

THIS PROSPECTUS IS DATED Wednesday 18 September 2013 and is issued by Caribbean Flavours and Fragrances Limited (the "Company"). A copy of this Prospectus was delivered to the Registrar of Companies for registration pursuant to section 40(2) of the Companies Act, 2004 and was so registered on Wednesday 18 September 2013. The Registrar of Companies accepts no responsibility whatsoever for the contents of this Prospectus. A copy of this Prospectus was also delivered to the Financial Services Commission ("FSC") for the purposes of the registration of the Company as an issuer pursuant to section 26 of the Securities Act and the Company was so registered on Wednesday 18 September 2013. The FSC has not approved the shares for which subscription is invited nor has the FSC passed upon the accuracy or adequacy of this Prospectus.



## Invitation For Subscription 22,480,009 ORDINARY SHARES J\$2.25 PER ORDINARY SHARE

Up to 12,588,805 Shares in the Invitation (the "Reserved Shares") are initially reserved for priority application from, and subscription by, the following persons (the "Reserved Share Applicants"): (a) 899,200 Shares for Directors and the Mentor of the Company, at the Invitation Price (the "Board Reserved Shares"), (b) 449,600 Shares for senior managers and employees of the Company (the "Staff Reserved Shares"); (c) 6,744,003 Shares for key partners, suppliers and customers of the Company (the "Key Partners Reserved Shares"); and (d) 4,496,002 Shares for Mayberry, the financial adviser and lead broker to the Company in the Invitation. All Shares inclusive of the Reserved Shares are priced at the Invitation Price. If any of the Reserved Shares in any category are not subscribed by the persons entitled to them, they will become available for subscription by priority applicants in the other categories and thereafter, they will become available for subscription by the general public. See Section 6.5 for full terms and conditions.

An Application for use by Reserved Share Applicants and the general public is provided at the end of this Prospectus together with notes on how to complete it. The subscription list for the Shares will open at 9:00 a.m. on the Opening Date Wednesday 25 September 2013. Applications submitted prior to the Opening Date will be received, but not processed until the Opening Date. The subscription list for the Shares will close at 4:30 p.m. on the Closing Date, Wednesday 2 October 2013, subject to the right of the Company to: (a) close the subscription list at any time after it opens on 9:00 a.m. on the Opening Date once the issue is fully subscribed and (b) extend the Closing Date for any reason, provided that it does not extend beyond the expiration of 40 days after the publication of this prospectus for the purposes of section 48 of the Companies Act. In the case of an early closing of the subscription list, or an extension to the Closing Date, notice will be posted on the website of the Jamaica Stock Exchange ([www.jamstockex.com](http://www.jamstockex.com)). It is the intention of the Company to apply to the JSE for admission of the Shares to the Junior Market. The application to the JSE is dependent on the Company's ability to (i) raise at least \$50 million as a result of the Invitation and (ii) meet the criteria for admission. Please note that this statement of the Company's intention is not a guarantee that the Shares will in fact be admitted to the Junior Market of the JSE. If, however, the Invitation is not fully subscribed and the Company does not raise at least \$50 million as a result of it, the Company will not make application for the Shares to be admitted to the Junior Market of the JSE and all payments for Shares received from Applicants will be returned (or refunded in full) to the Applicants.

### SHARE CAPITAL

Authorised	91,452,000 Shares
Maximum to be issued in the Invitation fully paid	22,480,009 Shares
<u>Maximum fundraising assuming all Shares in the Invitation are subscribed by the persons entitled to them:</u>	
General public: 9,891,204 Shares at the Invitation Price	\$22,255,209.00
Board Reserved Shares: 899,200 Shares at the Invitation Price	\$ 2,023,200.00
Staff Reserved Shares: 449,600 Shares at the Invitation Price	\$ 1,011,600.00
Key Partners Reserved Shares: 6,744,003 Shares at the Invitation Price	\$15,174,006.75
Mayberry Reserved Shares: 4,496,002 Shares at the Invitation Price	<u>\$10,116,004.50</u>
<b>Total Consideration</b>	<b>\$50,580,020.25</b>

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## **Section 1:**

## **Important Disclaimers**

### **Responsibility for the Contents of this Prospectus**

This Prospectus has been reviewed and approved by the Board of Directors of the Company. The Directors of the Company whose names appear in Section 8 of this Prospectus are the persons responsible (both individually and collectively) for the information contained in it (including but not limited to the Financial Information). To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and no information has been omitted which is likely to materially affect the import of information contained herein.

### **Contents of this Prospectus**

**This Prospectus contains important information for prospective investors in the Company. All prospective investors should read this Prospectus carefully in its entirety before submitting an Application.**

This Prospectus also contains summaries of certain documents, which the Board of Directors of the Company believes are accurate. Prospective investors may wish to inspect the actual documents that are summarised, copies of which will be available for inspection as described in Section 15. Any summaries of such documents appearing in this Prospectus are qualified in their entirety by reference to the complete document.

The publication of this Prospectus shall not imply that there has been no change in the business, results of operations, financial condition or prospects of the Company since the date of this Prospectus. No person is authorised to provide information or to make any representation whatsoever in connection with this Prospectus, which is not contained in this Prospectus.

Neither the FSC nor any Government agency or regulatory authority in Jamaica has made any determination as to the accuracy or adequacy of the matters contained in this Prospectus.

### **The Invitation is made to Jamaican Residents in Jamaica Only**

This Prospectus is intended for use in Jamaica only and is not to be construed as making an invitation to persons outside of Jamaica to subscribe for any Shares. The distribution or publication of this Prospectus and the making of the invitation in certain jurisdictions outside of Jamaica is prohibited by law.

### **Application to Subscribe for Shares**

This Prospectus is not a recommendation by the Company that prospective investors should submit Applications to subscribe for Shares in the Company. Prospective investors in the Company are expected to make their own assessment of the Company, and the merits and risks of subscribing for Shares. Prospective investors are also expected to seek appropriate advice on the financial and legal implications of subscribing for Shares, including but not limited to any tax implications. Each Applicant who submits an Application acknowledges and agrees that:

- (1) he/she has been afforded a meaningful opportunity to review this Prospectus (including the terms and conditions in section 6.5), and to gather and review all additional information considered by him/her to be necessary to verify the accuracy of the information contained in this Prospectus;
- (2) he/she has not relied on the Company or any other persons in connection with his/her investigation of the accuracy of such information or his/her investment decision; and
- (3) no person connected with the Company has made any representation concerning the Company or this Prospectus not contained in this Prospectus, on which the Applicant has relied in submitting his/her Application.

## **Section 2: Summary of Key Information on the Invitation**

<b>Issuer:</b>	CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED
<b>Securities:</b>	UP TO 22,480,008 ORDINARY SHARES*
<b>Invitation Price:</b>	J\$2.25 PER ORDINARY SHARE PAYABLE IN FULL ON DELIVERY OF AN APPLICATION
<b>Application:</b>	SEE APPENDIX 1 OF THIS PROSPECTUS (Applicants for Reserved Shares see * below).
<b>Terms and Conditions:</b>	SEE SECTION 6.5 OF THIS PROSPECTUS
<b>Payment Method:</b>	(1) Manager's cheque made payable to either "MAYBERRY INVESTMENTS LIMITED" or "JN FUND MANAGERS LIMITED" (2) cleared funds held in Mayberry or JN Fund Managers account. All completed Applications may be deposited together with payment at Mayberry as set out in section 6.5.
<b>Timetable of Key Dates:</b>	REGISTRATION AND PUBLICATION OF PROSPECTUS: Wednesday 18 September 2013 OPENING DATE: 9:00 a.m. Wednesday 25 September 2013 CLOSING DATE:** 4:30 p.m. Wednesday 2 October 2013  EARLY APPLICATIONS MAY BE SUBMITTED. Early Applications will be received, but not processed until the Opening Date. All early Applications will be treated as having been received at the same time, being 9:00 a.m. on the Opening Date. All other Applications will be received and processed on a first come, first served basis.  CONFIRMATION OF BASIS OF SHARE ALLOTMENTS: A notice confirming the provisional basis of allotment will be posted on the website of the Jamaica Stock Exchange ( <a href="http://www.jamstockex.com">www.jamstockex.com</a> ) 3 business days after the Closing Date. ***  RETURNED APPLICATIONS/REFUND CHEQUES: Available for collection from Mayberry, 1½ Oxford Road, Kingston 5, or JN Fund Managers Limited, 17 Belmont Road, Kingston 5 – in each case, 7 business days after the Closing Date.  FINAL ALLOTMENT OF SHARES AND ADMISSION TO JUNIOR MARKET OF JSE. Within 3 to 4 weeks of the Closing Date. Successful Applicants will receive a letter from the Registrar of the Company, Jamaica Central Securities Depository, confirming their final allotments.

\* Up to 12,588,805 Shares in the Invitation (the "Reserved Shares") are initially reserved for priority application from, and subscription by, the following persons (the "Reserved Share Applicants"): (a) 899,200 Shares for Directors and the Mentor of the Company, at the Invitation Price (the "Board Reserved Shares"); (b) 449,600 Shares for senior managers and employees of the Company (the "Staff Reserved Shares"); (c) 6,744,003 Shares for key partners, suppliers and customers of the Company (the "Key Partners Reserved Shares"); and (d) 4,496,002 Shares for Mayberry, the financial adviser and lead broker to the Company in the Invitation. [All Shares inclusive of the Reserved Shares are priced at the Invitation Price. If any of the Reserved Shares in any category are not subscribed by the persons entitled to them, they will become available for subscription by priority applicants in the other categories and thereafter, they will become available for subscription by the general public. See Section 6.5 for full terms and conditions.

\*\*An Application for use by both Reserved Share Applicants and the general public is provided at the end of this Prospectus together with notes on how to complete it. The subscription list for the Shares will open at 9:00 a.m. on the Opening Date. The subscription list for the Shares will close at 4:30 p.m. on the Closing Date subject to the right of the Company to: (a) close the subscription list at any time after it opens at 9:00 a.m. on the Opening Date once the issue is fully subscribed and (b) extend the Closing Date for any reason provided that it does not extend beyond the expiration of 40 days after the publication of this prospectus for the purposes of section 48 of the Companies Act.

\*\*\*In the case of an early closing or an extension to the Closing Date, notice will be posted on [www.jamstockex.com](http://www.jamstockex.com). It is the intention of the Company to apply to the JSE for admission of the Shares to the Junior Market. The application to the JSE is dependent on the Company's ability to (i) raise at least \$50 million as a result of the Invitation and (ii) meet the criteria for admission. Please note that this statement of the Company's intention is not a guarantee that the Shares will in fact be admitted to the Junior Market of the JSE. If, however, the Invitation is not fully subscribed by the Closing Date the Company will not make application for the Shares to be admitted to the Junior Market of the JSE and all payments will be returned (or refunded in full) to the Applicants making them.



# CARIBBEAN FLAVOURS AND FRAGRANCES LTD.

226 Spanish Town Road, Kingston 11

Tel: 923 – 5111, 923 – 8777, 923 – 5256 Facsimile: 923 – 4323 Web: [www.caribbeanflavoursjm.com](http://www.caribbeanflavoursjm.com)

Wednesday 18 September 2013

Dear Prospective Investors,

## **The Company**

We are pleased to invite you to participate in the Invitation. The business of the Company in Jamaica was previously owned and operated by Bush Boake Allen (Jamaica) Limited, a predecessor of the Company that had operated in Jamaica for 40 years before closing its doors in 2000. The Managing Director, Anand James, acquired the business while working in the predecessor's management, when certain of its group's assets were sold to International Flavours and Fragrances Limited. The Company opened for business under the management of Mr. James on 1<sup>st</sup> October 2001 and continued in the tradition of its predecessor by manufacturing and distributing quality flavourings and water soluble colourings for the food, beverage, baking, confectionary and pharmaceutical industries. The Company also manufactures and supplies fragrances which are used in production of household cleaning, body care, aroma therapy and air freshener products. The Company supplies its products predominantly to large commercial concerns in Jamaica, and also exports to neighbouring Caricom countries including Trinidad, Barbados, Guyana, and St. Kitts.

The Company is committed to a partnership of innovation with its customers, and aims to provide them with global trend analyses, technological improvements and unique solutions that can be brought to market quickly. The Directors consider that this strategy has contributed to the success of the Company, which was recognized by the Bureau Of Standards in 2009 for Excellence in Standards (Small and Medium - sized Businesses) and by the Jamaica Manufacturer's Association – Manufacturer of the Year Award for 2010. Going forward, the Directors intend to capitalize on the Company's ability to develop improved and new products for its customers, both locally and internationally.

## **Use of Proceeds**

The Company intends to use the anticipated proceeds of the Invitation for expansion and working capital purposes including, but not limited to, the following:

- increasing its manufacturing capacity
- improvements to the existing plant and processes
- Payment of the expenses of the Invitation which, the Company estimates, will not exceed J\$7m (inclusive of brokerage and financial advisory fees, legal fees, auditors' fees, Companies Registrar's fees, initial listing fees, applicable stamp duties, exclusive of GCT).

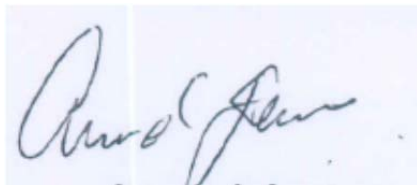
## **Dividend Policy**

If the Company gains admission to the Junior Market of the JSE the Directors intend to pay an annual dividend of not less than 25% of net profits available for distribution, subject to the need for reinvestment in the Company from time to time.

## **How to make an Application for Shares**

We hope that prospective investors will support the Invitation. Those investors who are interested in subscribing for Shares should read this Prospectus in its entirety and the full terms and conditions of the Invitation set out in Section 6.5, and then complete the Application set out in Appendix 1.

On behalf of the Board of the Company,

A handwritten signature in blue ink, appearing to read 'Anand James', is written over a light blue rectangular background.

**Anand James**  
**Managing Director**

**Directors: Anand James (Managing), Joan James, Anthony James,  
Howard Mitchell, Clive Nicholas, W. "Billy" Heaven**

## **Section 4: Definitions Used in this Prospectus**

<b>Act</b>	means the Companies Act, 2004
<b>Allotment</b>	means the allotment of the Shares to successful Applicants by the Company
<b>Applicant</b>	means a person (being an individual or a body corporate) resident in Jamaica, whether an applicant for Reserved Shares, or a member of the general public) who submits an Application
<b>Application</b>	means the form of application to be used by all Applicants who wish to make an offer to subscribe for Shares in the Invitation, which is set out in Appendix 1
<b>Articles of Incorporation</b>	means the Articles of Incorporation of the Company adopted by the shareholders of the Company on Friday 13 September 2013 together with any amendments thereto
<b>Auditor</b>	means Lee Clarke Chang, Chartered Accountants of 9 Cargill Avenue, Kingston, Saint Andrew
<b>Audited Financial Information</b>	means the financial information in Section 11 that is extracted from the audited accounts of the Company for the periods ended 30 June 2012 inclusive
<b>Board Applicants</b>	means the members of the Board of Directors (save for Anand James and Joan James, the founding Shareholders) and the Mentor of the Company
<b>Board Reserved Shares</b>	means the 899,200 Shares in the Invitation that are initially reserved for priority application from, and allotment to, the Board Applicants on the terms and conditions set out in section 6.5 of this Prospectus
<b>Board of Directors</b>	means the Board of Directors of the Company, details of which are set out in Section 8 of this Prospectus
<b>Company</b>	means Caribbean Flavours and Fragrances Limited, a company incorporated in Jamaica on 23 February 2001 (number 63,953) with its registered office at 226 Spanish Town Road, Kingston 11, Saint Andrew
<b>Closing Date</b>	means the date on which the subscription list in respect of the Invitation closes, being 4:30 p.m. on Wednesday 2 October 2013, subject to the right of the Company to shorten or extend the period in the circumstances set out in this Prospectus
<b>Director</b>	means a member of the Board of Directors
<b>Financial Information</b>	means the Audited Financial Information and the Unaudited Financial Information



