Derrimon Trading Company Limited

Financial Statements

31 December 2017

Derrimon Trading Company Limited

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31 December 2017

McKENLEY
& ASSOCIATES
CHARTERED ACCOUNTANTS

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Independent Auditor's Report

To the Members of
Derrimon Trading Company Limited

Report on the Audit of the Financial Statements

Our Opinion

In our opinion, the consolidated financial statements and stand-alone financial statements give a true and fair view of the consolidated financial position of Derrimon Trading Company Limited (the Company) and its subsidiary (together the 'Group') as at 31 December 2017 and the stand-alone financial performance and its consolidated and stand-alone cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Jamaican Companies Act (the Act).

What we have audited

Derrimon Trading Company Limited's consolidated and stand-alone financial statements comprise:

- The Group and stand-alone statements of comprehensive income for the year ended 31 December 2017.
- The Group and stand-alone statement of financial position as at 31 December 2017.
- The Group and stand-alone statements of changes in stockholders' equity for the year ended 31 December 2017.
- The Group and stand-alone statements of cash flows for the year ended 31 December 2017.
- The notes in the financial statements include a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under these standards are further described in the *Auditor's Responsibilities for the audit of the consolidated and stand-alone financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Independent Auditor's Report

To the Members of
Derrimon Trading Company Limited

Our Audit Approach

Audit scope

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. Key audit matters are selected from the matters communicated with the Audit Committee members (those charged with Governance) but are not intended to represent all matters that were discussed with them. These matters are addressed in the context of our audit of the financial statements as a whole, and forming our opinion thereon, and we do not provide a separate opinion on these matters.

- **Borrowings**

  See notes 3 (v), 24 and 26 to the financial statements for management's disclosures of related accounting policies, judgments and estimates.

  Based on the Strategic decision by the Group to generate growth by utilizing debt as at 31 December 2017, long and short-term borrowings inclusive of preference shares and overdraft facilities represented $1.04 Billion or 58 % of the total assets of the Group. The Group is highly leveraged.

  We reviewed the loan agreements and repayment schedules and noted that all the loans were being serviced on a timely basis as per the contractual agreements, principally by predetermined monthly deductions from the Company's bank accounts. We confirmed the balances, reviewed the maturity schedule for repayment, tested the interest calculations and determined that the total borrowings represented obligations by the Company. We did not identify any negative correspondence from financial institutions that indicated that the Company was in breach of its stipulated covenants or loan repayment terms. We tested the effectiveness of controls over the timely repayment of loans and other credit facilities and noted that they are compliant with the various agreements.

  We queried senior management regarding the growth and expansion strategy using debt as the principal means of growth and expansion. A downside to this strategy is the inherent liquidity risk that the cash generating units acquired, may not perform as expected resulting in the Company being unable to meet its obligations as they fall due.

  Management is mindful of this inherent liquidity risk however, they are confident that their strategic growth and expansion plan will perform as anticipated based on historical performance and anticipated future positive trends due to the encouraging economic factors being experienced in the marketplace. Management is of the opinion that effective safeguards are in place as they have implemented the necessary policies and procedures including scenario analysis, alternative payment strategies in the event of cash flow challenges and direct monitoring of the individual borrowings.

Key Audit Matters (continued)

- **Borrowings (continued)**

  See notes 3 (v), 24 and 26 to the financial statements for management's disclosures of related accounting policies, judgments and estimates (continued).

  We evaluated the performance of the borrowing portfolio subsequent to the end of the reporting period to determine whether there was a need for any adjustment or whether there were any default or breach of any terms of financial covenants during the subsequent period that would permit any lender to demand accelerated repayment. There were no adverse findings. We also reviewed legal and bank confirmations and correspondences and we did not identify any negative matters or need for adjustment at the time of approval and signing of the audit report by the Board of Directors.

- **Goodwill**

  See notes 3 (q) and 16 to the financial statements for management's disclosures of related accounting policies, judgments and estimates

  Under IFRS, the Group is required to annually test the amount of goodwill and other intangibles. This annual impairment test was significant to our audit because the assessment process is complex and highly judgmental and is based on assumptions that are affected by expected future market or economic conditions existing in Jamaica. As a result, our audit procedures included, among others, evaluating the assumptions used by the Group, in particular, those relating to the forecasted revenue growth and profit margins for the supermarket outlets. The Group's disclosures regarding goodwill are included in note 3 (q), which specifically explains that small changes in key assumptions used could give rise to an impairment of the goodwill balance in the future. The individual cash generating units that were acquired, inclusive of a payment for goodwill continues to operate satisfactorily and as a consequence management do not consider it necessary to make any impairment provision.

