jamaicans to bond together at this time as we collectively try to weather the storm created by the pandemic.

Taxation

The Company’s shares were listed on the Junior Market of the Jamaica Stock Exchange on October 7, 2013. Consequently, the company is entitled to a remission of taxes for ten (10) years in the proportions set out below, provided the shares remain listed for at least fifteen (15) years.

Years 1 to 5 (October 7, 2013 – October 6, 2018) – 100%

Years 6 to 10 (October 7, 2018 – October 6, 2023) – 50%

The Company’s 100% remission of income taxes expired 6 October 2018 and as a consequence the Company’s taxable profit will be subject to 50% tax remission until 6 October 2023.

Earnings Per Stock Unit

Earnings per stock unit are calculated by dividing the profit for the period by the weighted average number of shares issued for the period.

	Quarter ended March 31, 2023 \$'000	Quarter ended March 31, 2022 \$'000	Year ended December 31, 2022 \$'000
Net profit		20,397	61,698
Weighted average number of shares	899,200,330	899,200,330	899,200,330
Earnings Per share	\$0.03	\$0.02	\$0.07

SHAREHOLDINGS OF TOP TEN (10) STOCKHOLDERS, DIRECTORS, SENIOR OFFICERS AS AT MARCH 31, 2023

#	Name of Shareholder	Volume	Percentage Ownership
1	DERRIMON TRADING COMPANY LIMITED	584,653,270	65.0192%
2	DIGIPOINT LIMITED	69,220,000	7.6980%
3	JCS D TRUSTEE SERVICES LIMITED A/C BARITA UNIT TRUST CAPITAL GROWTH FUND	49,172,591	5.4685%
4	IDEAL GLOBAL INVESTMENTS LIMITED	30,968,610	3.4440%
5	IAN C. KELLY	23,228,140	2.5832%
6	NIGEL O. COKE	22,293,865	2.4793%
7	MAYBERRY MANAGED CLIENTS ACCOUNT	12,172,132	1.3537%
8	TROPICAL BATTERY COMPANY LTD CONTRIBUTORY PENSION SCHEME	10,190,987	1.1333%
9	MAYBERRY INVESTMENTS LTD PENSION SCHEME	9,729,450	1.0820%
10	SAGICOR SELECT FUND LIMITED – ('CLASS C' SHARES) MANUFACTURING AND DISTRIBUTION	7,212,860	0.8021%
Top 10 Holdings		818,841,905	91.0633%
Other Shareholders		80,358,395	8.9367%
Total		899,200,330	100%

Directors	Direct	Connected Parties	Total	Percentage
DERRICK COTTERELL ¹	0	584,653,270	584,653,270	65.0192%
ANAND JAMES	0	0	0	0%
IAN C. KELLY ¹	23,228,140	0	23,228,140	2.5832%
HOWARD MITCHELL	1,450,000	0	1,450,000	0.1613%
CLIVE C. NICHOLAS	329,756	0	329,756	0.0367%
CARLTON E. SAMUELS	250,000	0	250,000	0.0278%
WILFORD HEAVEN	0	0	0	0%
TANIA WALDRON-GOODEN	0	0	0	0%

1. Executive Directors of Derrimon Trading Company Limited.

Senior Manager	Shareholding	Percentage
JANICE LEE	110,000	0.0122%
ANAND JAMES	0	0%
RHONDE MCPHERSON	0	0%
CHRISTOPHER CARLESS	0	0%
RECHAL TURNER	0	0%

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

UNAUDITED

FINANCIAL STATEMENTS

FOR THE THREE MONTHS TO 31 MARCH 2023

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

FINANCIAL STATEMENTS

FOR THE THREE MONTHS TO 31 MARCH 2023

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Caribbean Flavours and Fragrances Limited

Statement of Comprehensive Income

Three months ended 31 March 2023

	Unaudited 3 months ended 31 March 2023 \$ '000	Unaudited 3 months ended 31 March 2022 \$ '000	Audited 12 months ended 31 December 2022 \$ '000
REVENUE	212,831	174,158	772,229
Cost of sales	<u>(144,232)</u>	<u>(117,326)</u>	<u>(543,217)</u>
Gross profit	68,599	56,832	229,012
Unrealised gains on investments valued at fair value	-	-	(1,690)
Selling and distribution costs	(931)	(941)	(9,133)
Administrative expenses	(43,563)	(33,646)	(153,644)
Net finance income	<u>5,222</u>	<u>1,152</u>	<u>6,185</u>
Profit before tax	29,327	23,397	70,730
Taxation	(3,500)	(3,000)	(9,032)
Net profit	25,827	20,397	61,698
Earnings per share	\$0.03	\$0.02	\$0.07