<b>forward looking statements</b>	means the forward looking statements referred to in Section 5 of this Prospectus
<b>FSC</b>	means the Financial Services Commission of Jamaica
<b>Invitation</b>	means the invitation to subscribe for 22,480,009 Shares in the capital of the Company on the terms and conditions set out in this Prospectus
<b>Invitation Price</b>	means J\$2.25 per Share
<b>JSE</b>	means the Jamaica Stock Exchange
<b>Junior Market</b>	means the Junior Market of the JSE
<b>Key Partner(s)</b>	means the key partners, suppliers and customers of the Company
<b>Key Partner(s) Reserved Shares</b>	means the 6,744,003 Shares in the Invitation that are initially reserved for priority application from, and allotment to, the Key Partners on the terms and conditions set out in section 6.5 of this Prospectus
<b>Mayberry</b>	means Mayberry Investments Limited of 1½ Oxford Road, Kingston, Saint Andrew, lead broker and financial adviser to the Company in the Invitation
<b>Mayberry Reserved Shares</b>	means the 4,496,002 Shares in the Invitation that are initially reserved for priority application from, and allotment to, Mayberry on the terms and conditions set out in section 6.5 of this Prospectus
<b>Mentor</b>	means Tania Waldron-Gooden, the Mentor of the Company required to be appointed under the rules of the Junior Market
<b>Opening Date</b>	means the date on which the subscription list in respect of the Invitation opens, being Wednesday 25 September 2013
<b>Prospectus</b>	means this document dated Wednesday 18 September 2013, which constitutes a prospectus for the purposes of the Companies Act, 2004 and the Securities Act
<b>Registrar</b>	means Jamaica Central Securities Depository Limited, 40 Harbour Street, Kingston, Saint Andrew
<b>Reserved Shares</b>	means the 12,588,805 Shares in the Invitation that are reserved for priority application from, and subscription by, the Board Applicants, the Employee Applicants and the Key Partners on the terms and conditions set out in section 6.5 of this Prospectus
<b>Shares</b>	means the ordinary shares in the capital of the Company inclusive of the Shares that are offered for subscription in the Invitation on the terms and conditions set out in this Prospectus and the expression "Shares" shall include Reserved Shares where the context so requires

<b>Shareholders</b>	means holders of the Shares
<b>Staff</b>	means the employees and senior managers of the Company
<b>Staff Reserved Shares</b>	means the 449,600 Shares in the Invitation that are initially reserved for priority application from, and allotment to, the Key Partners on the terms and conditions set out in section 6.5 of this Prospectus
<b>terms and conditions</b>	means the terms and conditions of the Invitation set out in Section 6.5 of this Prospectus
<b>Unaudited Financial Information</b>	means the financial information taken from the management accounts of the Company for the 12 month period ended 30 June 2013
<b>\$</b>	means the Jamaican dollar unless otherwise indicated

## **Section 5: Disclaimer - Forward Looking Statements**

Certain matters discussed in this Prospectus inclusive of the Projected Financial Information contain forward-looking statements including but not limited to statements of expectations, future plans or future prospects, and financial projections. Forward-looking statements are statements that are not about historical facts and speak only as of the date they are made. Although the Directors believe that in making any such statements its expectations are based on reasonable assumptions, such statements may be influenced by factors that could cause actual outcomes and results to be materially different from those projected. Prospective investors in the Company are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the dates on which they have been made. Future events or circumstances could cause actual results to differ materially from historical or anticipated results.

When used in this Prospectus, the words "anticipates", "believes", "expects", "intends" and similar expressions, as they relate to the Company, are intended to identify those forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties. Once this Prospectus has been signed by or on behalf of the Company, and prior to the admission of the Company to the Junior Market of the JSE, the Company undertakes no obligation to update publicly or revise any of the forward-looking statements in light of new information or future events, including changes in the Company's financial or regulatory position, or to reflect the occurrence of unanticipated events (subject to any legal or regulatory requirements for such disclosure to be made). There are important factors that could cause actual results to differ materially from those in forward-looking statements, certain of which are beyond the Company's control. These factors include, without limitation, the following:

- economic, social and other conditions prevailing both within and outside of Jamaica, including actual rates of growth of the Jamaican and regional economies, instability, high domestic interest rates or exchange rate volatility
- adverse climatic events and natural disasters
- unfavourable market receptiveness to new products
- changes in any legislation or policy adversely affecting the revenues or expenses of the Company
- any other factor negatively impacting on the realisation of the assumptions on which the Directors' beliefs are based
- other factors identified in this Prospectus
- factors as yet unknown to the Company

Neither the FSC nor any Government agency or regulatory authority in Jamaica has made any determination on the accuracy or adequacy of the matters contained in this Prospectus.

### 6.1 General Information

The Company is seeking to raise \$50.6 million from subscriptions for up to 22,480,008 Shares in the Invitation. A total of up to 9,891,204 Shares have been initially reserved for subscription by the general public, while up to 12,588,805 Shares have been initially reserved for subscription by the following Reserved Share Applicants: the Board, the Staff Applicants, the Key Partners and Mayberry as described in section 6.5, below. If any of the Reserved Shares in any category are not subscribed by the Reserved Share Applicants that are entitled to them, they will then be offered to Reserved Share Applicants in the other categories following which any remaining Reserved Shares they will be made available for subscription by the general public.

All Shares inclusive of Reserved Shares are priced at the Invitation Price of J\$2.25 per Share. Assuming that the Company raises at least \$50 million in the Invitation, the Company will make application to the JSE for the Shares to be admitted to the Junior Market. If the application is successful, it is anticipated that the Shares will be admitted to trading within 3 to 4 weeks of the Closing Date (or the shortened or extended Closing Date, as the case may be). In the event that the Company does not raise at least \$50 million and/or the Shares are not admitted to trade on the Junior Market of the JSE, all payments for Shares made by Applicants will be returned or refunded.

**Prospective investors should read this entire Prospectus carefully. Those prospective investors who wish to subscribe for Shares should review the full terms and conditions of the Invitation set out in Section 6.5 before completing the Application set out in Appendix 1.**

### 6.2 Minimum Fundraising

For the purposes of the requirement for disclosure set out in section 48 of the Companies Act, the minimum amount which, in the opinion of the Directors, must be received by the Company as a result of the subscription of its Shares in the Invitation is \$50 million.

### 6.3 Use of Proceeds

The Company intends to use the proceeds of the Invitation for expansion, and working capital purposes including, but not limited to, the following:

- increasing its manufacturing capacity
- improvements to the existing plant and processes
- Payment of the expenses of the Invitation which, the Company estimates, will not exceed J\$7 (inclusive of brokerage and financial advisory fees, legal fees, auditors' fees, Companies Registrar's fees, initial listing fees and exclusive of GCT).

### 6.4 Key Dates

An Application for use by all Applicants, including Reserved Share Applicants and the general public, is provided at the end of this Prospectus together with notes on how to complete it. The subscription list will open on the Opening Date, Wednesday 25 September 2013 and will close at 4:30 p.m. on the Closing Date, Wednesday 2 October 2013 subject to the right of the Company to:

- (a) close the subscription list at any time after 9:00 a.m. on the Opening Date once the issue is fully subscribed, and
- (b) to shorten or extend the Closing Date for any reason provided that it does not extend beyond the expiration of 40 days after the publication of this prospectus for the purposes

of section 48 of the Companies Act.

In either case the Company will arrange for a notice to be posted on the website of the JSE ([www.jamstockex.com](http://www.jamstockex.com)). It is the intention of the Company to apply to the JSE for admission of the Shares to the Junior Market. The application is dependent on the Company's ability to:

- (i) raise at least \$50 million from the Invitation, and
- (ii) meet the criteria for admission set out in the Junior Market Rules made by the JSE.

If such application is made and it is successful the Company expects the Shares to be admitted to trading on the Junior Market of the JSE within 3 to 4 weeks of the Closing Date (or the shortened or extended Closing Date, as the case may be) and for dealings to commence on that date. In the event that the Shares are not admitted to trading on the Junior Market of the JSE all payments for Shares received by the Company will be returned or refunded to the Applicants making them.

## **6.5 Terms and Conditions for Applicants**

1. All Applicants (whether Reserved Share Applicants, or members of the general public) must submit the Application provided at Appendix 1 to this Prospectus. Additionally, Reserved Share Applicants must specify their status on the Application and provide reasonably verifiable proof of their identity.
2. Up to 12,588,805 Reserved Shares in the Invitation are for priority application from, and allotment to, the following persons:
  - 899,200 Reserved Shares for Board Applicants
  - 449,600 Reserved Shares for Staff Applicants
  - 6,744,003 Reserved Shares for Key Partners
  - 4,496,002 Reserved Shares for Mayberry

All Reserved Shares are priced at the Invitation Price will be allotted on a first come first serve basis by the Directors of the Company, acting in their sole discretion. Any Reserved Shares not applied for in any category will become available for subscription by Reserved Share Applicants in the other categories and thereafter, any remaining Reserved Shares will become available for subscription by the general public.

3. All Applicants will be deemed to have accepted the terms and conditions of the Invitation and any other terms and conditions set out in this Prospectus, including any terms and conditions set out in this Section 6 and the Application in Appendix 1.
4. Each Applicant acknowledges and agrees that:
  - (a) he/she has been afforded a meaningful opportunity to review this Prospectus (including the terms and conditions in this Section 6.5), and to gather and review all additional information considered by him/her to be necessary to verify the accuracy of the information contained in this Prospectus;
  - (b) he/she has not relied on any person other than the Company and the Directors, each of whom have individual and collective responsibility for the contents of this Prospectus, in connection with his/her investigation of the accuracy of such information or his/her investment decision;
  - (c) no person connected with the Company has made any representation concerning the Company or this Prospectus not contained herein, on which the Applicant has relied in submitting his/her Application; and
  - (d) he/she has made his/her own assessment of the Company, and the merits and risks of subscribing for Shares, inclusive of taking advice (or waiving the need for

such advice) in relation on the financial and legal implications of subscribing for Shares and the tax implications. thereof.

5. Applications from the general public must request a minimum of 2,000 Shares and be made in multiples of 1,000. Applications in other denominations will not be processed or accepted.
6. All Shares inclusive of Reserved Shares are priced at the Invitation Price. A processing fee of J\$110 per Application payable to the Registrar of the Company JCSD applies and is payable by each Applicant. The \$110 processing fee will be refunded to an Applicant in the event that the Company refunds payments received from Applicants for Shares in accordance with paragraph 11, below.
7. All Applications must be accompanied by the appropriate payment in the form of either:
  - (a) a manager's cheque made payable to “**Mayberry Investments Limited**”, or “**JN Fund Managers Limited**”;
  - (b) authorisation from the Applicant on the Application, instructing Mayberry or JN Fund Managers to make payment from cleared funds held in an investment account in the Applicant's name.

All completed Applications must be delivered to either of:

- Mayberry, 1½ Oxford Road, Kingston, Jamaica.
  - JN Fund Managers Limited, 17 Belmont Road, Kingston, Jamaica
8. **Applications submitted in advance of the Opening Date will be received and checked for completeness, but not processed.** All such advance Applications will be treated as having been received at 9:00 a.m. on the Opening Date, Wednesday 25 September 2013. All Applications received from 9:00 a.m. onwards on the Opening Date will be time stamped for processing in the order in which they were received and dealt with in that same order (e.g. on a first come first served basis).
  9. The Company may:
    - (a) accept or reject any Application in whole or part without giving reasons, and neither the Company nor its Directors or agents shall be required to provide reasons for decisions or be liable to any Applicant or any other person for doing so; and
    - (b) allot Shares to Applicants on a basis to be determined by it in its sole discretion. Multiple Applications by any person (whether in individual or joint names) may be treated as a single Application.
  10. Neither the submission of an Application by an Applicant nor its receipt by the Company will result in a binding contract between the Applicant and the Company. Only the allotment of Shares by the Company to an Applicant (whether such Shares represent all or part of those specified by the Applicant in his/her Application) will result in a binding contract under which the Applicant will be deemed to have agreed to subscribe for the number of allotted Shares, subject to the Articles of Incorporation of the Company and the terms and conditions set out in this Section 6.5 and the Prospectus generally.
  11. If the Invitation is successful in raising at least \$50 million and the Shares are admitted to trade on the Junior Market of the JSE, Applicants will be allotted Shares for credit to their account in the Jamaica Central Securities Depository specified in their Applications. Applicants may refer to the notice that will be posted on the website of the JSE ([www.jamstockex.com](http://www.jamstockex.com)) after the Closing Date (or the shortened or extended Closing

Date, as the case may be). Applicants who wish to receive share certificates must make a specific request to the Registrar. In the event that Company does not raise at least \$50 million and/or the Shares are not admitted to trade on the on the Junior Market of the JSE, all payments for Shares received from Applicants will be returned or refunded to the persons making them. Please note that the Company does not guarantee admission of the Shares to the Junior Market of the JSE.

12. The Company will endeavour to return cheques or make refunds to Applicants whose Applications are not accepted, or whose Applications are only accepted in part, to Mayberry and JN Fund Managers within 7 working days after the Closing Date (or the shortened or extended Closing Date, as the case may be) or as soon as practicable thereafter. Each Applicant's returned cheque or refund cheque will be sent to Mayberry and JN Fund Managers for collection by the Applicant (or the first-named joint Applicant) stated in the Application. Any other persons purporting to collect a cheque on behalf of an Applicant must be authorised in writing to do so.
13. Applicants must be at least 18 years old.

## **Section 7: Information about the Company**

### **7.1 The Company and its History**

The Company is one of the largest businesses of its kind in the English speaking Caribbean. It is engaged in the manufacturing and distribution of quality flavorings and water soluble colourings for the food, beverage, baking, confectionery and pharmaceutical industries, and acts as a key supplier. The Company also manufactures and supplies fragrances used in household cleaning, body care, aroma therapy and air re-freshener products.

The Company was incorporated on 23<sup>rd</sup> February 2001 and commenced operations later that year. The Company purchased its business and assets from prior owner Bush Boake Allen Jamaica Limited ("BBA") when that entity voluntarily wound up its Jamaican operations in 2000 after some 40 years in business. Having been employed in the management of the predecessor operation, Managing Director and founding Shareholder of the Company Anand James saw an opportunity to continue the operations of the Company, which are located at the same site formerly used by BBA.



*Photo: Company offices and plant located at 226 Spanish Town Road, Kingston*

The Company benefits from the experience of its management and Managing Director Anand James in particular, who has over 20 years' experience with the Company and also, its predecessor BBA. The Company also has a complement of 12 permanent employees. The



Company seeks to raise approximately J\$50.6 million in the Invitation to support improvements to the existing plant and processes, and to increase its manufacturing capacity for custom blending operations.

## **7.2 Business model**

Since its incorporation the Company has acted as a preferred supplier of flavours, fragrances and water soluble food colours to predominantly commercial customers in Jamaica, and also Trinidad and Tobago, Grenada, Barbados, St. Kitts, Guyana, USA and Canada. The Company's customers include, but are not limited to, the following well – known food and beverage suppliers:

### Jamaica

- J. Wray & Nephew Limited
- Pepsi - Cola Jamaica Bottling Company Limited
- Grace Food Processors (Canning) Limited
- The Wisynco group of companies
- Nestle – JMP Jamaica Limited

### Caricom

- Trinidad Distillers Limited of Trinidad & Tobago
- Demerara Distillers Limited of St. Kitts
- Demerara Distillers Limited of Guyana
- The Banks Holdings Limited Group of Barbados

The Company aims to provide a its customers with quality products and notable service. As such, it engages new customers in extensive consultations with a view to offering them customized product and process improvements. Consistency drives the business, as many of the Company's customers distribute well known brands and are therefore very keen on ensuring that the tastes and fragrances supplied to them by the Company are identical.

The Company is committed to innovation and utilises technological devices and equipment to assist customers to develop unique formulations with a distinctive flavor or fragrance. Such formulations are difficult to replicate without extensive experimentation, and the Directors consider this to be a competitive advantage of the Company. Management priorities also include understanding trends in the market for flavours and fragrances and other additives, and areas of growth in its customers' industries, such as the food and beverage industry. The Company aims to assist its customers to focus on flavors, formats, and preparation techniques that it considers may affect consumers in the future. The business also aims to provide its customers with quick-to-market solutions.

The Company sells directly to customers and also utilizes its website, [www.caribbeanflavoursjm.com](http://www.caribbeanflavoursjm.com), to market and promote its products.

The Company has one competitor in the local market, Virginia Dare (Jamaica) Limited. In the view of the Directors, the particular business focus of the Company is on the supply of custom blended products predominantly for large local businesses and this assists it to distinguish itself from the competitor which also supplies retail and smaller business clients with generic products such as bulk syrups.