- **Joint Operation**

  See notes 3 (c), (d) and 9 to the financial statements for management's disclosures of related accounting policies, judgments and estimates.

  As described in Note 9, the Company acquired 60% of Select Grocers and started operations in March 2017. Management determined that it was a joint operation and therefore the Company accounted for 60% of the assets, liabilities, revenue and expenses. Management considered this method to be appropriate based on the circumstances.

  We evaluated, by reference to IFRS 10 and IFRS 11, whether joint control existed and the type of joint arrangement and based on how Select Grocers was being operated it was not considered unreasonable to account for Select Grocers in this manner.

Independent Auditor's Report

To the Members of
Derrimon Trading Company Limited

Other Information

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

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

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

When we read the Annual Report, if we conclude that there are any material misstatements therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and those charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Independent Auditor's Report

To the Members of
Derrimon Trading Company Limited

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

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

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

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

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Independent Auditor's Report

To the Members of
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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 purposes of our audit.

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

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

McKenley + Associates

Chartered Accountants

28 February 2018
Kingston, Jamaica

Derrimon Trading Company Limited

Group Statement of Comprehensive Income

Year ended 31 December 2017

	Note	31 December 2017 $'000
Revenue		
Trading income	3(g)	6,723,810
Less cost of sales		5,388,010
Gross profit		1,335,800
Other income	5	257,128
		1,592,928
Less operating expenses:		
Administrative	6	(1,005,566)
Selling & distribution	6	(135,665)
		(1,141,231)
Operating profit before finance costs		451,697
Finance costs	6	(169,901)
Profit before taxation		281,796
Taxation	11	-
Net profit		281,796
Other Comprehensive Income, net of taxes-		
Items that may be reclassified to profit or loss		-
Total comprehensive income		281,796
Net Profit Attributable to:		
Shareholders of the company		252,369
Non-controlling interests		29,427
		281,796
		$
Earnings per share	14	0.92

There are no prior year figures; 2017 was the first year Derrimon Trading Company Limited produced Group Financial Statements.

Derrimon Trading Company Limited

Group Statement of Financial Position

31 December 2017

	Note	2017
		$'000
Non-current assets:		
Property, plant and equipment	15	387,007
Goodwill	16	33,220
Intangible assets	16	256,523
Current assets:		
Inventories	17	795,551
Receivables	18	887,212
Taxation recoverable		5,209
Investments	20	256,976
Cash and cash equivalents	21	265,521
		2,210,469
Current liabilities:		
Payables	22	791,036
Short term loans	23	29,976
Current portion of borrowings	25	258,766
Bank overdraft	26	17,949
		1,097,727
Net current assets		1,112,742
		1,789,492
Shareholder's equity		
Share capital	27	140,044
Capital reserves	12	133,053
Investment revaluation reserve	13	614
Retained earnings		590,357
		864,068
Non-controlling interests	24	171,107
		1,035,175
Non-current liability:		
Borrowings	25	754,317
Total equity and non-current liabilities		1,789,492

Approved for issue by the Board of Directors on 28 February 2018 and signed on its behalf by:

.....
Derrick Cotterell
Director

.....
Alexander Williams
Director

There are no prior year figures; 2017 was the first year Derrimon Trading Company Limited produced Group Financial Statements.

Derrimon Trading Company Limited

Group Statement of changes in Shareholder's Equity

Year ended 31 December 2017

	Attributable to the Company's Shareholders				Non-controlling Interests	Total Equity
	Share Capital	Capital Reserves	Retained Earnings	Investment Revaluation Reserve		
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2017	140,044	-	337,988	614	-	478,646
Net profit for 2017, being total comprehensive income	-	-	252,369	-	29,427	281,796
Realised gains on disposal of shares	-	39,104	-	-	-	39,104
NCI: acquisition of subsidiary	-	-	-	-	141,680	141,680
Movement during the year	-	93,949	-	-	-	93,949
Balance : 31 December 2017	140,044	133,053	590,357	*614	171,107	1,035,175

- Unrealised gain/ (loss) on shares quoted on the Jamaica Stock Exchange classified as available-for-sale.