Caribbean Flavours and Fragrances Limited

Statement of Financial Position

As at 31 March 2023

	Note	Unaudited 31 March 2023 \$ '000	Unaudited 31 March 2022 \$ '000	Audited 31 December 2022 \$ '000
ASSETS				
Current Assets				
Cash and bank balances		39,188	12,971	76,184
Short term deposits		191,318	261,793	152,830
Tax recoverable		4,488	3,616	4,486
Due from related parties		71,405	-	54,537
Receivables		145,299	111,488	129,385
Inventories		186,428	180,369	179,360
		<u>638,126</u>	<u>570,237</u>	<u>596,782</u>
Non-Current Assets				
Property, plant and equipment		37,878	46,308	39,289
Rights-of-use assets		73,008	79,702	74,638
Investment		45,000	15,000	45,000
Deferred tax assets		1,740	881	1,740
		<u>157,626</u>	<u>141,891</u>	<u>160,667</u>
TOTAL ASSETS		<u>795,752</u>	<u>712,128</u>	<u>757,449</u>
EQUITY AND LIABILITIES				
Current Liabilities				
Payables and accruals		105,830	55,992	87,995
Taxation payable		1,390	3,440	4,330
Current portion of long term loan		4,250	3,940	4,250
Current portion of lease liability		4,974	4,638	4,974
		<u>116,444</u>	<u>68,010</u>	<u>101,549</u>
Non-Current Liabilities				
Deferred tax liabilities		-	-	-
Long term bank loan		12,370	16,641	13,360
Lease liability		77,261	82,448	78,690
		<u>89,631</u>	<u>99,089</u>	<u>92,050</u>
Stockholder's Equity				
Share capital		56,200	56,200	56,200
Retained earnings		533,477	488,829	507,650
		<u>589,677</u>	<u>545,029</u>	<u>563,850</u>
TOTAL EQUITY AND LIABILITIES		<u>795,752</u>	<u>712,128</u>	<u>757,449</u>

Approved and signed on behalf of the Board by:



Clive Nicholas
Director



Anand James
Director

Caribbean Flavours and Fragrances Limited

Statement of Changes in Equity

Three months ended 31 March 2023

	Unaudited 31 March 2023		Unaudited 31 March 2022		Audited 31 December 2022	
	Share Capital \$ '000	Retained Earnings \$ '000	Share Capital \$ '000	Retained Earnings \$ '000	Share Capital \$ '000	Retained Earnings \$ '000
Balance at beginning of period	56,200	507,650	56,200	468,432	56,200	468,432
Issue of shares					-	
Net profit		25,827		20,397	-	61,698
Dividends paid	-		-	-	-	(22,480)
	<u>56,200</u>	<u>533,477</u>	<u>56,200</u>	<u>488,829</u>	<u>56,200</u>	<u>507,650</u>

Caribbean Flavours and Fragrances Limited

Statement of Cash Flows

Three months ended 31 March 2023

	3 months ended 31 March 2022 \$ '000	3 months ended 31 March 2021 \$ '000
CASH RESOURCES WERE PROVIDED BY/(USED IN):		
Cash Flows from Operating Activities		
Profit after taxation	25,827	20,397
Adjustment for non-cash income and expenses		
Depreciation	3,115	2,776
Lease interest expense	(1,429)	(1,216)
Amortization of right-of-use assets	1,630	1,454
Interest income	(2,009)	(3)
	<u>27,134</u>	<u>23,408</u>
Changes in operating assets and liabilities		
Inventories	(7,068)	5,063
Receivables and prepayments	(15,914)	(7,325)
Due from related party	(16,868)	20,000
Payables and accruals	17,835	(25,328)
Taxation payable	(2,940)	(5,776)
Tax recoverable	(2)	(2)
	<u>(24,957)</u>	<u>(13,368)</u>
Net cash provided by operating activities	<u>2,177</u>	<u>10,040</u>
Cash Flows from Investing Activities:		
Purchase of property, plant and equipment	(1,704)	(4,402)
Purchase of investments	(38,488)	-
Dividends paid	-	-
Interest received	2,009	3
Net cash used in investing activities	<u>(38,183)</u>	<u>(4,399)</u>
Cash Flows from Financing Activities:		
Bank loan	(990)	(1,257)
Net cash used in financing activities	<u>(990)</u>	<u>(1,257)</u>
Net (decrease)/increase in cash and cash equivalents	(36,996)	4,384
Cash and cash equivalents at beginning of year	76,184	8,587
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>39,188</u>	<u>12,971</u>
Represented by:		
Cash on hand	3,436	1,710
Bank balances	35,752	11,261
	<u>39,188</u>	<u>12,971</u>

Caribbean Flavours & Fragrances Limited

Notes to the Unaudited Financial Statements

Three months ended 31 March 2023

1. IDENTIFICATION AND PRINCIPAL ACTIVITIES

Caribbean Flavours and Fragrances Limited (“the Company”) is a company limited by shares, incorporated and domiciled in Jamaica. Its registered office is located at 226 Spanish Town Road, Kingston 11. The principal activity of the company is the manufacture of and distribution of flavours mainly for the beverage, baking and confectionery industries. The company also sells food colouring and fragrances.