### 7.3 Products

#### Flavours

The Company has created a profile of 26 flavors for use primarily by the local food and beverage industries, as indicated in the table below.

<b>Beverage</b>	<b>Baking / Ice Cream</b>
Kola Champagne	Coconut
Orange	Vanilla
Pineapple	Pineapple
Ginger Beer	Strawberry
Cream Soda	Butter
Cherry	Orange
Strawberry	Banana
Raspberry	Ginger
Apple	Almond
Fruit Punch	Bunspice
Melon	Guava
Passion Fruit	
Grape	
Guava	
Melon Cherry	

In creating the above flavours, and in developing unique blends for its customers, the Company coordinates the experience of a flavor with its composition in order to achieve a certain sensory perception. Flavour ingredients may include aroma chemicals, essential oils, oleoresins, distillates, extracts and reaction products.

#### Fragrances and essential oils

The Company also supplies the following fragrances and essential oils:

<b>Fragrances</b>	<b>Essential Oils</b>
Rose	Mustard oil
Lemon	Cade wood oil (juniper species)
Lime	Peppermint oil
Mint	
Jasmine	
Lavender	
Peach	
Floral	
Gardenia	
Baby powder	

The fragrances and oils may also be customized for customers.

### Sourcing and stock

The Company sources essential oils and natural extracts world wide and receives key ingredients and technical support from International Flavors and Fragrances Incorporated. The latter is the Company's dominant supplier, and is responsible for more than 70% per cent of supplies to the Company. Lascelles deMercado & Company Limited is also a key supplier of the Company, providing alcohol for use in fragrance distillates and other items. Certain of the supplies used by the Company feature variable prices linked to world markets in such commodities. The Company purchases on a spot basis, typically utilising credit terms extended by its suppliers. The Company aims not to carry more than 6 months' stock of supplies (and less than that in the case of some supplies, such as alcohol).

### Product testing and safety

The Company takes product testing and safety seriously. It operates a laboratory supported by 2 university graduates who carry out batch tests on both supplies and finished products. Raw materials used in its manufacturing process are checked for consistency against previous batches for the purposes of quality control.



## **7.4 Permits, licences, and certificates**

The Company's key permits, licenses and certificates are as follows:

### Factory

The Company is registered under the Factories Act (Vol. VI) and the Factories Regulations, 1961 (Regulation 81). The current certificate is valid for 3 years from 20 June 2012.

### Import and sale of products

- The Company is registered under the Standards Act as a manufacturer of flavours (registration number C80, current until 13<sup>th</sup> February 2014).
- The Company is licensed under the Public Health Act and the Public Health (Food Handling) Regulations 1998 for the purposes of its business (licence number KSAP076726Z3-00102339047, current until 17<sup>th</sup> April 2014).
- The Company obtains the necessary permits to import its products prior to ordering any shipment. Such permits are typically issued by the Ministry of Health and the Environment, the Ministry of Agriculture, and the Coconut Industry Board.

### Export of products

The Company deals with the Trade Board Limited, an agency of the Ministry of Industry, Investment and Commerce for the purposes of compliance with any export related requirements in Jamaica.

### Tax Compliance Certificate

The Company has a Tax Compliance Certificate from the Ministry of Finance and Planning that is current to 22 January 2014. The certificate confirms that the Company has satisfied the statutory requirements in respect of income tax (including Pay As You Earn income tax), General Consumption Tax, Special Consumption Tax (as applicable), Education Tax, National Insurance Scheme, National Housing Trust and H.E.A.R.T. contributions for the cited period.

### Other standards and memberships

The Company is now working towards its ISO 22000 certification. This standard is set by the International Organization for Standardization. The standard is an industry – specific risk management system for businesses involved in food processing and marketing. It is designed to specify the requirements for a food safety system that incorporates the following elements: interactive communication, system management, and prerequisite programs as well as principles gained from HAACP (Hazard Analysis and Critical Control Points).

The Company is a member of the Jamaica Manufacturers' Association, the Jamaica Exporters' Association and works closely with Jamaica Trade and Invest, Jamaica Bureau of Standards and National Scientific Research Council.

## **7.5 Concessionary regime for taxation of Junior Market Companies**

If the Shares are admitted to trading on the Junior Market of the JSE, the Company will benefit from a 10 year concessionary tax regime that starts from that date: in the first 5 years, it will be eligible for a full remission of corporate income tax, and in the subsequent 5 year period, it will be eligible for a partial (50%) remission of corporate income tax. In order to take advantage of the concession, the Company must remain listed on the JSE for at least 15 years. In addition, transfers

of Shares on JSE are exempt from transfer tax and stamp duty. Dividends may be received by Jamaican resident shareholders subject to 15% withholding for the purposes of income tax. See Section 14.2 of this Prospectus for further information.

## 7.6 Incorporation Details and Recent Capital Restructuring

The Company was incorporated on 23 February 2001 as a private company with limited liability (no. 63,953).

The Company re-registered as a public company and adopted new Articles for that purpose with the approval of its shareholders, given by way of written resolution dated Friday 13 September 2013. The shareholders also approved an increase in the share capital of the Company, from 5,621,000 ordinary shares to 7,621,000 million ordinary shares, the subdivision of each share into 12 shares, and the conversion of each fully paid share to stock.

## 7.7 Details of the Authorised and Issued Share Capital and the Shares in the Invitation

### Capital Structure of the Company

As at Friday 13 September 2013, the latest practicable date prior to publication of this Prospectus, the authorised and issued share capital of the Company was as follows:

**Authorised:** 91,452,000

**Issued:** 67,440,024

### Shareholdings in the Company Before and After the Invitation

As at Friday 13 September 2013, the latest practicable date prior to publication of this Prospectus, the holdings of Shares in the capital of the Company (including legal and, where known to the Company, beneficial holdings) were as follows:

<b>Name of Shareholder</b>	<b>Number of Shares before Opening Date of Invitation</b>	<b>% of Issued Shares before Opening Date of Invitation</b>
Anand James (Director)	33,720,012	50%
Joan James (Director)	33,720,012	50%
<b>Total Issued Share Capital Before Invitation</b>	<b>67,440,024</b>	<b>100%</b>

After the subscription lists for the Invitation are closed, and assuming that the Invitation is fully subscribed by the public and also, by the Reserved Share Applicants, the percentage shareholdings in the Company will be as follows:

<b>Name of Shareholder</b>	<b>Number of Shares after Opening Date of Invitation</b>	<b>% of Issued Shares after Opening Date of Invitation (rounded to 2 decimal places)</b>
Anand James (Director)	33,720,012	37.50%
Joan James (Director)	33,720,012	37.50%
General Public	9,891,204	11.00%
Board Applicants*	899,200	1.00%
Staff Applicants	449,600	0.50%
Key Partners	6,744,003	7.50%
Mayberry Reserved Shares	4,496,002	5.00%
<b>Total Issued Share Capital Following Invitation</b>	<b>89,920,033</b>	<b>100%</b>

\*Please note that the Directors (save for founding Shareholders Anand James and Joan James) are Board Applicants who are eligible to subscribe for Reserved Shares in the Invitation.

## **7.8 Intellectual and Real Property**

As at Friday 13 September 2013, the latest practicable date prior to the publication of this Prospectus, the Company has the following interests in intellectual and property:

<b>Property</b>	<b>Description</b>
Trademark	The Company has since incorporation used the logo appearing on the front cover of this Prospectus on signage at its principal business premises, and on business stationary and labels and its website under informal arrangements with International Flavours and Fragrances Incorporated, a key supplier of the Company that also purchased certain of the group assets of the predecessor entity of the Company, Bush Boake Allen Jamaica Limited.
Leased Real Property	Property located at 226 Spanish Town Road, owned by Anand James, Managing Director of the Company and Joan James, Director. Rental of \$600,000 per calendar month is payable by the Company to the aforesaid persons in respect of the property exclusive of G.C.T. under a lease dated as of 1 September 2013. The lease is for a period of 5 years and has an option for the Company to renew for a further 5 years. The lease is terminable on 6 months' notice by the Company or the landlord.

## 7.9 Material Contracts

The following material contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company with the following persons (“counterparties”) in the 2 years preceding Friday 13 September 2013, being the latest practicable date prior to the publication of this Prospectus:

Date	Counterparty	Amount	Brief Details
13 May 2013	Mayberry	3.5% of the value of the funds raised by the Company in the Invitation exclusive of GCT and disbursements.	Financial advisory and lead brokerage services in the Invitation.

The material contracts include the related party agreement described in section 7.8 (Intellectual and Real Property) under ‘Leased Real Property’ and also, the Company’s course of dealing with International Flavours and Fragrances. At present, there is no contractual arrangement between the Company and that company, its predominant supplier.

The material contracts referred to in this section that are documented arrangements (together with certain other documents) will be available for inspection as described in Section 15.

## 7.10 Litigation

As at Friday 13 September 2013, the latest practicable date prior to the publication of this Prospectus, there were no litigation, arbitration, or similar proceedings pending or threatened against the Company as defendant, nor do the Directors believe that there are circumstances that may give rise to such proceedings.

## 7.11 Dividend Policy

The Directors anticipate a payment of an annual dividend of not less than 25% of the annual net profits after payment of any applicable taxes where such profits are available for distribution, subject to the Company’s need for reinvestment of some or all of its profits from time to time in order to finance the growth of the business of the Company.

## 7.12 Insurance Arrangements

The Company insures against certain risks facing its business where it would not be uneconomic to do so. The Board has also placed Directors’ and Officers’ liability insurance to incept as of 16 September 2013, for the purposes of the issue of the Prospectus.

## 7.13 Charges Registered Against the Company

As at Friday 13 September 2013, the latest practicable date prior to the publication of this Prospectus, the following charges (within the meaning of section 93 of the Companies Act) were registered against the public file of the Company maintained by the Companies Office of Jamaica:

Nature of charge	Beneficiary	Amount secured
Charge on all bank balances standing to the Company's credit from time to time at National Commercial Bank (Jamaica) to secure all indebtedness and or liabilities of the Company to the Bank.	National Commercial Bank (Jamaica) Limited	To secure overdraft facilities granted to the Company by way of a letter of set off dated 22 October 2001.



## **Section 8:**

## **Directors and their Interests**

### **8.1 Biographical details of the Board of Directors**

Brief biographical details of the members of the Board of Directors appear below. The Directors' addresses are set out in section 14.

#### **BOARD OF DIRECTORS**

##### **Anand James**

##### **Managing Director (appointed February 2001)**

Anand James is a founding Shareholder and the Managing Director of the Company. 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. Mr. James is a qualified teacher and he worked in the management function of the predecessor entity of the Company, 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 Company in 2001. He has over 20 years' combined experience in the business of the Company. He is also a director of Spurtree Spices Jamaica Limited, AMJ Agro Processors Guyana Inc., and Anjoja Limited.

##### **Joan James**

##### **Non Executive Director (appointed February 2001)**

Joan James is a founding Shareholder and a non - executive Director of the Company. Mrs. James is a graduate of the University of the West Indies (B.A., Ph.D.). She is a lecturer at the University's Mona campus and is a trained and certified graduate teacher. She is also a director of Anjoja Limited.

##### **Anthony James**

##### **Non Executive Director (appointed February 2011)**

Anthony James is a non – executive Director of the Company. He is a graduate of Tufts University in the United States (B.Sc., Computer Engineering). He is a software engineer and a director of Anjoja Limited and Software Engineer Paytronics Inc.

##### **Howard Mitchell, J.P.**

##### **Non Executive Director (appointed July 2013)**

Mr. Mitchell has spent more than 30 years as a practicing attorney – at –law. He is an alumnus of the Institute of Management Development (Switzerland) and currently serves as a company director, on Boards inclusive of Corrpak Jamaica Ltd (Chairman), Island Grill/Chicken Mistress and TM Traders Ltd., Jamaica Deposit Insurance Corporation, CariMed and Kirk Distributors Limited, Associated Manufacturers Limited and the G. Raymond Chang Foundation and, most recently, All Jamaica Air Services Limited (Chairman). Mr. Mitchell is also the immediate past Chairman of the National Housing Trust, the Coffee Industry Board, the Cocoa Industry Board, the Bauxite and Alumina Trading Company of Jamaica and Jamaica Bauxite Mining Ltd., and the Jamaica Bauxite Institute. He is also a Justice of the Peace in the parish of St. Andrew.

##### **Clive Nicholas, C.D.**

##### **Non Executive Director (appointed July 2013)**

Mr. Clive Nicholas is a Tax Consultant and Chartered Accountant who retired as 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 Kingston College Development Trust Fund, 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 Administrative Head for the eGov Secretariat attached to the Central information Technology Office and is Chairman of the Kingston College Development Trust Fund Audit Committee.

**W. “Billy” Heaven, J.P.  
Non Executive Director (appointed July 2013)**

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. Mr. Heaven has worked as an Accountant, Management Accountant and Financial Controller with local and multi-national corporations. He is also a Risk Management Consultant.

Mr. Heaven is a founding member of the Association of Development Finance Institution (DEFINA) and Chairman of the Jamaica Conservation and Development Trust (JCDDT). He was also a member of the Board of the Mico University College and President of the Mico Old Students' Association; a member of the Boards of the University Hospital of the West Indies (Chairman of the Audit Committee and member of the Finance and General Purpose Committee); the Jamaica Civil Aviation Authority (Deputy Chairman, Chairman of the Audit Committee and member of the Procurement Committee); the Museums of History and Ethnography, the Heart Institute of the Caribbean; and the Edna Manley College of the Visual and Performing Arts (Audit Committee). He is also the Chairman of the Finance Committee for the Jamaica Cricket Association and a member of the Man and Biosphere Committee of the Jamaican National Commission of UNESCO.

A patriotic Jamaican who is deeply committed to social causes, Mr. Heaven served as the Chairman of the Health and Sight Committee of the Lion's Club; he served as a member of the Community Development Committee on the NHT and President of the Mearnsville 4-H Club. He is also a Justice of the Peace in the parish of St. Andrew.

**MENTOR**

Mrs. Tania Waldron-Gooden is the Senior Vice President, Corporate Finance, Research & Special Projects at Mayberry Investments Limited.

As the Mentor of the Company, she is responsible for providing 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.

Mrs. Waldron – Gooden joined Mayberry Investments Limited as a Management Trainee approximately seven years ago. She rotated through the Research, Asset Management, Equity Trading, Corporate Financing, Risk & Compliance and Information Technology departments. Prior to Mayberry, Mrs. Waldron-Gooden worked at Capital & Credit Financial Services limited

in the area of Pension Fund and Client Portfolio Management. She holds a BSc. (Hons.) in Geology from the University of the West Indies (Mona). She also holds an M.B.A from the University of Sunderland (U.K.). She has completed the Jamaica Securities Course as well as the Canadian Securities Course administered by the Canadian Securities Institute.

## 8.2 Directors' interests in Ordinary Shares

The Directors' interests in the Ordinary Shares of the Company (including legal and beneficial holdings) as at Friday 13 September 2013, the latest practicable date prior to the publication of this Prospectus, are set out below.

Name of Director	Number of Shares before Opening Date of Invitation	% of Issued Shares before Opening Date of Invitation	% of Issued Shares after Closing of Invitation
Anand James	33,720,012	50%	37.50%
Joan James	33,720,012	50%	37.50%
Anthony James	0	0%	0%*
Howard Mitchell	0	0%	0%*
Clive Nicholas	0	0%	0%*
W. Billy Heaven	0	0%	0%*

*\*Please note that the Directors (save for Anand James and Joan James) and the Mentor are eligible to submit Applications for the Board Reserved Shares.*

Save as set out above, no Director receives Ordinary Shares, or options in respect of Ordinary Shares, in consideration of the services rendered by him or her to the Company.

## 8.3 Corporate Governance and Accountability

The Board has established an Audit Committee and a Compensation Committee, each of which is required to be established by the Junior Market Rules. The members of each Committee include at least 2 independent non executive Directors, and are as follows:

Audit Committee	Compensation Committee
Clive Nicholas Howard Mitchell W. Billy Heaven	W. Billy Heaven Howard Mitchell Clive Nicholas

Each non – executive Director of the Company will also be paid a fee of \$20,000 per meeting for his/her attendance at Board meetings. Directors who are also members of the Audit and Compensation Committees receive an additional fee of \$20,000 per meeting for their attendance at all Committee meetings. The Mentor receives a similar fee for attending meetings of the

Board and its committees.