There are no prior year figures; 2017 was the first year that Derrimon Trading Company Limited produced Group Financial Statements.

Derrimon Trading Company Limited

Group Statement of Cash Flows

Year ended 31 December 2017

	Note	2017
		$'000
Cash flows from operating activities:		
Net profit		252,369
Items not affecting cash resources:		
Depreciation	15	51,852
Investment revaluation		37,135
Capital reserve		(689)
Interest income		(9,210)
Finance cost		169,908
Operating income before changes in operating assets and liabilities		501,365
Changes in non-cash working capital components:		
Inventories		189,451
Short-term Investments		(154,495)
Related company balances		834
Receivables		(154,112)
Prepayments		121,141
Payables		19,027
		21,846
		523,211
Finance cost		(169,098)
Net cash provided by operating activities		354,113
Cash flows from Investment activities:		
Interest income		9,210
Investments in subsidiary		(244,116)
Realised gains on disposal of shares in subsidiary		39,103
Purchase of fixed assets	15	(247,022)
Purchase cost of goodwill		(18,000)
Net cash used in investment activities		(460,825)
Financing activities:		
Loans received during the year		353,259
Repayment of loans		(194,296)
Interest expense		(804)
Net cash used in financing activities		158,159
Net increase in cash and cash equivalents		51,447
Net cash balances at beginning of year		196,125
Net cash and cash equivalents at end of year		247,572

Represented by:		
Cash and cash equivalents	21	265,521
Bank overdraft	26	(17,949)
		247,572

There are no prior year figures; 2017 was the first year Derrimon Trading Company Limited produced Group Financial Statements.

Derrimon Trading Company Limited

Company Statement of Comprehensive Income

Year ended 31 December 2017

	Note	2017 $'000	2016 $'000
Revenue			
Trading income	3(g)	6,346,526	6,176,928
Less cost of sales		5,162,896	5,242,449
Gross profit		1,183,630	934,479
Other income	5	38,562	19,474
		1,222,192	953,953
Less operating expenses:			
Administrative	6	923,899	561,460
Selling & distribution	6	131,229	177,952
		1,055,128	739,412
Operating profit before finance costs		167,064	214,541
Finance costs	6	(169,098)	(136,621)
Gain on acquisition of subsidiary	5	206,349	-
Share of profit of associated company		-	38,187
Profit before taxation		204,315	116,107
Taxation	11	-	-
Net profit		204,315	116,107
Other comprehensive Income, net of taxes		-	-
Total comprehensive income		204,315	116,107
		$	$
Earnings per share	14	0.75	0.43

Derrimon Trading Company Limited

Company Statement of Financial Position

31 December 2017

	Note	2017	2016
		$'000	$'000
ASSETS			
Non-current assets:			
Property, plant and equipment	15	371,557	176,130
Goodwill	16	33,220	15,220
Investment in associate	10	-	194,604
Investment in subsidiary	10	438,720	-
Current assets:			
Inventories	17	710,595	905,827
Receivables	18	820,408	680,661
Prepayments	18	-	120,619
Related parties	19	-	834
Investments	20	124,362	12,178
Cash and cash equivalents	21	177,140	157,934
		1,832,505	1,878,053
Current liabilities:			
Payables	22	780,475	772,033
Short term loans	23	29,975	224,272
Current portion of borrowings	25	256,527	30,901
Bank overdraft	26	17,949	56,740
		1,084,926	1,083,946
Net current assets		747,579	794,107
Total assets less current liabilities		1,591,076	1,180,061
EQUITY			
Share capital	27	140,044	140,044
Capital reserves	12	133,052	57,503
Investment revaluation reserve	13	614	614
Retained earnings		570,622	366,307
		844,332	564,468
Non-current liability:			
Borrowings	25	746,744	615,593
Total equity and non-current liabilities		1,591,076	1,180,061

Approved for issue by the Board of Directors on 28 February 2018 and signed on its behalf by:

