

Highlights of Quarter 1 2024

	Current Quarter		
	31/3/ 2024 \$'000	31/3/2023 \$'000	Change
Revenue	187,559	212,831	-11.87%
Gross Profit	65,118	68,599	-5.07%
Gross Margin	34.72%	32.23%	2.49%
Profit before tax	16,430	29,327	-43.98%
Net Profit	12,430	25,827	-51.87%
Earnings per share	\$0.01	\$0.03	-66.67%

Performance Review of Q1 2024

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, 2024. Revenue decreased by 11.87% from \$212.831 million to \$187.559 million due to a number of factors but primarily as a result of a general reduction in aggregate demand in the economy and the delay in sourcing some specific raw materials to meet demands from other customers.

CFF saw a growth in manufacturing output as the domestic economy demands more consumer-staple products from our clients. However, there was a noticeable reduction in demand in February and March by our major Jamaican customers whose orders plummeted for of their main inputs. Despite the challenges from the local economy, demands from our Southern Caribbean customers remained at usual volume.

The Company was also impacted by the delay in obtaining certain raw materials from our suppliers which impacted the timing of order fulfilment. Receival of a critical raw material was pushed out from February to early May, a symptom of the delays from the Panama Canal and other maritime routes. While CFF's April revenue saw some improvement, large manufacturing customers are still maintaining a patient stance as they observe market demand.

Gross profit decreased by 5.07% to \$65.118 million, however, the Company's gross profit margin for the quarter improved from 32.23% to 34.72%, a demonstration of management's ability to manage costs even with reduced revenue.

Total expenses rose by 13.22% to \$50.377 million due to items such as insurance, security and staff costs experiencing increases due to events which occurred in 2023. Selling and distribution expenses grew 85.37% as the company spent more on advertising and promotion along with other associated costs of distribution.

Though interest income rose by two-thirds to \$3.336 million, net finance income decreased by a similar margin from \$5.222 million to \$1.689 million as a result of not recording a foreign exchange gain when compared to Q1 2023.

Profit before tax decreased by 43.98% to \$16.430 million and net profit attributable to shareholders declined by 51.87% to \$12.430 million with earnings per share moving from \$0.03 to \$0.01. A keen reminder to note is that CFF no longer benefits from a tax remission compared to the period covering the first nine (9) months of 2023 which included a tax remission benefit.

Balance Sheet

Total assets improved by 1.54% to \$808.016 million on a year over year basis. Current assets continue to represent the largest portion of our asset base at \$651.393 million. Our cash balance currently stands at \$28.662 million while our short-term investments stand at \$79.619 million. Non-current assets were \$156.623 million which was unchanged compared to Q1-2023.

Total liabilities decreased by 30.18% to \$143.877 million. Current liabilities declined by 46.18% from \$116.444 million to \$62.670 million as the company significantly reduced its trade payables balance during the period. Shareholders' equity increased by 12.63% to \$664.139 million from the higher accumulated surplus during the reporting period.

Market Performance

	March 31, 2024	March 31, 2023	Percentage
CFF Stock Price	\$1.59	\$1.25	27.20%
Junior Market Index	3,876.03	3,795.21	2.13%
JSE Manufacturing and Distribution Index	104.05	97.16	7.09%
Market Capitalisation	\$1.43 Billion	\$1.12 Billion	27.68%

CFF's stock price increased by 27.20% on a year over year comparison but was down 11.67% during Q1 2024 compared to the \$1.80 opening price. The Junior Market Index and JSE Manufacturing and Distribution Index were marginally up on a year over year basis. The Junior Market Index increased 0.72% in Q1 2024 while the JSE M&D Index was up 1.08% which demonstrates the small changes being observed in the broader market. However, a key item to note that the Junior Market had 33 stocks declining relative to 13 advancing in Q1 2024. The company's market capitalisation stood at a solid \$1.43 Billion at the end of the quarter.

The JSE only had one public market offer which was Express Catering Limited's US\$12 million public bond offer in Q1 2024. The Junior Market also saw the two largest companies by profit and market capitalisation, Lasco Manufacturing and Lasco Distributors, graduate to the Main Market which saw a reduction in the overall Junior Market capitalisation and a rebalancing in the weighting of the remaining stocks.

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 transactions are 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 in the receipt of goods compared to the expected receival timeline. CFF is seeking to diversify its supplier range while also seeking to craft different products for clients where there is a delay in receiving key raw materials. While the company 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-offs 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.