All fees quoted are exclusive of reasonable expenses incurred in attending meetings of the Board and/or the Committees, and the Annual General Meeting.

The Managing Director's salary was recently increased from a below – market level of \$5 million to \$10 million per annum.

The Compensation Committee will meet to set and review Directors' and Committee members' fees, and any executive and administrator salaries within the Company from time to time. The next such review is expected to take place in January 2014.

## **Section 9: Management Discussion and Analysis**

### **9.1 Financial performance in the period represented by the Audited Financial Information**

Caribbean Flavours and Fragrances has seen a year over year improvement in its performance.

Revenues amounted to \$193.9 million in the 2011/2012 financial year, an 8% increase over the \$179.4 million recorded in the prior financial year. During the same 2011/2012 financial year, the Company benefited from increased gross profit margin due to increased sales of its products and higher margin rates. Gross Profit margin was 40.95% in 2011/2012, compared with 33.95% in the 2010/2011 financial year. Gross Profit also totalled \$79.4 million in 2011/2012, up from \$60.9 million in 2010/2011.

Operating Expenses also trended upwards during the period under review, while being impacted by various factors. Amongst those was increased promotional activity in the Canadian market, the benefits of which the Company has begun to see in the current financial year. Additionally, the Company recorded higher depreciation costs as a result of additions to its Fixed Assets, as well as increased staff costs. Operating Expenses totalled \$72.94 million for the 2011/2012 financial year, a year on year increase of 24.5%. Despite the increase in its Operating Expenses, the Company recorded improved Profit before Taxation in 2011/2012, which grew by over 100% to \$6.46 million compared to the \$2.36 million that was recorded in 2010/2011. The Company's Net Profit was \$4.28 million in 2011/2012.

As at June 30, 2012, the Company's Total Assets were \$120.42 million, \$15.98 million more than its balance a year prior with Cash and Bank balances reflecting the most significant change. Cash and Bank balances amounted to \$13.16 million at the end of the financial year ended June 30, 2012, relative to \$2.6 million in the prior financial year. During the year ended June 30, 2012, the Company also focused on collection of receivables and its efforts positively impacted the Company's cash position. In addition, the Company benefited from increased cash sales.

Shareholders' Equity of \$25.74 million was recorded at the end of the 2011/2012 financial year. Return on Equity showed a marked improvement, moving from -4% in 2010/2011 to 18% in 2011/2012, the highest it has been for the past five years.

### **9.2 Unaudited Financial Information**

The company has continued on its path of growth for the 2012/2013FY and has improved its financial performance from the 2011/2012FY. Revenues for the twelve month period ended June 30, 2013 has been recorded at \$229.89 million, surpassing the \$193.87 million recorded for the 2011/2012 FY. The growth in revenue was driven by increased sales of the products in the fragrance line of the business. Gross Profit totalled \$92.73 million for the period relative to \$79.39 million due to the growth in revenues. Total operating expenses amounted to \$60.49 million for the year, 17% less than the \$72.94 million recorded for the year prior. This decline was due to a reduction in directors' fees.

There was also a notable increase in Other Income which totalled \$16.80 million, this compares with nil being recorded the year prior. The amount attributed to Other Income is due mainly to

sale of property. Finance Income was \$2.53 million for the year (2011/2012FY: \$13,133), foreign exchange conversion gain being the main contributor. Profit before Taxation totalled \$51.57 million for the 2012/2013 FY while Net Profit amounted to \$40.32 million.

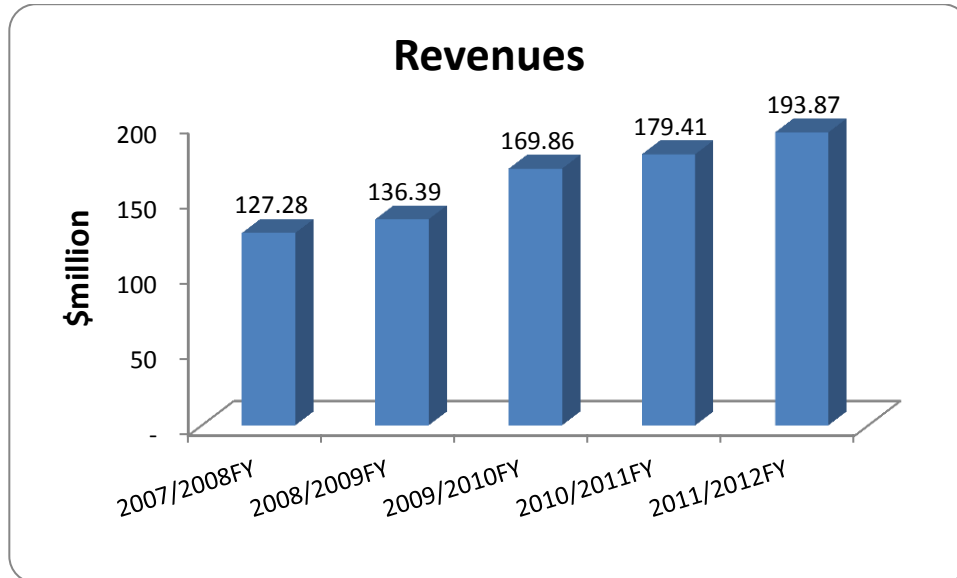
Assets totalled \$97.52 million as at June 30, 2013, \$22.90 million less than the \$120.42 million booked as at June 30, 2012. The decline is due to the sale of property as indicated earlier. As at June 30, 2013, Property Plant and Equipment totalled \$5.09 million a decline when compared with the \$30.4 million recorded as at the end of the prior financial year.

During the period the company reduced the amount outstanding to directors resulting in liabilities totalling \$31.45 million as at June 30, 2013 relative to \$94.7 million as at the end of the 2011/2012FY. Shareholders' Equity stood at \$66.06 million at the end of June 2013.

## Section 10:

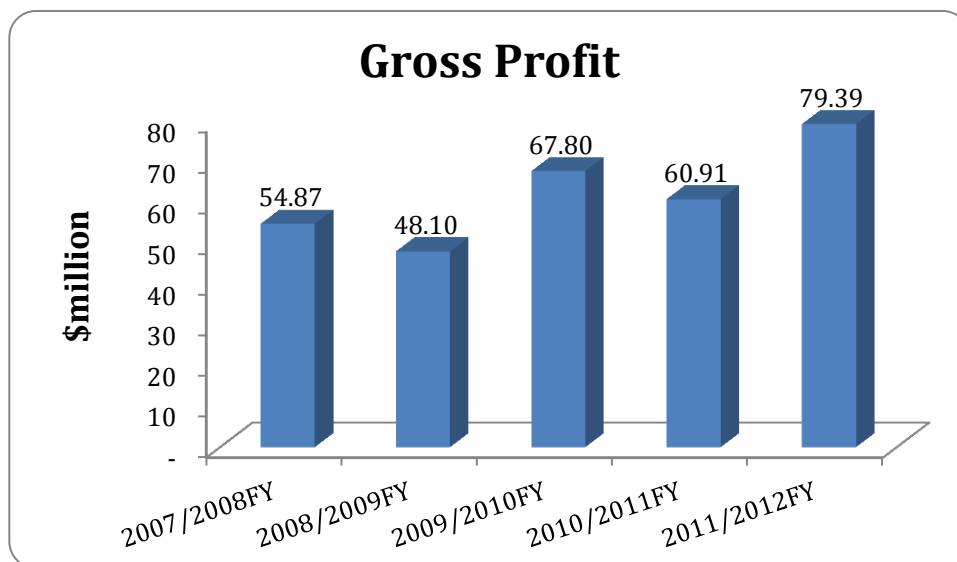
## Financial Highlights

### 10.1 Revenue analysis



The Company experienced a steady growth in Revenues in the 5 financial years set out in the Audited Financial Information. Revenues amounted to \$193.87 million for the most recent financial year ended June 30, 2012, moving from \$127.28 million in the financial year ended 30 June, 2008. Over the 5 year period, the Company's Revenues also grew by a compounded annual rate of 11%.

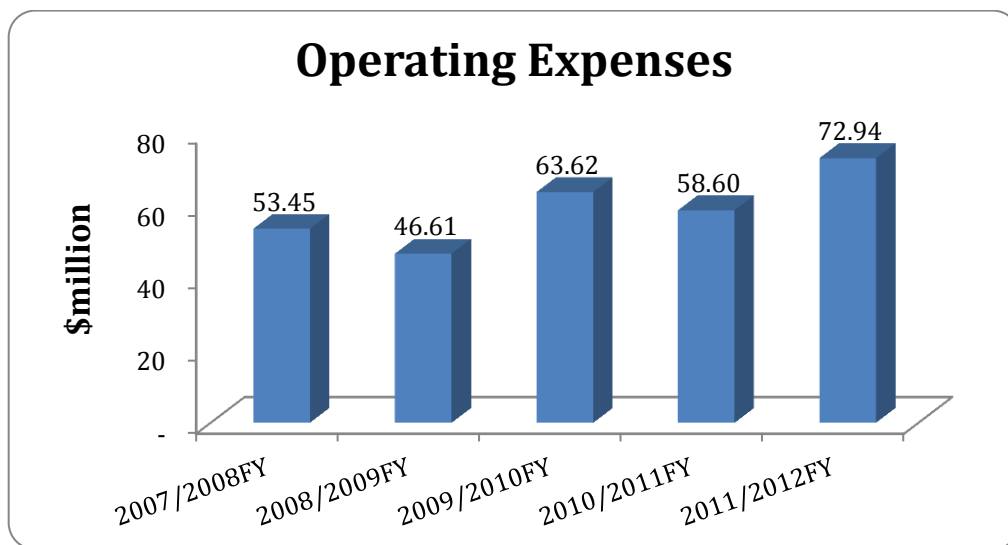
### 10.2 Gross profit analysis



Gross Profit totaled \$79.4 million in 2011/2012, growing at an annual compounded rate of 9.67% from the \$54.9 million recorded in 2007/2008. The year over year decline in Gross Profit for the 2008/2009FY and 2010/2011FY was due to lower margins relative to the year prior. At

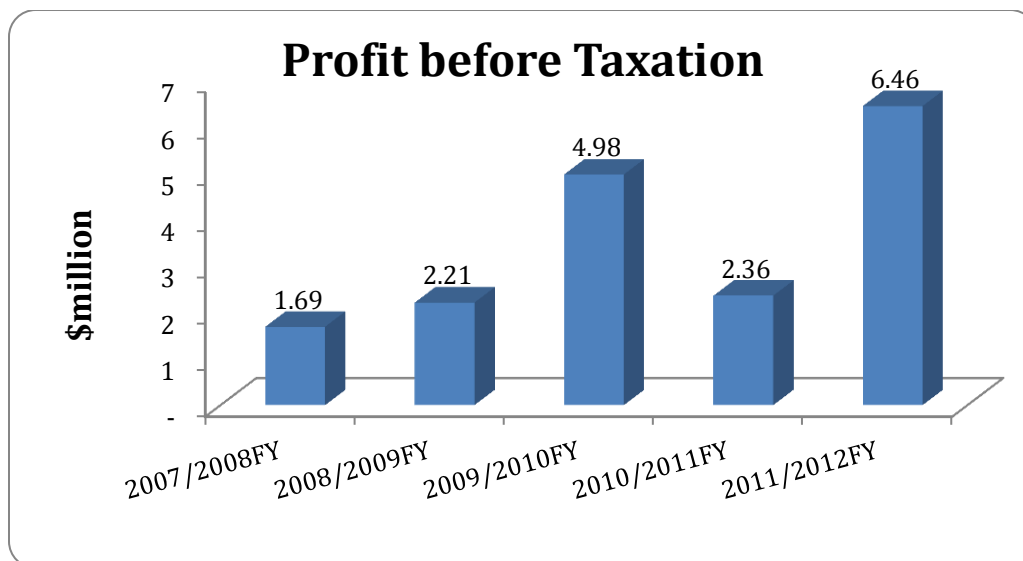
the relevant times, the Directors considered that the Company could not pass certain cost increases on to its customers.

### **10.3 Operating expenses**



Operating Expenses totalled \$72.94 million in 2011/2012, increasing at a rate of 24.48% over the prior year due to factors including increased promotional activity, higher depreciation and higher staff costs. Operating expenses grew by an annual compounded rate of 8.08% over the 5 year period represented by the Audited Financial Information, moving from \$53.45 million in 2007/2008. The rate of growth in the Company's Operating Expenses over the period was lower than the rate of growth of both its Gross Profit and Revenues.

### **10.4 Profit before taxation**

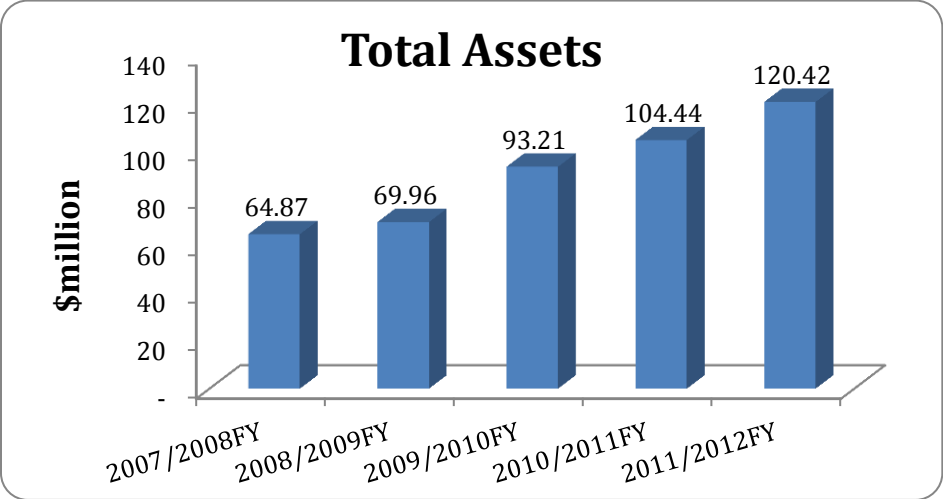


In the 2011/2012 financial year, the Company recorded Profit before Taxation of \$6.46 million. This represents an increase of over 100% compared to the \$2.36 million recorded in the prior



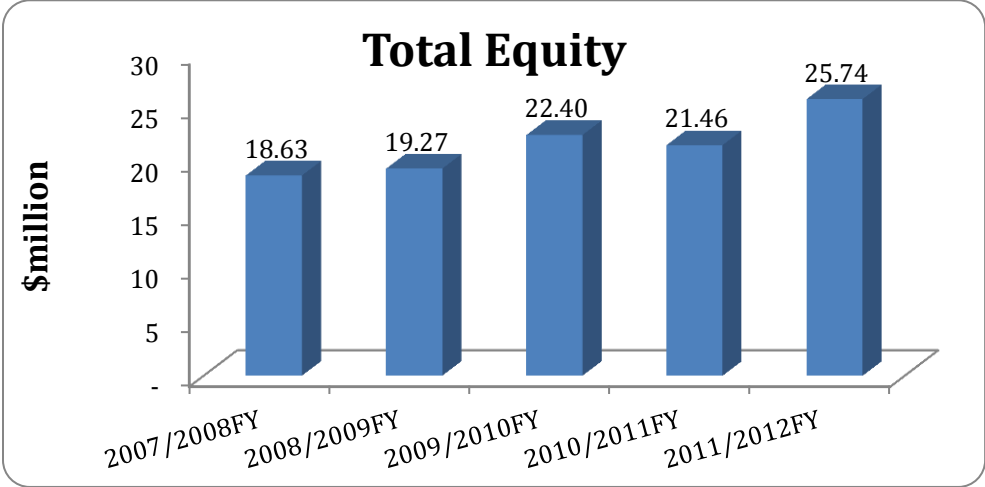
financial year. In the 5 year period under review, Profit before Taxation grew by 39.75% from \$1.69 million in 2007/2008. The year over year decline in Profit before Taxation for 2010/2011, was due to an increase in cost of sales during that year as noted in section 10.2 above.

**10.5 Total asset analysis**



The Company’s asset base has been growing steadily over the past 5 financial years. Total Assets have increased by 86% moving from \$64.87 million at the end of the 2007/2008 financial year, to \$120.42 million the end of the 2011/2012 financial year. The most significant increase in assets occurred between June 30, 2009 and June 30, 2010 (\$69.96 million as at June 30, 2009 to \$93.21 million as at June 30, 2010). During the same period Inventories and Receivables increased by 61% and 55% to total \$26.37 million and \$33.76 million respectively. The increase in inventories was due to efficient purchases while increased credit sales to the end of the year resulted in the growth in receivables.