.....
Derrick Cotterell
Director

.....
Alexander Williams
Director

Derrimon Trading Company Limited

Company Statement of Changes in Shareholders' Equity

Year ended 31 December 2017

	Share Capital	Retained Earnings	Investment Revaluation Reserve	Capital Reserves	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 31 December 2015	140,044	250,200	614	57,503	448,361
Net profit for 2016	-	116,107	-	-	116,107
Balance at 31 December 2016	140,044	366,307	614	57,503	564,468
Net profit for 2017	-	204,315	-	-	204,315
Realised gains on disposal of shares	-	-	-	39,103	39,103
Increase in capital reserve	-	-		36,446	36,446
Balance at 31 December 2017	140,044	570,622	*614	133,052	844,332

* Unrealised gain/ (loss) on shares quoted on the Jamaica Stock Exchange classified as available- for- sale

Derrimon Trading Company Limited

Company Statement of Cash Flows

Year ended 31 December 2017

	Note	2017	2016
		$'000	$'000
Cash flows from operating activities:			
Net profit		204,315	116,107
Items not affecting cash resources:			
Depreciation	15	48,854	23,741
Capital reserves		(689)	-
Investment revaluation		37,138	-
Gain on sale of fixed assets		-	(1,250)
Share of profit of associated company		-	(38,187)
Interest income		(451)	(795)
Finance costs		169,098	136,620
Operating income before changes in operating assets and liabilities		458,265	236,236
Changes in non-cash working capital components:			
Inventories		195,231	(317,540)
Related company balances		834	13,701
Receivables		(139,749)	(174,931)
Prepayments		120,619	(120,619)
Payables		8,443	211,490
		185,378	(387,899)
Cash generated by/ (used in) operations		643,643	(151,663)
Finance costs		(169,098)	(136,621)
Net cash provided by/ (used in) operating activities		474,545	(288,284)
Investment activities:			
Interest income		451	794
Investments		(112,184)	(9,827)
Dividend received from associated company		-	4,409
Proceeds from sale of property, plant and equipment		-	6,700
Investment in associate		(244,116)	-
Purchase of property, plant and equipment	15	(244,283)	(44,996)
Purchase cost of goodwill		(18,000)	-
Realised gain on disposal of shares		39,103	-
Net cash used in investment activities		(579,029)	(42,920)
Financing activities:			
Loans received during the year		356,777	424,325
Repayment of loans		(194,296)	(52,130)
Net cash provided by financing activities		162,481	372,195
Net increase in cash and cash equivalents		57,997	40,991
Net cash balances at beginning of year		101,194	60,203
Net cash and cash equivalents at end of year		159,191	101,194
Represented by:			
Cash and cash equivalents	21	177,140	157,934
Bank overdraft	26	(17,949)	(56,740)
		159,191	101,194

1. IDENTIFICATION AND PRINCIPAL ACTIVITIES

Derrimon Trading Company Limited ("the Company") together with its subsidiary is referred to as the Group. The Company is a private company limited by shares incorporated and domiciled in Jamaica. Effective 17 December 2013, the Company's shares were listed on the Junior Market of the Jamaican Stock Exchange (JSE). The registered office of the Group is located at 233 and 235 Marcus Garvey Drive, Kingston 11.

The principal activity of the Company is the wholesale and bulk distribution of household and food items inclusive of meat products and the retailing of those and other food items and meat products through the operation of a chain of outlets and supermarkets.

2. BASIS OF PREPARATION

Statement of compliance

The financial statements have been prepared in accordance with the provision of the Jamaican Companies Act (the 'Act") and with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB) using the accounting policies described herein.

These consolidated financial statements were authorized for issuance by the Company's Board of Directors on 28 February 2018.

Going concern

The preparation of the financial statements in accordance with IFRS assumes that the Group will continue in operational existence for the foreseeable future. This means, in part, that the statements of profit or loss and comprehensive income and financial position assume no intention or necessity to liquidate or curtail the scale of operations. This is referred to as the going concern principle.

Management principally uses borrowings as a means of growth and expansion. This strategy has an inherent liquidity risk that the cash generating units acquired using debt may not perform as expected and result in cash flow challenges. Management is mindful of this inherent liquidity risk. They are confident that their strategic growth and expansion strategy and plan will perform as anticipated and along with management's access to further credit facilities, they do not anticipate any going concern challenges within the foreseeable future.

Management has prepared the financial statements of the Group as a going concern. The Group and Company are expected to continue in operation for the foreseeable future. Management has neither the intention nor have they considered the need to liquidate or significantly curtail the scale of its operation.