Despite the headwinds experienced in Q1 2024, CFF introduced two new flavours, Mango Pineapple and Blue Lemonade, to the market. Both flavours were received well by a new local client. The company also introduced new fabric softener bases and a new black glacier fragrance. We continue to work with our various customers to develop new flavours ahead of the summer season.

We continue to work with many of the major players within the baking industry in developing better products from our ingredients portfolio while deepening relationships with our existing clients. We are currently working on new projects which are set to be fully manifested during the second quarter and will announce some of these projects at the appropriate time.

As we continue to explore opportunities for growth in the Spanish-Speaking markets, we’re continuing our efforts to recruit a senior commercial manager. This will be crucial for us to build new relationships and eventually develop new products for customers in the region. We will be sending two of our technical team members to the Institute of Food Technologists (IFT) First Annual Meeting and Expo to be held in Chicago, Illinois between July 14 – 17 as we seek to explore new opportunities from other food businesses.

We continue to thank our employees for their commitment and dedication bearing in mind the challenges faced during this reporting period and our shareholders, customers and other stakeholders for their support as we continue to expand our business and strive bring greater value to all parties. We look forward to continuing our growth journey in 2024.

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.

	31/3/2024 \$'000	31/3/2023 \$'000	31/12/2023 \$'000
Net profit	12,430	25,827	132,819
Weighted average number of shares	899,200,330	899,200,330	899,200,330
Earnings Per share	\$0.01	\$0.03	\$0.15

SHAREHOLDINGS OF TOP TEN (10) STOCKHOLDERS, DIRECTORS, SENIOR OFFICERS AS AT MARCH 31, 2024

#	Name of Shareholder	Volume	Percentage Ownership
1	DERRIMON TRADING COMPANY LIMITED	584,653,270	65.0192%
2	DIGIPOINT LIMITED	67,115,035	7.4639%
3	JCSD TRUSTEE SERVICES LIMITED A/C BARITA UNIT TRUST CAPITAL GROWTH FUND	63,657,968	7.0794%
4	IDEAL GLOBAL INVESTMENTS LIMITED	30,968,610	3.4440%
5	NIGEL O. COKE	23,586,079	2.6230%
6	IAN C. KELLY	23,228,140	2.5832%
7	TROPICAL BATTERY COMPANY LTD CONTRIBUTORY PENSION SCHEME	10,190,987	1.1333%
8	MAYBERRY INVESTMENTS LTD PENSION SCHEME	9,729,450	1.0820%
9	SAGICOR SELECT FUND LIMITED – ('CLASS C' SHARES) MANUFACTURING AND DISTRIBUTION	7,212,860	0.8021%
10	KONRAD BERRY	6,951,663	0.7731%
Top 10 Holdings		827,294,062	92.0033%
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 2024

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED
FINANCIAL STATEMENTS
FOR THE THREE MONTHS TO 31 MARCH 2024

INDEX

	<u>PAGE</u>
<u>UNAUDITED FINANCIAL STATEMENTS</u>	
Statement of Profit and Loss and Comprehensive Income	1
Statement of Financial Position	2
Statement of Changes in Equity	3
Statement of Cash Flows	4
Notes to the Financial Statements	5-10

Caribbean Flavours and Fragrances Limited

Statement of Comprehensive Income

Three months ended 31 March 2024

	Unaudited 3 months ended 31 March 2024 \$ '000	Unaudited 3 months ended 31 March 2023 \$ '000	Audited 12 months ended 31 December 2023 \$ '000
REVENUE	187,559	212,831	900,805
Cost of sales	<u>(122,441)</u>	<u>(144,232)</u>	<u>(576,017)</u>
Gross profit	65,118	68,599	324,788
Unrealised gains on investments valued at fair value	-	-	-
Selling and distribution costs	(1,726)	(931)	(10,880)
Administrative expenses	(48,651)	(43,563)	(179,288)
Net finance income	<u>1,689</u>	<u>5,222</u>	<u>21,184</u>
Profit before tax	16,430	29,327	155,804
Taxation	(4,000)	(3,500)	(22,985)
Net profit	12,430	25,827	132,819
Earnings per share	\$0.01	\$0.03	\$0.15