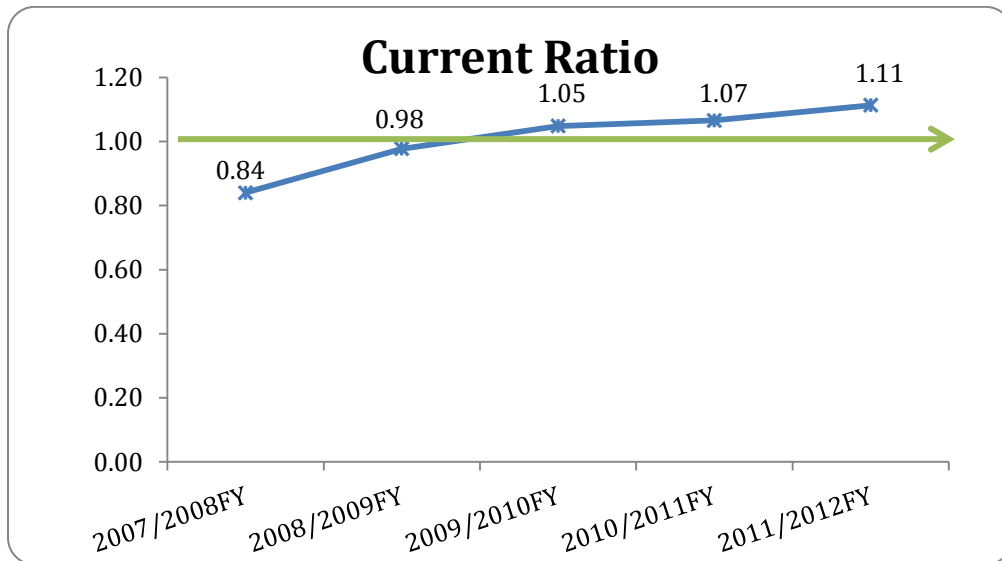
**10.6 Total equity analysis**



as  
The total equity of the Company generally trended upwards over the 5 financial years represented by the Audited Financial Information, as profits were reinvested for growth. Total

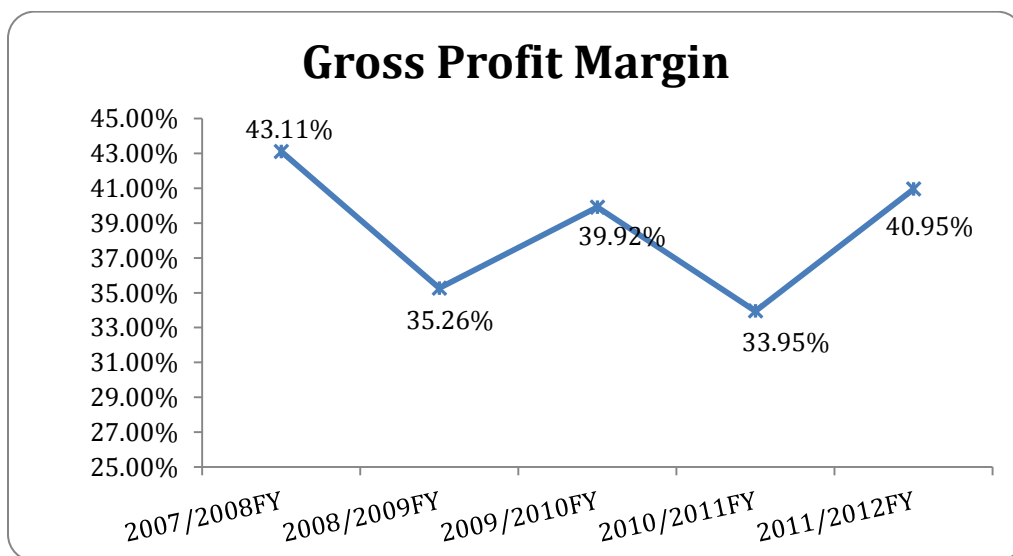
equity grew to \$25.74 million at the end of the 2011/2012 FY from \$18.63 million at the end of the 2007/2008 FY, a compounded annual growth rate of 8.42%. The slight decline in total equity at the end of the 2010/2011 FY is due to a loss of \$939,456 for that year following from increased cost of sales as indicated earlier and higher taxation charges due mostly to deferred tax liabilities becoming due.

**10.7 Current ratio**



The Company's current ratio stood at 1.1 times as at the end of the 2011/2012 financial year. In other words, the Company's current assets are sufficient to pay its current liabilities, being those liabilities that are due within a one year period. This represents an improvement from the deficit in the current ratio of 0.84 times as at the end of the 2007/2008 financial year.

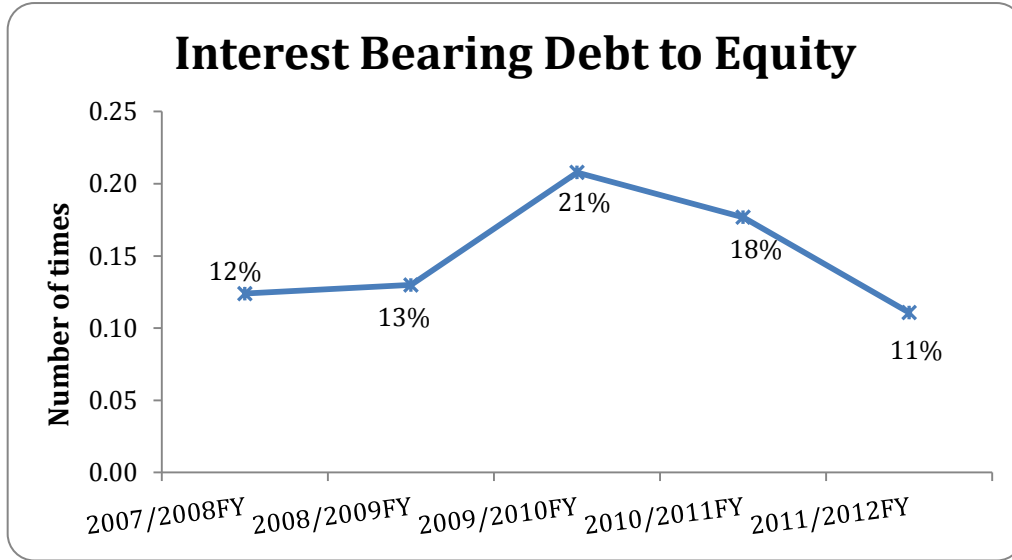
**10.8 Gross profit margin**



For the 2011/2012 financial year, the Company recorded Gross Profit margin of 40.95%, e.g. for

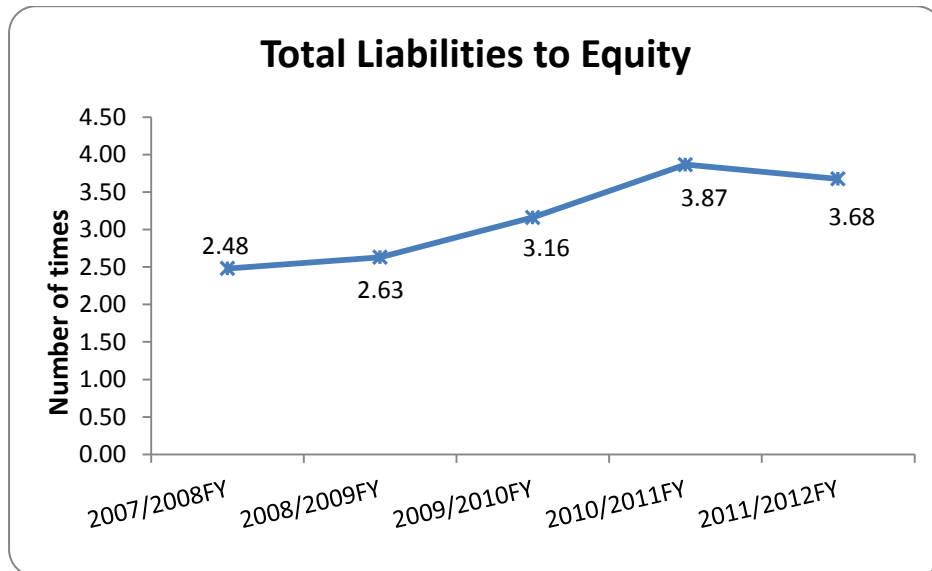
every \$100 in Revenues generated by the Company, \$40.95 of Gross Profit was generated. When compared to the Gross Profit computed for the 2007/2008 financial year, this represents a slight decline (from 43.11%) but it has since improved from a level of 35.26% recorded for in 2008/2009.

**10.9 Interest bearing debt to equity ratio**



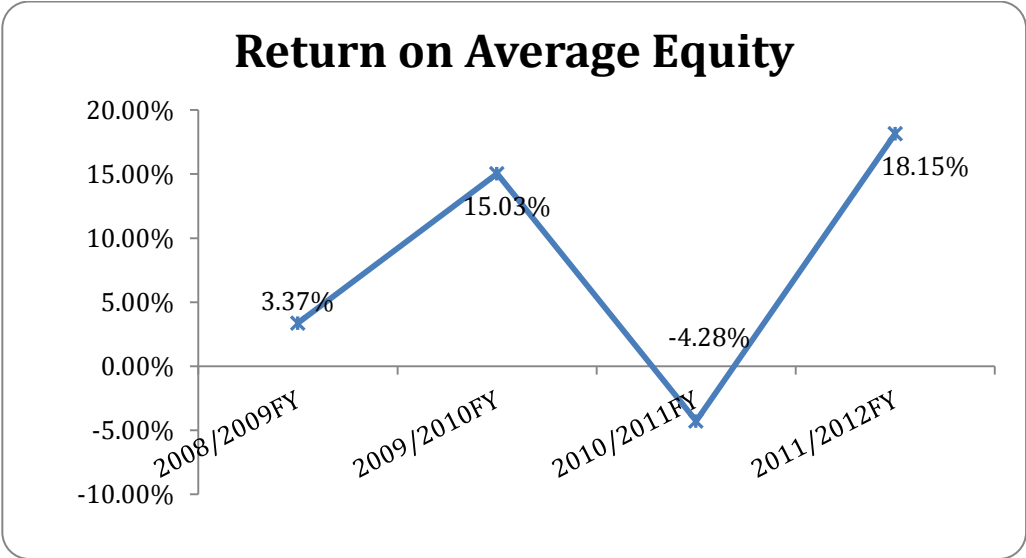
The Company has maintained relatively low debt interest bearing debt on its balance sheet. As at June 30, 2012, interest bearing debt represented 11% of equity, trending down from the 21% of equity computed as at June 30, 2010 and just lower than the 12% of equity booked for June 30, 2008.

**10.10 Total Liabilities to equity ratio**



Total liabilities relative to equity have trended upwards, moving from 2.48 times as at June 30, 2008 to 3.87 times as at June 30, 2011. It then declined slightly to 3.68 times at June 30, 2012. This trend is attributable to the growth in liabilities outpacing the growth in equity during the period. Since June 30, 2012, the company has taken steps to reduce liabilities, resulting in the total liabilities to equity ratio being reduced to 0.48 times as at June 30, 2013.

**10.11 Return on average equity analysis**



Return on Average Equity has moved upwards from 3.37% for the 2008/2009 financial year to 18.15% for the 2011/2012 FY. It was lowest for the 2010/2011 FY being computed at -4.28%, as the Company recorded a net loss of \$939,456 following higher cost of sales and increased taxation charges due to deferred tax liabilities becoming due as indicated above.



# Lee Clarke Chang

Chartered Accountants

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18 September 2013

The Board of Directors  
Caribbean Flavours and Fragrances Limited  
226 Spanish Town Road  
Kingston 11

Dear Sirs,

We have audited, in accordance with International Standards on Auditing, the separate financial statements of Caribbean Flavours and Fragrances Limited as at and for each of the years ended June 30, 2008 through to June 30, 2012, and in our reports dated September 29, 2008, November 27, 2009, November 22, 2010, December 21, 2011, January 02, 2013 respectively, we expressed unqualified opinions on those financial statements to the effect that the financial statements present a true and fair view.

In our opinion, the extracted statements of financial position and statements of comprehensive income of the Company set out in of the prospectus are consistent, in all material respects, with the financial statements (where applicable) referred to above, from which they were derived.

For a better understanding of the Company's financial position at the reporting dates referred to above, the results of operations for each of the years ended on those dates, and the scope of our audit, the extracted statements of financial position and statements of comprehensive income should be read in conjunction with the financial statements from which were derived and our audit reports thereon, where applicable.

Yours faithfully,



Oswald R. Lee, FCA, ACIS

Caribbean Flavours and Fragrances Limited  
 Statements of Comprehensive Income  
 For the Years Ended June 30,

	2012 \$	2011 \$	2010 \$	2009 \$	2008 \$
Revenue	193,873,559	179,411,124	169,859,851	136,392,634	127,276,838
Cost of Sales	(114,488,397)	(118,497,106)	(102,059,900)	(88,294,476)	(72,403,194)
Gross Profit	79,385,162	60,914,018	67,799,951	48,098,158	54,873,644
Other income		206,456	35,000		
Administrative Expenses	(71,203,937)	(57,352,130)	(62,402,343)	(46,218,795)	(52,221,223)
Selling and distribution expenses	(1,736,212)	(1,243,990)	(1,217,637)	(388,832)	(1,231,785)
Operating profit	6,445,013	2,524,354	4,214,971	1,490,531	1,420,636
Net finance income/ (cost)	13,133	(161,061)	764,952	723,130	272,486
Profit before taxation	6,458,146	2,363,293	4,979,923	2,213,661	1,693,122
Taxation	(2,174,322)	(3,302,749)	(1,849,109)	(1,575,607)	(2,015,732)
Profit/ (Loss) for the year	4,283,824	(939,456)	3,130,814	638,054	(322,610)

Caribbean Flavours and Fragrances Limited  
Statements of Financial Position  
For the Years Ended June 30,

	2012 \$	2011 \$	2010 \$	2009 \$	2008 \$
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and bank balances	13,160,918	2,570,096	4,684,707	5,687,211	4,119,969
Receivables and prepayments	35,465,407	30,681,261	26,371,082	16,367,707	11,304,152
Inventories	41,389,309	38,445,938	33,757,582	21,791,404	21,305,272
	<u>90,015,634</u>	<u>71,697,295</u>	<u>64,757,582</u>	<u>43,846,322</u>	<u>36,729,393</u>
<b>Non-Current assets</b>					
Property, Plant & Equipment	30,404,096	32,739,126	28,397,213	26,115,591	27,896,312
Deferred Tax Asset					244,181
	<u>30,404,096</u>	<u>32,739,126</u>	<u>28,397,213</u>	<u>26,115,591</u>	<u>28,140,493</u>
<b>Total Assets</b>	<u>120,419,730</u>	<u>104,436,421</u>	<u>93,210,584</u>	<u>69,961,913</u>	<u>64,869,886</u>
<b>LIABILITIES AND EQUITY</b>					
<b>Current Liabilities</b>					
Payables and Accruals	15,444,958	9,241,405	13,932,805	9,647,852	8,808,423
Current Tax Liability	2,544,088	1,576,608	1,066,465	794,143	970,419
Current portion of long term loan	942,349	1,245,504	345,193	2,504,039	2,308,025
Director's Current Account	61,931,038	55,198,597	46,471,183	31,917,434	31,620,714
	<u>80,862,433</u>	<u>67,262,114</u>	<u>61,815,646</u>	<u>44,863,468</u>	<u>43,707,568</u>
<b>Non-current Liabilities</b>					
Long Term Loan	1,908,577	2,547,772	4,309,614		2,531,923
Shareholders' Loan	11,487,544	11,487,544	4,525,544	5,800,944	
Deferred Tax Liability	417,558	1,679,197	160,530	29,065	
	<u>13,813,679</u>	<u>15,714,513</u>	<u>8,995,688</u>	<u>5,830,009</u>	<u>2,531,923</u>
<b>Total Liabilities</b>	<u>94,676,112</u>	<u>82,976,627</u>	<u>70,811,334</u>	<u>50,693,477</u>	<u>46,239,504</u>
<b>Equity</b>					
Share Capital	5,620,002	5,620,002	5,620,002	5,620,002	5,620,002
Retained Earnings	20,123,616	15,839,792	16,779,248	13,648,434	13,010,380
	<u>25,743,618</u>	<u>21,459,794</u>	<u>22,399,250</u>	<u>19,268,436</u>	<u>18,630,382</u>
<b>Total Liabilities and Equity</b>	<u>120,419,730</u>	<u>104,436,421</u>	<u>93,210,584</u>	<u>69,961,913</u>	<u>64,869,886</u>