2. BASIS OF PREPARATION (CONTINUED)

Basis of presentation

The financial statements have been prepared on the historical cost basis, except for the following items, which are measured at fair value:

- Financial instruments at fair value through profit or loss;
- Available-for-sale financial assets;
- Revaluation of certain property, plant and equipment; and
- Initial recognition of assets acquired, and liabilities assumed in subsidiaries and joint arrangement

Revenues and expenses

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

Functional and presentation currency

The Group's functional and presentational currency is the Jamaican dollar (JAD$).

Key sources of estimation and critical judgments

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

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

Actual results may differ from estimates made in these consolidated and stand alone financial statements. The use of estimates is an essential part of the preparation of financial statements and does not undermine their reliability.

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

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

2. BASIS OF PREPARATION (CONTINUED)

Key sources of estimation and critical judgments (Continued)

Operating segments information

Judgment – Management uses judgment in determining the similarity of the economic characteristic of the segments for aggregation.

Impairment of assets

Judgment – Management uses judgment in determining the grouping of assets to identify the Cash-Generating Units ("CGUs") for the purposes of testing for impairment of property, plant and equipment ("PPE"), Intangibles and Goodwill. Management has determined that its three (3) strategic business units are its CGUs which comprise Distribution (Household products, detergents and bulk foods), Wholesale (Trading outlets and supermarkets) and Other Operations (Manufacturer of Flavours and Fragrances). In testing for impairment of PPE, these assets are allocated to the CGUs to which they relate.

Judgment has been used, at each reporting date, in determining whether there has been an indication of impairment which would require the completion of impairment testing.

Estimation – Management's estimates of a CGUs' recoverable based on value-in-use involves estimating future cash flows before taxes. Future cash flows are estimated based on a multi-year extrapolation of the last five years historical actual results and a terminal value by discounting the final year in perpetuity. The growth rate applied to the terminal value is based on the Bank of Jamaica's target inflation rate or Management's estimate of the growth rate specific to the individual item being tested. The future cash flow estimates are then discounted to their present value using the appropriate pre-tax discount rate which includes a risk premium specific to the business. The final determination of a CGUs' recoverable amount is based on fair value less cost to sell and its value-in-use.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in comprehensive income. This is reversed only if there has been a change in the estimates used to determine the recoverable amount and not to exceed the original carrying amount prior to its impairment. The reversal is also recognized in the statement of comprehensive income.

Income and other taxes

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

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

2. BASIS OF PREPARATION (CONTINUED)

Key sources of estimation and critical judgments (Continued)

Consolidation

Judgment – The Company uses judgment in determining the entities that it controls and accordingly consolidates. An entity is controlled when the Company has power over the entity, exposure or rights to variable returns from its involvement with the entity and the ability to use its power over the entity to affect the number of returns it receives from the entity. If facts and circumstances indicate that there are changes to one or more of the control elements, the Company reassess whether it still has control.

Joint arrangement

Judgment – Management applies judgment in determining the type of joint arrangement in which it is involved. The classification of the joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement, its structure and legal form, the terms agreed by the parties in the contractual arrangement, and when relevant, other facts and circumstances.

Investment property

Judgment – Management applies judgment in determining whether a property qualifies as an investment property. Criteria are developed so as to allow Management to exercise that judgment consistently.

Related parties and related party transactions

Judgment – Management uses judgment in determining the level of details to be disclosed. Consideration is given to the closeness of the related party relationship and other factors relevant in establishing the level of significance of the transaction(s).

Depreciable assets

Estimates of the useful life and the residual value of property, plant and equipment are required in order to apply an adequate rate of transferring the economic benefits embodied in these assets in the relevant periods. The Group applies a variety of methods in an effort to arrive at these estimates from which actual results may vary. Actual variations in estimated useful lives and residual values are reflected in profit or loss through impairment or adjusted depreciation provisions.

Inventories

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

2. BASIS OF PREPARATION (CONTINUED)

Key sources of estimation and critical judgments (Continued)

Receivables

Estimation – Management's estimate of allowance on accounts receivable is based on analysis of the Aged Receivables and historical experience with delinquency and default. Default rates and the allowance amount are regularly reviewed against the actual outcomes to ensure that they remain appropriate.