Caribbean Flavours and Fragrances Limited

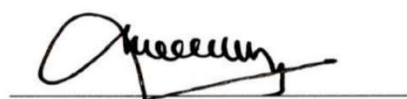
Statement of Financial Position

As at 31 March 2024

	Note	Unaudited 31 March 2024 \$ '000	Unaudited 31 March 2023 \$ '000	Audited 31 December 2023 \$ '000
ASSETS				
Non-Current Assets				
Property, plant and equipment		44,755	37,878	45,289
Rights-of-use assets		66,525	73,008	68,147
Investment securities		45,000	45,000	45,000
Deferred tax assets		343	1,740	343
		<u>156,623</u>	<u>157,626</u>	<u>158,779</u>
Current Assets				
Inventories		174,172	186,428	216,985
Receivables		133,341	145,299	164,292
Tax recoverable		6,070	4,488	6,070
Due from related parties		229,529	71,405	237,117
Cash and bank equivalents		28,662	39,188	32,957
Short term deposits		79,619	191,318	79,619
		<u>651,393</u>	<u>638,126</u>	<u>737,040</u>
TOTAL ASSETS		<u><u>808,016</u></u>	<u><u>795,752</u></u>	<u><u>895,819</u></u>
EQUITY AND LIABILITIES				
Stockholder's Equity				
Share capital		56,200	56,200	56,200
Retained earnings		607,939	533,477	595,509
		<u>664,139</u>	<u>589,677</u>	<u>651,709</u>
Non-Current Liabilities				
Long term loan		8,201	12,370	9,293
Lease liability		73,006	77,261	74,338
		<u>81,207</u>	<u>89,631</u>	<u>83,631</u>
Current Liabilities				
Payables and accruals		44,294	105,830	139,784
Taxation payable		9,623	1,390	11,942
Current portion of long term loan		4,165	4,250	4,165
Current portion of lease liability		4,588	4,974	4,588
		<u>62,670</u>	<u>116,444</u>	<u>160,479</u>
TOTAL EQUITY AND LIABILITIES		<u><u>808,016</u></u>	<u><u>795,752</u></u>	<u><u>895,819</u></u>

Approved and signed on behalf of the Board by:


Anand James - Director


Ian Kelly - Director

Caribbean Flavours and Fragrances Limited

Statement of Changes in Equity

Three months ended 31 March 2024

	Unaudited 31 March 2024		Unaudited 31 March 2023		Audited 31 December 2023	
	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	595,509	56,200	507,650	56,200	507,650
Issue of shares					-	
Net profit		12,430		25,827	-	132,819
Dividends paid	-		-	-	-	(44,960)
	<u>56,200</u>	<u>607,939</u>	<u>56,200</u>	<u>533,477</u>	<u>56,200</u>	<u>595,509</u>

Caribbean Flavours and Fragrances Limited

Statement of Cash Flows

Three months ended 31 March 2024

	3 months ended 31 March 2024 \$ '000	3 months ended 31 March 2023 \$ '000
CASH RESOURCES WERE PROVIDED BY/(USED IN):		
Cash Flows from Operating Activities		
Profit after taxation	12,430	25,827
Adjustment for non-cash income and expenses		
Depreciation	2,222	3,115
Lease interest expense	(1,332)	(1,429)
Amortization of right-of-use assets	1,623	1,630
Interest income	(3,336)	(2,009)
	<u>11,607</u>	<u>27,134</u>
Changes in operating assets and liabilities		
Inventories	42,813	(7,068)
Receivables and prepayments	30,951	(15,914)
Due from related party	7,588	(16,868)
Payables and accruals	(95,490)	17,835
Taxation payable	(2,319)	(2,940)
Tax recoverable	-	(2)
	<u>(16,457)</u>	<u>(24,957)</u>
Net cash (used in)/provided by operating activities	<u>(4,850)</u>	<u>2,177</u>
Cash Flows from Investing Activities:		
Purchase of property, plant and equipment	(1,689)	(1,704)
Purchase of investments	-	(38,488)
Dividends paid	-	-
Interest received	3,336	2,009
Net cash providedby/(used in) investing activities	<u>1,647</u>	<u>(38,183)</u>
Cash Flows from Financing Activities:		
Bank loan	(1,092)	(990)
Net cash used in financing activities	<u>(1,092)</u>	<u>(990)</u>
Net decrease in cash and cash equivalents	(4,295)	(36,996)
Cash and cash equivalents at beginning of year	32,957	76,184
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>28,662</u>	<u>39,188</u>
Represented by:		
Cash on hand	981	3,436
Bank balances	27,681	35,752
	<u>28,662</u>	<u>39,188</u>

Caribbean Flavours & Fragrances Limited

Notes to the Unaudited Financial Statements

Three months ended 31 March 2024

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, 2023.

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 2024

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 estimates 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 2024

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	33⅓%
Motor vehicles	25%

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

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

Revenue recognition

Revenue from the sale of goods is 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 2024

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>2024</u>	<u>2023</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.