Caribbean Flavours and Fragrances Limited  
Statement of Cash Flows  
For the Years Ended June 30,

	2012 \$	2011 \$	2010 \$	2009 \$	2008 \$
<b>Cash Flows from Operating Activities:</b>					
Profit/ (loss) for the year	4,283,824	(939,456)	3,130,814	638,054	(322,610)
Adjustments for non-cash income and expenses:					
Depreciation	4,734,117	3,707,120	1,521,207	1,796,094	3,063,750
Taxation	2,174,322	3,302,749	1,849,109	1,575,607	2,015,732
	<u>11,192,263</u>	<u>6,070,413</u>	<u>6,501,130</u>	<u>4,009,755</u>	<u>4,756,872</u>
Changes in operating assets and liabilities:					
Inventories	(2,943,371)	(4,688,356)	(11,966,178)	(486,132)	(5,230,916)
Receivables and prepayments	(4,784,146)	(4,310,179)	(10,003,374)	(5,063,555)	4,498,122
Payables and accruals	6,203,552	(4,691,399)	4,284,953	839,429	(747,375)
Tax paid	(2,468,481)	(1,273,938)	(1,445,324)	(1,478,637)	(1,397,210)
	<u>(3,992,446)</u>	<u>(14,963,872)</u>	<u>(19,129,923)</u>	<u>(6,188,895)</u>	<u>(2,877,379)</u>
Net cash provided by / (used in) operating activities	<u>7,199,817</u>	<u>(8,893,459)</u>	<u>(12,628,792)</u>	<u>(2,179,140)</u>	<u>1,879,493</u>
<b>Cash Flow from Investing Activities</b>					
Purchase of fixed assets	(2,399,087)	(8,049,033)	(3,802,829)	(15,373)	(610,445)
Net cash used in investing activities	<u>(2,399,087)</u>	<u>(8,049,033)</u>	<u>(3,802,829)</u>	<u>(15,373)</u>	<u>(610,445)</u>
<b>Cash Flow from Financing Activities</b>					
Directors' current account	6,732,441	8,727,413	14,553,749	296,719	3,941,238
Longterm loan	(942,350)	(861,532)	2,150,768	(2,335,907)	(2,012,564)
Director's loan		6,962,000	(1,275,400)	5,800,944	
Net cash provided by financing activities	<u>5,790,091</u>	<u>14,827,881</u>	<u>15,429,117</u>	<u>3,761,755</u>	<u>1,928,674</u>
<b>Net cash balances</b>	<u>10,590,821</u>	<u>(2,114,611)</u>	<u>(1,002,504)</u>	<u>1,567,242</u>	<u>3,197,722</u>
Net cash balances - Beginning of year	<u>2,570,097</u>	<u>4,684,707</u>	<u>5,687,211</u>	<u>4,119,969</u>	<u>922,247</u>
Net cash balances - End of year	<u>13,160,918</u>	<u>2,570,096</u>	<u>4,684,707</u>	<u>5,687,211</u>	<u>4,119,969</u>
<b>Represented by:</b>					
Cash and bank balances	13,160,918	2,570,096	4,684,707	5,867,211	4,119,969
	<u>13,160,918</u>	<u>2,570,096</u>	<u>4,684,707</u>	<u>5,867,211</u>	<u>4,119,969</u>

Caribbean Flavours and Fragrances Limited  
Statement of Changes in Equity  
Year Ended June 30,2008

	Share Capital \$	Retained Earnings \$	Total \$
<b>Balance at June 30,2006</b>	5,620,002	10,811,508	16,431,510
Net profit		2,521,482	2,521,482
<b>Balance at June 30, 2007</b>	5,620,002	13,332,990	18,952,992
Net loss		(322,610)	(322,610)
<b>Balance at June 30, 2008</b>	5,620,002	13,010,380	18,630,382

Caribbean Flavours and Fragrances Limited  
Statement of Changes in Equity  
Year Ended June 30,2009

	Share Capital \$	Retained Earnings \$	Total \$
<b>Balance at June 30, 2007</b>	5,620,002	13,332,990	18,952,992
Net loss		(322,610)	(322,610)
<b>Balance at June 30, 2008</b>	5,620,002	13,010,380	18,630,382
Net profit		638,054	638,054
<b>Balance at June 30, 2009</b>	5,620,002	13,648,434	19,268,436

Caribbean Flavours and Fragrances Limited  
Statement of Changes in Equity  
Year Ended June 30,2010

	Share Capital \$	Retained Earnings \$	Total \$
<b>Balance at June 30, 2008</b>	5,620,002	13,010,380	18,630,382
Net profit		638,054	638,054
<b>Balance at June 30, 2009</b>	5,620,002	13,648,434	19,268,436
Net profit		3,130,814	3,130,814
<b>Balance at June 30, 2010</b>	5,620,002	16,779,248	22,399,250

Caribbean Flavours and Fragrances Limited  
Statement of Changes in Equity  
Year Ended June 30,2011

	Share Capital \$	Retained Earnings \$	Total \$
<b>Balance at June 30, 2009</b>	5,620,002	13,648,434	19,268,436
Net profit		3,130,814	3,130,814
<b>Balance at June 30, 2010</b>	5,620,002	16,779,248	22,399,250
Net loss		(939,456)	3,130,814
<b>Balance at June 30, 2011</b>	5,620,002	15,839,792	21,459,794

Caribbean Flavours and Fragrances Limited  
Statement of Changes in Equity  
Year Ended June 30,2012

	Share Capital \$	Retained Earnings \$	Total \$
<b>Balance at June 30, 2010</b>	5,620,002	16,779,248	22,399,250
Net loss		(939,456)	3,130,814
<b>Balance at June 30, 2011</b>	5,620,002	15,839,792	21,459,794
Net profit		4,283,824	3,130,814
<b>Balance at June 30, 2012</b>	5,620,002	20,123,616	21,459,794

CARIBBEAN FLAVOURS  
AND FRAGRANCES LIMITED  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012

CARIBBEAN FLAVOURS  
AND FRAGRANCES LIMITED  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012

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Statement of Cash Flows	5
Notes to the Financial Statements	6 - 15

# Lee Clarke Chang

Chartered Accountants

Page 1

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## INDEPENDENT AUDITORS' REPORT

To The Members  
Caribbean Flavours and Fragrances Limited

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Caribbean Flavours and Fragrances Limited set out on the pages 3 to 15 which comprise the company's statement of financial position as at June 30, 2012, statements of comprehensive income and retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and the fair presentation of these financial statements in accordance with International Financial Reporting for Small and Medium-sized Entities (SMEs) and with the requirements of the Jamaican Companies Act, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Oswald R. Lee, FCA, ACIS  
Associate  
Steadman Pitterson, FCA

INDEPENDENT AUDITORS' REPORT

Members of Caribbean Flavours and Fragrances Limited

**Report on the Financial Statements Cont'd.**

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

**Opinion**

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at June 30, 2012 and of the financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and comply with the provisions of the Jamaican Companies Act.

**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 the purpose of our audit.

In our opinion, proper accounting records have been maintained and the financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.



January 02, 2013

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

STATEMENT OF COMPREHENSIVE INCOME

AND RETAINED EARNINGS

YEAR ENDED JUNE 30, 2012

	<u>Note</u>	<u>2012</u> <u>\$</u>	<u>2011</u> <u>\$</u>
<b>REVENUE</b>	3	193,873,559	179,411,124
Cost of sales		(114,488,397)	(118,497,106)
<b>Gross profit</b>		79,385,162	60,914,018
Other income		-	206,456
Selling and distribution costs		( 1,736,212)	( 1,547,493)
Administrative expenses		( 71,203,937)	( 57,048,627)
Net finance income/(cost)	4	<u>13,133</u>	( <u>161,061</u> )
<b>Profit before tax</b>	5	6,458,146	2,363,293
Taxation	6	( <u>2,174,322</u> )	( <u>3,302,749</u> )
<b>Profit/(loss) for the year</b>		4,283,824	( 939,456)
<b>Retained earnings at the beginning of year</b>		<u>15,839,792</u>	<u>16,779,248</u>
<b>Retained earnings at the end of year</b>		<u>20,123,616</u>	<u>15,839,792</u>


CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

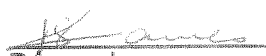
STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 2012

	<u>Note</u>	<u>2012</u> <u>\$</u>	<u>2011</u> <u>\$</u>
<b><u>ASSETS</u></b>			
<b>Current assets</b>			
Cash and bank balances		13,160,918	2,570,096
Receivables and prepayments	7	35,465,407	30,681,261
Inventories	8	41,389,309	38,445,938
		<u>90,015,634</u>	<u>71,697,295</u>
<b>Non-current assets</b>			
Property, plant and equipment	9	30,404,096	32,739,126
<b>Total assets</b>		<u>120,419,730</u>	<u>104,436,421</u>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>Current liabilities</b>			
Payables and accruals	10	15,444,958	9,241,405
Taxation		2,544,088	1,576,608
Current portion of long term loan	11	942,349	1,245,504
Directors' current account		61,931,038	55,198,597
		<u>80,862,433</u>	<u>67,262,114</u>
<b>Non-current liabilities</b>			
Loan	11	1,908,577	2,547,772
Shareholders' loan	12	11,487,544	11,487,544
Deferred tax	13	417,558	1,679,197
		<u>13,813,679</u>	<u>15,714,513</u>
<b>Total Liabilities</b>		<u>94,676,112</u>	<u>82,976,627</u>
<b>Equity</b>			
Share capital	14	5,620,002	5,620,002
Retained earnings		20,123,616	15,839,792
		<u>25,743,618</u>	<u>21,459,794</u>
<b>Total liabilities and equity</b>		<u>120,419,730</u>	<u>104,436,421</u>

The financial statements on pages 3 to 15 were approved for issue by the Board of Directors on January 2, 2013 and signed on its behalf by:

  
 \_\_\_\_\_  
 Director

  
 \_\_\_\_\_  
 Director



**CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED JUNE 30, 2012**

	<u>2012</u>	<u>2011</u>
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Profit/(loss) for the year	4,283,824	( 939,456)
Adjustments for non-cash income and expenses:		
Depreciation	4,734,117	3,707,120
Taxation	2,174,322	3,302,749
	<u>11,192,263</u>	<u>6,070,413</u>
Changes in operating assets and liabilities -		
Increase in inventories	( 2,943,371)	( 4,688,356)
Increase in receivables and prepayment	( 4,784,146)	( 4,310,179)
Increase/(decrease) in payables and accruals	6,203,552	( 4,691,399)
Tax paid	( 2,468,481)	( 1,273,938)
	<u>( 3,992,446)</u>	<u>(14,963,872)</u>
Net cash provided by/(used in) operating activities	<u>7,199,817</u>	<u>( 8,893,459)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	( 2,399,087)	( 8,049,033)
Net cash used in investing activities	<u>( 2,399,087)</u>	<u>( 8,049,033)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
(Decrease)/increase in Directors' current account	6,732,441	8,727,413
Long-term loan	( 942,350)	( 861,532)
Director's loan	-	6,962,000
Net cash (used in)/provided by financing activities	<u>5,790,091</u>	<u>14,827,881</u>
<b>DECREASE IN NET CASH BALANCES</b>	10,590,821	( 2,114,611)
Net Cash Balances - Beginning of Year	<u>2,570,097</u>	<u>4,684,707</u>
<b>NET CASH BALANCES - END OF YEAR</b>	<u>13,160,918</u>	<u>2,570,096</u>
<b>Represented by:</b>		
Cash and bank balances	<u>13,160,918</u>	<u>2,570,096</u>
	<u>13,160,918</u>	<u>2,570,096</u>

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITEDNOTES TO THE FINANCIAL STATEMENTSYEAR ENDED JUNE 30, 2012**1. STATUS AND PRINCIPAL ACTIVITY:**

The company is incorporated under the Companies Act of Jamaica. Its principal activity is the manufacture and distribution of flavours, mainly for the beverages, baking and confectionary industries. Its registered office is located at 226 Spanish Town Road, Kingston 11.

**2. SIGNIFICANT ACCOUNTING POLICIES:****(a) Basis of preparation -****(i) Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards for Small and Medium-sized Entities and the Jamaican Companies Act.

**(ii) Basis of Measurement**

The financial statements have been prepared on the historical cost basis.

**(iii) Functional and presentation currency**

These financial statements are presented in Jamaican dollars, which is the company's functional currency.

**(b) Property, plant and equipment -****(i) Property, plant and equipment are stated at historical cost less accumulated depreciation.****(ii) 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 improvements	10%
Buildings	2 ½%
Plant and machinery, furniture & fixtures, office equipment	10%
Computer equipment	33 ⅓%
Motor vehicles	25%

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITEDNOTES TO THE FINANCIAL STATEMENTSYEAR ENDED JUNE 30, 20122. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**(c) **Inventories -**

Inventories are valued at the lower of cost, determined principally on an average cost basis, and net realizable value. Costs of material, labour and appropriate allocations for overhead expenses are included in work-in-progress and manufactured finished goods.

(d) **Foreign Currency Translations -**

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.

(e) **Revenue recognition -**

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or material associated costs on the possible return of goods.

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITEDNOTES TO THE FINANCIAL STATEMENTSYEAR ENDED JUNE 30, 2012**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):****(f) Income taxes -**

Taxation on profits comprises current and deferred income tax. Income tax is recognised in the income statement, except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is based on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

**(g) Financial instruments -**

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of the financial statements, financial assets have been determined to include cash and cash equivalents and accounts receivable; financial liabilities represent accounts payable and directors' current account.

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

3. **REVENUE:**

Revenue represents the invoiced value of sales, net of General Consumption Tax, returns and discounts.

4. **NET FINANCE INCOME/(COST)**

	<u>2012</u>	<u>2011</u>
	<u>\$</u>	<u>\$</u>
Interest income	27,189	43,592
Foreign exchange conversion gains	368,667	254,797
Loan interest	( 382,723)	( 459,450)
	<u>13,133</u>	<u>( 161,061)</u>

5. **PROFIT BEFORE TAX**

Stated after charging:

	<u>2012</u>	<u>2011</u>
	<u>\$</u>	<u>\$</u>
Directors' emoluments -		
Fees	24,000,000	14,000,000
Remuneration	9,999,984	9,999,984
Depreciation	4,734,117	3,707,120
Staff costs (note 15)	25,458,076	22,771,186
Auditors' remuneration	730,000	650,000

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITEDNOTES TO THE FINANCIAL STATEMENTSYEAR ENDED JUNE 30, 2012**6. TAXATION:**

The charge for taxation is based on the profit for the year adjusted for taxation purposes and is calculated at 33 1/3%.

	<u>2012</u> \$	<u>2011</u> \$
Current taxation	3,435,961	1,784,082
Deferred taxation (note 13)	(1,261,639)	1,518,667
	<u>2,174,322</u>	<u>3,302,749</u>

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

	<u>2012</u> \$	<u>2011</u> \$
Profit before tax	<u>6,458,146</u>	<u>2,363,293</u>
Taxation at 33 1/3%	2,150,563	786,977
Difference between depreciation and capital allowances	1,261,108	843,921
Expenses not allowed for tax purposes	<u>24,290</u>	<u>153,184</u>
<b>Current taxation</b>	<u>3,435,961</u>	<u>1,784,082</u>

**7. RECEIVABLES AND PREPAYMENTS:**

	<u>2012</u> \$	<u>2011</u> \$
Trade	25,113,794	28,171,751
Staff loan	326,750	250,000
Prepaid purchases	10,929,857	2,174,510
Other	116,559	85,000
Prepaid insurance	<u>325,937</u>	<u>-</u>
	36,812,897	30,681,261
Less: provision for bad debt	<u>1,347,490</u>	<u>-</u>
	<u>35,465,407</u>	<u>30,681,261</u>

**8. INVENTORIES:**

Inventories comprise raw materials, finished goods and other supplies.