Allowance for losses

Judgments: In determining amounts recorded for allowance for losses in the financial statements, management makes judgments regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from accounts receivable and other financial assets from conditions such as repayment default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired assets, including the net realizable value of underlying collateral, as well as the timing of such cash flows. The adequacy of the allowance depends on the accuracy of these judgments and estimates.

Contingencies

In determining the existence of a contingent liability, management assesses the existence of:

- A possible obligation that arises from a past event and which existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or;

- A present obligation that arises from a past event but is not recognized because it is not possible that an outflow of economic benefit is required to settle or the amount of the obligation cannot be measured reliably. In estimating possible outflow of economic benefits In relation to a contingent liability, management, sometimes in consultation with experts such as legal counsel may or may not make provision in the financial statements based on judgments regarding possible outcomes according to specific but uncertain circumstances. Contingent liabilities are disclosed in the financial statements unless immaterial or the possibility of an outflow of economic benefits is remote.

Others

Estimation – Other estimates include measuring payables and accruals and in measuring fair values of financial instruments.

2. BASIS OF PREPARATION (CONTINUED)

Standards, amendments and interpretations issued and adopted which are relevant to the Group's operations

Disclosure initiative (IAS 1)

In December 2014, the International Accounting Standard Board ("IASB") issued Disclosure Initiative amendments to IAS 1 as part of the IASB's Disclosure Initiative. These amendments encourage entities to apply professional judgment regarding disclosure and presentation in their financial statements. These amendments were effective for annual periods beginning on or after January 1, 2016, and were applied prospectively. The implementation of these amendments did not have any significant effects on these consolidated financial statements.

Disclosure initiative (IAS 7)

In January 2016, the IASB issued Disclosure Initiative amendments to IAS 7 – Statement of Cash Flows also as part of the IASB's Disclosure Initiative. These amendments required entities to provide additional disclosures that will enable financial statement users to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes.

These amendments are effective for annual periods beginning on or after 1 January 2017.

Income taxes (IAS 12)

In January 2016, the IASB amended IAS 12 – *Income taxes* by issuing Recognition of deferred tax assets for unrealized losses. The amendments clarify the accounting for deferred tax where the asset is measured at fair value and that fair value is below the asset's tax base. The amendments also address the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

These amendments are effective for annual periods beginning on or after 1 January 2017.

Disclosure of interests in other entities (IFRS 12)

In December 2016, the IASB amended IFRS 12 – Disclosure of interest in other entities. The objective of these amendments is to require an entity to disclose information that enables users of the financial statements to evaluate the nature of and risk associated with its interest in other entities; and the effects of those interests on its financial position, financial performance and cash flows.

These amendments are effective for annual periods beginning on or after 1 January 2017.

2. BASIS OF PREPARATION (CONTINUED)

Standards, amendments and interpretations issued but not yet adopted which are relevant to the Group's operations

The following new standards, amendments and interpretations have been issued and may impact the financial statements but are not effective for the fiscal year ended 31 December 2017 and, accordingly, have not been applied in preparing these Group financial statements.

Investment property (IAS 40)

In January 2016, the IASB issued amendments to IAS 40 – Investment property. These amendments clarified that to transfer to, or from investment property, there must be a change in use. There must be an assessment and supportable evidence for the change.

These amendments are effective for annual periods beginning on or after 1 January 2018.

Financial instruments (IFRS 9)

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

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

Revenue from contracts with customers (IFRS 15)

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

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

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

2. BASIS OF PREPARATION (CONTINUED)

Standards, amendments and interpretations issued but not yet adopted which are relevant to the Group's operations (continued)

Leases (IFRS 16)

In January 2016, the IASB issued IFRS 16 – *Leases,* which replace IAS 17– *Leases* and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases unless the lease term is 12-months or less or the underlying assets have a low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17 with the distinction between operating and finance leases being retained.

IFRS 16 will be applied retrospectively for annual periods beginning on or after 1 January 2019. Early adoption is permitted if IFRS 15 has also been applied.

Foreign currency transactions and advance consideration (IFRIC 22)

In January 2016, the IASB amended IAS 21 – *The* effects of changes in foreign exchange rates by issuing IFRIC 22 – Foreign currency transactions and advance consideration. These amendments clarified how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) on the de-recognition of a non-monetary asset or non-monetary liability arising from payment or receipt of advance consideration in a foreign currency.
IFRIC 22 is effective for annual periods beginning on or after 1 January 2018. Early application is permitted, and the Company is required to disclose that fact

Uncertainty over income tax treatments (IFRIC 23)

This interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatment.