2. BASIS OF PREPARATION

Statement of Compliance

The financial statements of Caribbean Flavours and Fragrances Limited have been prepared in accordance with and compliance with International Financial Reporting Standards (IFRS) under the historical cost convention, as modified by the revaluation of certain financial assets. The same accounting policies and methods of computation are followed in the unaudited financial statements as were applied in the audited financial statements for the year ended December 31, 2022.

New Standards

IAS 1 (Amended)

Presentation of Financial Statements (effective for annual reporting periods beginning on or after 1 July 2012), amendments to revise the way other comprehensive income is presented.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. Although these estimates are based on management’s best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are noted below:

Critical Accounting Estimates and Judgements in Applying Accounting Policies

The company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Caribbean Flavours & Fragrances Limited

Notes to the Unaudited Financial Statements

Three months ended 31 March 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below and have been consistently applied for all the years presented.

IFRS 16, 'Leases' (effective for accounting periods beginning on or after 1 January 2019) IFRS 16 eliminates the classification by a lessee of leases as either operating or finance. Instead, all leases are treated in a similar way to finance leases in accordance with IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets US\$5,000 and short-term leases (i.e., leases with a lease term of 12 months or less).

Lessees will be required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Upon adoption of IFRS 16, the lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The adoption of IFRS 16 from 1 January 2019 resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. Management has decided it will apply the modified retrospective adoption method, and therefore, the revised requirements are not reflected in the prior year financial statements.

Depreciable assets

Management exercises judgement in determining whether cost incurred can accrue significant future economic benefits to the Company to enable the value to be treated as a capital expense. Further judgement is applied in the annual review of the useful lives of all categories of property, plant and equipment and their expected utility to the Company resulting in the depreciation determined thereon

Allowance for losses

In determining amounts recorded for provision for impairment of receivables in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measureable decrease in the estimated future cash flows from receivables, for example, default and adverse economic conditions. Management also makes estimate of likely future cash flows from impaired receivables as well as the time of such cash flows. Historical cost experience is applied where indicators of impairment are not observable on individual significant receivables with similar characteristics, such as credit risks.

Caribbean Flavours & Fragrances Limited

Notes to the Unaudited Financial Statements

Three months ended 31 March 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Comparative information

Comparative figures have been reclassified, where necessary, to conform to changes in presentation in the current year.

Valuation of property, plant and equipment

Management exercises judgement in determining whether cost incurred can accrue significant future economic benefits to the Company to enable the value to be treated as a capital expense. Further judgement is applied in the annual review of the useful lives of all categories of property, plant and equipment and their expected utility to the Company resulting in the depreciation determined thereon.

Depreciation

Property, plant and equipment are stated at historical cost less accumulated depreciation.

Depreciation is calculated on the straight-line basis at annual rates estimated to write-off the cost of fixed assets over their expected useful lives. The annual rates are as follows:

Leasehold property & improvements	10%
Plant and machinery, furniture & fixtures, office equipment	10%
Computer equipment	33 $\frac{1}{3}$ %
Motor vehicles	25%

The assets' residual values and useful lives are reviewed periodically for impairment. Where an asset's carrying amount is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognized in other income in the statement of comprehensive income.

Repairs and maintenance expenditure are charged to statement of comprehensive income during the financial period in which they are incurred.

Revenue recognition

Revenue from the sale of goods is recognized in the income statement 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 due or material associated costs on the possible return of goods.

Foreign currency translation

Balances in foreign currencies are translated at the rate of exchange ruling at the statement of financial position date. Transactions during the year are translated at the exchange rate prevailing at the date of the transactions. Gains or losses on translation are dealt with in the statement of comprehensive income. Exchange rates are determined by the weighted average rate at which Commercial Banks trade in foreign currencies as published by the Central Bank.

Caribbean Flavours & Fragrances Limited

Notes to the Unaudited Financial Statements

Three months ended 31 March 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Trade receivables

Trade receivables are carried at anticipated realizable value. A provision is made for impairment of trade receivables when it is established that there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivable. Subsequent recoveries of amounts previously written off are credited in the statement of comprehensive income.

4. SHARE CAPITAL

	<u>2023</u>	<u>2022</u>
	\$'000	\$'000
<u>Authorised:</u>		
2,600,000,000 ordinary shares of no par value (2022: 2,600,000,000)		
<u>Issued and fully paid:</u>		
899,200,330	56,200	56,200

On October 7, 2020, the Company held an Annual General Meeting which resulted in the following resolutions being approved:

(a) The authorized share capital of the Company was increased from 91,452,000 shares to 2,600,000,000 shares, by the creation of an additional 2,508,548,000 ordinary shares each ranking pari passu in all respects with the existing ordinary shares or stock units in the capital of the Company.

(b) The issued ordinary shares in the capital of the Company was subdivided into 10 ordinary shares with effect from the close of business on October 13, 2020 resulting in the total issued shares capital of the Company being increased from 89,920,033 ordinary shares of no par value to 899,200,330 ordinary shares of no par value.