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

9. PROPERTY, PLANT AND EQUIPMENT:

	<u>Leasehold Property</u>	<u>Leasehold Improvements</u>	<u>Land &amp; Building</u>	<u>Plant &amp; Machinery, Furniture &amp; Fixtures</u>	<u>Office Computer Equipment</u>	<u>Motor Vehicles</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>At Cost -</b>							
June 30, 2011	3,413,350	187,000	28,550,283	3,352,021	2,887,132	11,857,425	50,247,211
Additions	-	2,147,074	-	252,013	-	-	2,399,087
Disposal	-	-	-	-	(1,678,529)	-	(1,678,529)
	<u>3,413,350</u>	<u>2,334,074</u>	<u>28,550,283</u>	<u>3,604,034</u>	<u>1,208,603</u>	<u>11,857,425</u>	<u>50,967,769</u>
<b>Depreciation -</b>							
June 30, 2011	1,683,991	157,392	4,633,736	2,813,940	2,117,473	6,101,553	17,508,085
Charge for year	341,335	233,407	713,757	360,403	120,861	2,964,354	4,734,117
Disposal	-	-	-	-	(1,678,529)	-	(1,678,529)
	<u>2,025,326</u>	<u>390,799</u>	<u>5,347,493</u>	<u>3,174,343</u>	<u>559,805</u>	<u>9,065,907</u>	<u>20,563,673</u>
<b>Net Book Value -</b>							
June 30, 2012	<u>1,388,024</u>	<u>1,943,275</u>	<u>23,202,790</u>	<u>429,691</u>	<u>648,798</u>	<u>2,791,518</u>	<u>30,404,096</u>
June 30, 2011	<u>1,729,359</u>	<u>29,608</u>	<u>23,916,547</u>	<u>538,081</u>	<u>769,659</u>	<u>-</u>	<u>32,739,126</u>

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

10. PAYABLES AND ACCRUALS:

	<u>2012</u>	<u>2011</u>
	<u>\$</u>	<u>\$</u>
Trade	8,346,109	3,916,134
GCT	2,144,212	2,685,188
NCB Keycard	2,784,021	1,275,964
Audit fee	730,000	650,000
Statutory contributions	511,975	381,157
Customer Deposits	-	123,771
Other	35,000	209,191
Vacation leave	893,641	-
	<u>15,444,958</u>	<u>9,241,405</u>

11. LONG TERM LOAN:

	<u>2012</u>	<u>2011</u>
	<u>\$</u>	<u>\$</u>
National Commercial Bank	2,850,926	3,793,276
Current portion	( 942,349)	(1,245,504)
Non-current	<u>1,908,577</u>	<u>2,547,772</u>

This represents an amortised loan of \$5,000,000 at an annual interest rate of 9% accruing on a daily basis, from National Commercial Bank. Repayment is \$103,792, inclusive of interest, per month commencing February 2010 for 60 months.



CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

**12. SHAREHOLDERS' LOAN**

This represents amounts advanced to the company by the shareholders. There are no agreed terms of interest or terms of repayment.

**13. DEFERRED TAXATION:**

	<u>2012</u>	<u>2011</u>
	<u>\$</u>	<u>\$</u>
Deferred tax liability at beginning of year	1,679,197	160,530
(Credit)/debit to statement of Comprehensive income (note 6)	<u>(1,261,639)</u>	<u>1,518,667</u>
Deferred tax liability at end of year	<u>417,558</u>	<u>1,679,197</u>

**14. SHARE CAPITAL:**

	<u>2012</u>	<u>2011</u>
	<u>\$</u>	<u>\$</u>
Authorised: 5,621,000 ordinary shares of no par value		
Issued and fully paid: 5,620,002 ordinary shares of no par value	<u>5,620,002</u>	<u>5,620,002</u>

**15. STAFF COSTS:**

	<u>2012</u>	<u>2011</u>
	<u>\$</u>	<u>\$</u>
Casual labour	2,458,624	2,568,324
Salaries	17,315,670	16,199,270
Statutory contributions	1,682,311	1,592,818
Employee lunch programme	1,247,055	945,865
Staff welfare	818,039	509,484
Staff training	253,028	222,647
Health and group life insurance	715,049	732,778
Travelling allowance	74,659	-
Vacation leave	<u>893,641</u>	<u>-</u>
	<u>25,458,076</u>	<u>22,771,186</u>

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

**16. FINANCIAL INSTRUMENTS:**

(a) **Financial instrument risks:**

Exposure to financial instrument risks arises in the ordinary course of the company's business. Derivative financial instruments are not presently used to reduce exposure to these risks.

(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.

Management has a credit policy in place to minimize exposure to credit risk. Credit evaluations are performed on all customers requiring credit. Cash and cash equivalents are placed with counter-parties believed to have minimal risk of default. The company generally does not require collateral in respect of trade receivables. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

As at June 30, 2012, there was no significant concentration of credit risk.

(ii) **Interest rate risk:**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. At June 30, 2012, there was no significant exposure to interest rate risk.

(iii) **Foreign currency risk:**

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. At June 30, 2012 there was exposure to foreign exchange risk as the company had foreign payables amounting to US\$70,234.50 and foreign currency savings account amounting to US\$83,912.67 and euro E\$734.05

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

16. FINANCIAL INSTRUMENTS (Cont'd):

(iv) **Liquidity risk:**

Liquidity risk, also referred to as funding risk, is the risk that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at or close to its fair value. 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 is managed by keeping lines of credit available and by efficiently managing the company's cash cycle.

At the end of the reporting period, the company was not exposed to any liquidity risk as current assets significantly exceeded current liabilities.

(v) **Cash flow risk:**

Cash flow risk is the risk that future flows associated with a monetary financial instrument will fluctuate in amount. The company manages this risk by ensuring, as far as possible, that fluctuations in cash flows relating to monetary financial assets and liabilities are matched, to mitigate any significant adverse cash flows.

(b) **Fair value disclosure:**

- (i) Fair value amounts represent estimates of the arm's length consideration that would be currently agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists.
- (ii) The fair values of cash and cash equivalents, accounts receivable and accounts payable are assumed to approximate to their carrying values due to their short-term nature.

CARIBBEAN FLAVOURS  
AND FRAGRANCES LIMITED  
SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2012

CARIBBEAN FLAVOURS  
AND FRAGRANCES LIMITED  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012

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Administrative, Selling and Distributions Costs	3

# Lee Clarke Chang

Chartered Accountants

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## AUDITORS' REPORT

To The Directors of  
Caribbean Flavours and  
Fragrances Limited

The supplementary information presented on pages 2 and 3 has been taken from the accounting records of the company and has been subjected to the tests and other auditing procedures applied in our examination of the financial statements of the company for the year ended June 30, 2012.

In our opinion, this information is fairly presented in all material respects in relation to the financial statements taken as a whole, although it is not necessary for a fair presentation of the state of the company's financial affairs at June 30, 2012 or the results of its operation or cash flows for the year then ended.

Handwritten signature of Lee Clarke Chang in cursive script.

January 02, 2013

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED  
DETAILED STATEMENT OF COMPREHENSIVE INCOME  
YEAR ENDED JUNE 30, 2012

	<u>2012</u> \$	<u>2011</u> \$
<b>Revenue</b>	193,873,559	179,411,124
Cost of sales:		
Manufactured goods	( 59,153,778)	( 64,394,865)
Resale goods	( 33,484,226)	( 33,212,612)
Raw materials	( 7,530,440)	( 5,633,160)
Other direct costs of production	( 14,319,953)	( 15,256,466)
	(114,488,397)	(118,497,106)
Gross profit	79,385,162	60,914,018
<b>Other income</b>		
Bad debt recovered	-	206,456
Net finance income/(cost) (page 3)	13,133	( 161,061)
	79,398,295	60,959,413
Selling and distribution costs (page 3)	( 1,736,212)	( 1,243,990)
Administrative expenses (page 3)	( 71,203,937)	( 57,352,130)
<b>Operating profit</b>	<u>6,458,146</u>	<u>2,363,293</u>

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITEDADMINISTRATIVE EXPENSESYEAR ENDED JUNE 30, 2012

	<u>2012</u>	<u>2011</u>
	<u>\$</u>	<u>\$</u>
Audit fee	730,000	650,000
Bank charges	459,428	405,878
Computer supplies	373,710	193,181
Depreciation	4,734,117	3,707,120
Donations and subscriptions	635,090	470,295
Entertainment	537,071	915,006
Insurance	977,810	1,682,557
Keyman Insurance	-	430,920
Legal and professional fees	735,164	710,000
Motor vehicle	1,058,093	1,502,968
Office and general	1,268,141	929,830
Printing and stationery	92,772	325,390
Repairs and maintenance	1,245,454	3,588,652
Directors' fees	24,000,000	14,000,000
Staff costs	25,458,076	22,771,186
Security	192,615	250,882
Telephone and postage	1,076,501	822,226
Travelling	3,989,545	1,767,607
Utilities	2,249,860	1,924,930
Penalties fines and interest	43,000	-
Bad debt	1,347,490	-
	<u>71,203,937</u>	<u>57,048,627</u>

SELLING AND DISTRIBUTION COSTS

	<u>2012</u>	<u>2011</u>
	<u>\$</u>	<u>\$</u>
Advertising and promotion	859,542	574,177
Motor vehicle	120,245	110,588
Export charges	412,401	559,225
Delivery	40,522	-
Sabina Park Box	303,502	303,502
	<u>1,736,212</u>	<u>1,547,493</u>

NET FINANCE (COST)/INCOME

	<u>2012</u>	<u>2011</u>
	<u>\$</u>	<u>\$</u>
Interest income	27,189	43,592
Foreign exchange gains	368,667	254,797
Loan interest	(382,723)	(459,450)
	<u>13,133</u>	<u>(161,061)</u>



**CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED**

**UNAUDITED**

**STATEMENT OF COMPREHENSIVE INCOME**

**YEAR ENDED JUNE 30, 2013**

	<b><u>2013</u></b> <b><u>\$</u></b>	<b><u>2012</u></b> <b><u>\$</u></b>
<b>REVENUE</b>	229,891,758	193,873,559
Cost of sales	(137,161,588)	(114,488,397)
<b>Gross profit</b>	92,730,170	79,385,162
Other income	16,797,216	-
Selling and distribution costs	( 1,575,427)	( 1,736,212)
Administrative expenses	( 58,912,635)	( 71,203,937)
Net finance income	<u>2,526,023</u>	<u>13,133</u>
<b>Profit before tax</b>	51,565,347	6,458,146
Taxation	( <u>11,245,899</u> )	( <u>2,174,322</u> )
<b>Profit for the year</b>	<u>40,319,448</u>	<u>4,283,824</u>
<b>Earnings per share</b>	<u>\$7.17</u>	<u>\$0.76</u>

CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

UNAUDITED

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2013

	<u>2013</u>	<u>2012</u>
	<u>\$</u>	<u>\$</u>
<b><u>ASSETS</u></b>		
<b>Current assets</b>		
Cash and bank balances	9,779,298	13,160,918
Receivables and prepayments	41,207,754	35,465,407
Inventories	<u>40,650,401</u>	<u>41,389,309</u>
	<u>91,637,453</u>	<u>90,015,634</u>
<b>Non-current assets</b>		
Property, plant and equipment	5,090,405	30,404,096
Deferred Tax	<u>788,665</u>	<u>-</u>
	<u>5,879,070</u>	<u>30,404,096</u>
<b>Total assets</b>	<u>97,516,523</u>	<u>120,419,730</u>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Payables and accruals	11,778,522	15,444,958
Taxation	11,162,515	2,544,088
Current portion of long term loan	929,973	942,349
Directors' current account	<u>1,692,242</u>	<u>61,931,038</u>
	<u>25,563,252</u>	<u>80,862,433</u>
<b>Non-current liabilities</b>		
Loan	890,205	1,908,577
Shareholders' loan	5,000,000	11,487,544
Deferred tax	<u>-</u>	<u>417,558</u>
	<u>5,890,205</u>	<u>13,813,679</u>
<b>Total Liabilities</b>	<u>31,453,457</u>	<u>94,676,112</u>
<b>Equity</b>		
Share capital	5,620,002	5,620,002
Retained earnings	<u>60,443,064</u>	<u>20,123,616</u>
	<u>66,063,066</u>	<u>25,743,618</u>
<b>Total liabilities and equity</b>	<u>97,516,523</u>	<u>120,419,730</u>

**CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED**

**UNAUDITED**

**STATEMENT OF CHANGES IN EQUITY**

**YEAR ENDED JUNE 30, 2013**

	<u>Share Capital</u> \$	<u>Retained Earnings</u> \$	<u>Total</u> \$
Balance at June 30, 2011	5,620,002	15,839,792	21,459,974
Net profit	-	4,283,824	4,283,824
Balance at June 30, 2012	5,620,002	20,123,616	25,743,618
Net profit	-	40,319,448	40,319,448
Balance at June 30, 2013	<u>5,620,002</u>	<u>60,443,064</u>	<u>66,063,066</u>

**CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED**

**UNAUDITED**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED JUNE 30, 2013**

	<u>2013</u>	<u>2012</u>
	<u>\$</u>	<u>\$</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Profit for the year	40,319,448	4,283,824
Adjustments for non-cash income and expenses:		
Depreciation	2,950,057	4,734,117
Profit on sale of fixed asset	(16,797,216)	-
Taxation	<u>11,245,899</u>	<u>2,174,322</u>
	<u>37,718,188</u>	<u>11,192,263</u>
Changes in operating assets and liabilities -		
Decrease /(increase) in inventories	738,908	( 2,943,371)
Increase in receivables and prepayments	( 5,742,347)	( 4,784,146)
(Decrease)/increase in payables and accruals	( 3,666,436)	6,203,552
Tax paid	<u>( 3,833,695)</u>	<u>( 2,468,481)</u>
	<u>(12,503,570)</u>	<u>( 3,992,446)</u>
Net cash provided by operating activities	<u>25,214,618</u>	<u>7,199,817</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	( 839,150)	( 2,399,087)
Proceeds from sale of fixed assets	<u>40,000,000</u>	<u>-</u>
Net cash provided by/(used in) investing activities	<u>39,160,850</u>	<u>( 2,399,087)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
(Decrease)/increase in Directors' current accounts	(60,238,796)	6,732,441
Repayment of loan	( 1,030,748)	( 942,350)
Decrease in shareholders' loan	<u>( 6,487,544)</u>	<u>-</u>
Net cash (used in)/provided by financing activities	<u>(67,757,088)</u>	<u>5,790,091</u>
<b>(DECREASE)/INCREASE IN NET CASH BALANCE</b>	<u>( 3,381,620)</u>	<u>10,590,821</u>
Net Cash Balances - Beginning of Year	<u>13,160,918</u>	<u>2,570,097</u>
<b>NET CASH BALANCES - END OF YEAR</b>	<u><u>9,779,298</u></u>	<u><u>13,160,918</u></u>
<b>Represented by:</b>		
Cash and bank balances	<u><u>9,779,298</u></u>	<u><u>13,160,918</u></u>

**Macro economic policies**

Changes in fiscal and monetary policies introduced by the Government of Jamaica may affect the behaviour of capital markets including the Junior Market of the JSE. Such changes in policies may create opportunities as well as challenges for the Company. This is a risk that is not faced by the Company alone but also, by any trading business although the risk could have particular impact on its particular business model.

**Operational risk**

The Company is subject to the risk of loss resulting from disruptions to its business, inadequate or failed internal processes, people and systems, or from external events. This definition also includes systemic risk (including the risk of accounting errors, failure to procure appropriate insurance coverage, and compliance failures), legal risk and reputation risk. This catch-all category of risks also includes employee errors, computer and manual systems failures, security failures, fire, floods or other losses to physical assets, and fraud or other criminal activity. The Company currently insures itself against some or all of these risks. However, sufficient proceeds of such insurance may not be available to cover losses arising from some or all of the risks described and this, in turn, may have a negative impact on the Company's financial position, cash flows, and profits.

**New accounting rules or standards**

The Company may become subject to new accounting rules or standards that differ from those that are presently applicable. Such new accounting rules or standards could require significant changes in the way the Company currently reports its financial position, operating results or cash flows. Such changes could be applied retrospectively. This is a risk that is not faced by the Company alone but also, by any trading business.

**Admission of the shares to the Junior Market of the JSE**

After the Closing Date, and assuming that the Company is able to raise at least \$50 million as a result of the Invitation by the Closing Date, the Company will make application to the JSE to admit the Shares to the Junior Market. However, the Company is not able to guarantee the full subscription of the Shares in the Invitation or the admission of the Shares to the Junior Market.

**Volatility in price of Shares**

Following their proposed admission to trading on the Junior Market the Shares may experience volatility in their market price which may extend beyond the short term and which may be dependent on the Company's financial performance, as well as on investors' confidence and other factors over which the Company has no control.

**Revocation of tax concessions risk**

If the Invitation is successful in raising at least \$50 million by the Closing Date, and the Company is admitted to the Junior Market, it must remain listed on the JSE trading platforms for a period of 15 years in order to be eligible for the concessionary tax regime described in Section 14.2.

The instrument governing the concessionary tax regime is the Income Tax Act (Jamaica Stock

Exchange Junior Market) (Remittance) Notice dated 13 August 2009, which was made by the Minister of Finance under section 86 of the Income Tax Act. The instrument provides that if the Company is de-listed at any time during the 15 year period, it will become retrospectively liable to pay corporate income tax at the rate that would otherwise have been applicable to it during the concessionary period.

There is also a risk that the instrument governing the concessionary tax regime is withdrawn, or the criteria for eligibility of the concessionary tax regime amended. The Directors of the Company consider it unlikely that any withdrawal or amendment of the concession would have retrospective effect on companies that are already listed on the Junior Market in the absence of any breach by those companies of the Junior Market Rules leading to suspension or de-listing from the Junior Market.

### **Product liability risk**

The Company supplies food additives (flavours, fragrances and colours) (collectively, the “products”). The products are considered to be safe at the present time, but they may become known to be hazardous in future.

The Company also distributes products that are manufactured by other suppliers, but it may be sued by customers or other persons who suffer harm as a distributor of the products. The Company carries insurance cover against third party liability risk as well as product liability risk, however such cover may not be adequate in a given circumstance, or it may not be available at all in accordance with the terms and conditions of any particular insurance policy. In the latter event, the expenses of the Company would increase and the profits of the Company may decrease.

### **Concentration risk**

As is the case with many local companies, the Company’s products are supplied by relatively few suppliers, and its revenues are generated from sales to relatively few customers. If any one or more of these suppliers or customers was to change the terms of its course of dealing with the Company or to fail to continue to supply goods to it, or purchase goods from it (as the case may be) the revenues and profits of the Company may decrease.

## **Section 13: Professional Advisers to the Company**

### **Principal Stockbrokers and Financial Advisers**

Mayberry Investments Limited  
1½ Oxford Road  
Kingston 5

### **Auditors**

Lee Clarke Chang  
Chartered Accountants  
9 Cargill Avenue  
Kingston

### **Attorneys**

Patterson Mair Hamilton  
Temple Court  
85 Hope Road  
Kingston 6

### **Registrars and Transfer Agents**

Jamaica Central Securities Depository  
40 Harbour Street  
Kingston

## **Section 14: Statutory and General Information**

### **14.1 Statutory Information required to be set out in this Prospectus by section 41 and the Third Schedule to the Companies Act**

1. The Company has no founders or management or deferred shares.
2. The Articles of Incorporation fix no shareholding qualification for directors and none has been otherwise fixed by the Company in general meeting.
3. The Articles of Incorporation contain the following provisions with respect to the remuneration of Directors:
  - (a) The remuneration of the directors shall from time to time be determined by the Company in general meeting. Such remuneration shall be deemed to accrue from day to day. The directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings or any committee of the Directors or general meetings of the Company in connection with the business of the Company. (Article 77)
  - (b) A director of the Company may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or in which the Company may be interested as shareholder or otherwise, and no such director shall be accountable to the Company for any remuneration or other benefits received by him as a director or officer of, or from his interest in, such other company unless the Company otherwise directs. (Article 79)
  - (c) A director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of director for such period and on such terms (as to remuneration and otherwise) as the directors may determine and no director or intending director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise, nor shall any such contract, or any contract or management entered into by or on behalf of the Company in which any director is in any way interested, be liable to be avoided, nor shall any director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such director holding that office or of the fiduciary relation thereby established. (Article 89(3))
  - (d) Any director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a director; provided that nothing herein contained shall authorise a director or his firm to act as auditor to the company. (Article 89(5))
  - (e) The Directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any Director who has held any other salaried office or place of profit with the Company or to his widow or dependants and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance. (Article 94)
  - (f) A Managing Director shall receive such remuneration (whether by way of salary, commission or participation in profits, or partly in one way and partly in another) as the directors may determine. (Article 118)



4. The names and descriptions of the Directors of the Company appear in Section 8 of this Prospectus. The addresses of the Directors are as follows:

Anand James, 9 East King's House Circle, Kingston 6, St. Andrew.  
Joan James, 9 East King's House Circle, Kingston 6, St. Andrew.  
Anthony James, 56 Anthurium Avenue, Richmond, St. Ann.  
Howard Mitchell, J.P., 12 Parkhurst Drive, Kingston 6, St. Andrew.  
Clive Nicholas, C.D., 1 Kirk Avenue, Kingston 19, St. Andrew.  
W. "Billy" Heaven, J.P., 3 Millsborough Avenue, Kingston 6, St. Andrew.

5. The minimum amount required to be raised out of the proceeds of the Invitation to provide for the matters set out in paragraph 2 of Part 1 of the Third Schedule to the Companies Act (the "minimum subscription") is J\$50 million.
6. The Invitation will open for subscription at 9:00 a.m. on Wednesday 25 September 2013 and will close at 4:30 pm on the Closing Date, Wednesday 2 October 2013 subject to the Company's right to close the application list at any time after 9:00 a.m. on the Opening Date if Applications have been received for an amount equal to or greater than the Shares in the Invitation, or to extend the Closing Date for any reason whatsoever.
7. All Applicants including Company Applicants will be required to pay in full the applicable price per Share as specified in this Prospectus. No further sum will be payable on allotment.
8. No previous offer of shares in the Company has been made to the public.
9. Save as set out in paragraph 17 below no person has, or is entitled to be given, any option to subscribe for any shares in, or debentures of, the Company.
10. As at 30 June 2013, the date to which the most recent management accounts out in the Unaudited Financial Information in Section 11 are made up, the Company held investments amounting to \$9,779,298 consisting of cash and bank balances.
11. The amount for goodwill, patent, or trade marks shown in the Financial Information of the Company is nil.
12. As at 30 June 2013, the date to which the most recent management accounts out in the Unaudited Financial Information in Section 11 are made up, the aggregate amount of indebtedness of the Company was J\$40,458,561 consisting of: \$25,563,252 in current liabilities, and \$5,890,205 in non – current liabilities.
13. No amount is currently recommended for distribution by way of dividend.. The Company has not paid any dividends in the period represented by the Financial Information, having re-invested any profits. The Company's dividend policy following admission to the Junior Market of the Jamaica Stock Exchange, is described in Section 7.11 of this Prospectus.
14. No real property is currently proposed to be purchased or acquired by the Company and paid for wholly or partly out of the proceeds of this Invitation for the purposes of paragraphs 6 to 9 (inclusive) of Part 1 of the Third Schedule of the Companies Act.
15. Save as set out in paragraph 17 below within the 2 preceding years, no commissions have been paid, nor will any be payable to anyone for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares or debentures

of the Company.

16. The Company expects to pay the expenses of the Invitation out of the proceeds of its fundraising, and the Company estimates that such expenses will not exceed J\$7 million (inclusive of brokerage and financial advisory fees, legal fees, auditors' fees, marketing expenses Companies Registrar's fees, initial fees and exclusive of GCT). Of these expenses, the most significant component arises from the legal fees of the Company payable to Patterson Mair Hamilton (J\$3.5 million exclusive of GCT and disbursements), and the fees of Mayberry are detailed in the paragraph below.
17. Within the last 2 years preceding the date of this Prospectus, no amount or benefit has been paid or given or is intended to be paid or given to any promoter save for Mayberry Investments Limited, who by virtue of a mandate letter dated 13 May 2013 are entitled to 3.5% of the value of the funds raised in the Invitation by way of remuneration for their services as sole financial adviser and lead broker to the Company. The fees are calculated exclusive of General Consumption Tax and disbursements.
18. The issue is not underwritten.
19. The material contracts of the Company are set out in Section 7.9.
20. The name and address of the auditors to the Company is: Lee Clarke Chang, Chartered Accountants of 9 Cargill Avenue, Kingston.
21. Lee Clarke Chang have given and have not withdrawn their consent to the issue of this Prospectus with the inclusion of the Financial Information, and their name in the form and context in which it is included.
22. The Company was incorporated on 23 February 2001 and it has carried on business since that date. As at the date of this Prospectus the Company has no subsidiaries.

#### **14.2 Taxation of Junior Market Companies: Concessionary Regime**

Companies that successfully apply for admission to the Junior Market of the JSE will benefit from a concessionary tax regime, details of which are set out below.

- On 13 August 2009 the Minister of Finance issued the Income Tax Act (Jamaica Stock Exchange Junior Market) (Remission) Notice 2009 under section 86 of the Income Tax Act. The Remission Notice provides that Jamaican Junior Market companies are not liable to pay corporate income tax in the first 5 years after listing (e.g. they will benefit from a full income tax exemption). The Remission Notice also provides that in years 6 to 10 of listing, Jamaican Junior Market companies are liable to pay corporate income tax at half of the normal rate (e.g. they will benefit from a 50% income tax exemption). The tax concessions require Jamaican Junior Market companies to maintain their listing on the JSE (on either or both of the Main or Junior Markets) for a period of 15 years. If such a Company is de-listed at any time during the 15 year period, it will become retrospectively liable to pay corporate income tax at the rate that would otherwise have been applicable to it during the concessionary period.
- Section 17(1)(d) of the Transfer Tax Act provides that transfers of shares made in the ordinary course of business on the Jamaica Stock Exchange will not attract transfer tax.

- The Schedule to the Stamp Duty Act provides that transfer documents in respect of share transfers made in the ordinary course of business on the Jamaica Stock Exchange will not attract Stamp Duty.

#### **14.2 Taxation of Listed Shares**

- Section 17(1)(d) of the Transfer Tax Act provides that transfers of shares made in the ordinary course of business on the Jamaica Stock Exchange will not attract transfer tax.
- The Schedule to the Stamp Duty Act provides that transfer documents in respect of share transfers made in the ordinary course of business on the Jamaica Stock Exchange will not attract Stamp Duty.
- Section 30(1)(c) of The Income Tax Act provides that the rate of income tax payable on dividend income received by holders of shares of companies listed on the Jamaica Stock Exchange is nil. Notwithstanding that, the Government announced that dividends paid to residents of Jamaica are subject to income tax at the rate of 15% as from 1<sup>st</sup> April 2013. Such tax is to be withheld at source.

Prospective investors should seek advice on the taxation of listed companies and their prospective investment in the Company from a professional adviser, and should not rely on the summary set out above.

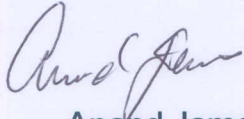
## **Section 15: Documents available for Inspection**

Copies of the following documents may be inspected at the law offices of Patterson Mair Hamilton, Temple Court, 85 Hope Road, Kingston 6 by appointment only, between the hours of 9:00 a.m. to 4:00 p.m. on Mondays to Fridays, up to and including the Closing Date (or the extended Closing Date as the case may be):

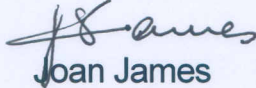
1. The Certificate of Incorporation of the Company.
2. The Articles of Incorporation of the Company adopted by the Shareholders of the Company on Friday 13 September 2013.
3. The audited accounts of the Company for the financial years ending 30 June 2008 to 30 June 2012 inclusive and the consent of Lee Clarke Chang to the inclusion of their auditor's report and also, their name and references thereto in the form and context in which they appear in this Prospectus.
4. The material contracts described in section 7.9 of this Prospectus.

**Section 16:**

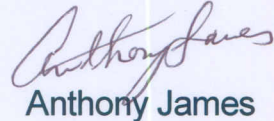
**Directors' Signatures**



Anand James



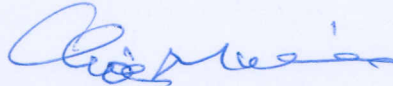
Joan James



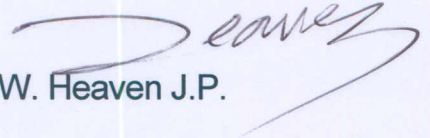
Anthony James



Howard Mitchell, J.P.



Clive Nicholas, C.D.



W. Heaven J.P.

# Appendix 1

# Application Form

BOARD RESERVED SHARES [ ]  
 STAFF RESERVED SHARES [ ]  
 KEY PARTNERS RESERVED SHARES [ ]



PLEASE READ CAREFULLY BEFORE COMPLETING THIS FORM

To: CARIBBEAN FLAVOURS AND FRAGRANCES (“CFF” or the “The Company”)

Re: In respect of up to 22,480,009 Ordinary Shares at J\$2.25 each being offered made pursuant to the Prospectus dated and registered on or around Wednesday, September 18, 2013. I/We confirm that I/we have read and understood and hereby agree to be bound by the terms and conditions contained in the Prospectus, all of which are incorporated in this Application Form by reference.

I/We hereby apply for  ordinary shares in Caribbean Flavours and Fragrances on and subject to the terms and conditions of the Invitation set out in the Prospectus at the price of J\$2.25 each, and I/we attach my/our payment (*inclusive* of processing fees of J\$110.00) for  or I/we request my broker to make payment on my/our behalf from cleared funds held by them in my /our names in account numbered \_\_\_\_\_, with them. I/We hereby instruct my/our broker to debit my/our account with the sum of J\$  for the purposes of my/our subscription of ordinary shares and processing fee as indicated above.

I/We agree to accept the same or any smaller number of Shares in respect of which this application may be accepted, subject to the terms and conditions in the Prospectus and the Articles of Incorporation of the Invitation for Subscription, by which I/we agree to be bound. I/We request you to sell and transfer to me/us the number of shares which may be allocated to me/us at the close of the said Invitation based on the terms and conditions governing applications, as set forth in the Prospectus. I/We hereby agree to accept the shares that may be allocated to me/us to be credited to an account in my/our name(s) in the Jamaica Central Securities Depository (JCSD).

**INSTRUCTIONS TO COMPLETING APPLICATION FORM: All fields are relevant and must be completed.**

Please indicate your JCSD account number here

**PRIMARY HOLDER DETAILS**

JCSD ACCOUNT NUMBER

BROKER CODE

PRIMARY HOLDER (EITHER COMPANY OR INDIVIDUAL)

TITLE

TAXPAYER REGISTRATION NUMBER

CITIZENSHIP

NATIONALITY

CLIENT TYPE

ACCOUNT TYPE

OCCUPATION OR, IF EMPLOYED BY THE COMPANY PLEASE STATE YOUR POSITION, OR STATUS IF YOU ARE A PRIORITY SHARE APPLICANT

MAILING ADDRESS LINE 1

MAILING ADDRESS LINE 2

MAILING ADDRESS LINE 3

CITY (E.G. KINGSTON)

POSTAL CODE (E.G. 6)

COUNTRY CODE

TELEPHONE NUMBER (HOME)

TELEPHONE NUMBER (WORK)

TELEPHONE NUMBER (CELL)

**SIGNATURES:**

INDIVIDUAL: \_\_\_\_\_

DATE SIGNATURE AFFIXED: \_\_\_\_\_

COMPANIES (COMPANY SEAL OR STAMP REQUIRED):

DIRECTOR: \_\_\_\_\_

DIRECTOR/SECRETARY: \_\_\_\_\_

DATE SIGNATURES AFFIXED: \_\_\_\_\_

**USE BY REGISTRAR ONLY**

Form ID:

Batch #

PLEASE CONTINUE ON REVERSE TO COMPLETE JOINT HOLDER INFORMATION

ALL APPLICANTS MUST INDICATE THEIR TAXPAYER REGISTRATION NUMBER (TRN) OR OTHER EQUAL IDENTIFIER ON THE APPLICATION

ALL APPLICANTS ARE REQUIRED TO PAY J\$110.00 PROCESSING FEE PER APPLICATION SUBMITTED

THIS OFFER IS NOT MADE TO PERSONS RESIDENT OUTSIDE JAMAICA