IFRIC 23 is effective for annual periods beginning on or after 1 January 2018. Early application is permitted, and the Company is required to disclose that fact.

Investments in associates and joint ventures (IAS 28)

In December 2016, the IASB amended IAS 28 – Investments in associates and joint ventures. These amendments clarify the accounting policy choice available for *electing to* measure the investments at fair value through profit or loss in accordance with IFRS 9.

These amendments are effective for annual periods beginning on or after 1 January 2018.

Management is currently assessing the likely future impact of these standards and amendments on these consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

These consolidated financial statements include the accounts of Derrimon Trading Company Limited (DTCL) and entities it controls. An entity is controlled when the Company has the ability to direct the relevant activities of the entity, has exposure or rights to variable returns from its involvement with the entity, and is able to use its power over the entity to affect its returns from the entity. The results of the Group's subsidiary have been prepared to align with the Group's reporting date.

The results of Caribbean Flavours and Fragrances Limited (CFFL) which have a different year end, 30 June 2017, have been included in these consolidated financial statements for the twelve (12) months period ended 31 December 2017. The year-end of DTCL and Select Grocers Supermarket is 31 December 2017.

Income or loss and each component of Other Comprehensive (OCI)I are attributed to the shareholders of the Company and to the non-controlling interests. Total comprehensive income is attributed to the shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance on consolidation.

The consolidated financial statements include the financial statements of the Company and its holdings in Select Grocers and its subsidiary, CFFL as follows:

Entity	Principal Activity	% Ownership by Company at 31 December 2017	% Ownership by Company at 31 December 2016
CFFL	Manufacture of Flavours and Fragrances the Group at 31 December 2017	62.02	49.02
Select Grocers	Operation of Supermarket	60	0

During the year, on 10 February 2017, the Company acquired an additional 26% of CFF, moving its shareholding from 49.02% to 75.02% of CFFL. This gained control and this resulted in CFFL becoming a subsidiary at that date. On 16 June 2017, The Company subsequently sold 13% of its CFFL shareholdings, reducing its balance to 62.02% while maintaining control of CFFL.

The sale of the 13% shareholding represented a change in ownership interests without change of control. This transaction is accounted for as an equity transaction, that is, transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary are recorded in equity. Gains or losses on disposals to non-controlling interests are recorded in profit or loss.

The Company's 60% holding in the joint arrangement with Select Grocers is being reported as a joint operation in accordance with IFRS 11. The Company accounts for this entity by incorporating 60% of its assets, liabilities, revenue and expenses into the financial statements of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Joint arrangement

A joint arrangement is an arrangement in which two or more parties have joint control.

Joint control is the contractually agreed sharing of control whereby decisions about relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is classified as a joint operation when the parties those have joint control of the arrangement have rights to the assets and obligations for the liabilities related to the arrangement. The Company records its share of the joint operation's assets, liabilities, revenues and expenses.

(c) Business combination

The company applies the acquisition method in accounting for a business combination.

The consideration transferred by the company to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair value of the assets transferred, liabilities assumed, and the equity interests issued by the company.

The company recognizes identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognized in the company's financial statements prior to the acquisition. Assets acquired, and liabilities assumed are generally measured at their acquisition-date fair value.

Any Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognized amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of the identifiable net assets. If the fair values of the identifiable net assets exceed the sum calculated above, the excess amount i.e., gain on a bargain purchase, is recognized in profit or loss immediately.

Transaction costs that the Company incurs in connection with a business combination are expensed immediately.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Associate

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The associate is initially recognized in the company's statement of financial position at cost. Subsequently, associates are accounted for using the equity method where the company's share of post-acquisition profits or losses is recognized in the statement of comprehensive income. Losses in excess of the Company's investment in the associate are not recognized unless there is an obligation to make good those losses. Profits or losses arising from transactions between the Company and its associate are recognized only to the extent of unrelated investors' interest in the associate. The investor's share of the associated profit and losses resulting from these transactions is adjusted against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Company's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalized and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

Changes in ownership interests in subsidiary without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(e) Segment reporting

An operating segment is a component of the Company:

a. That engages in business activities from which it may earn revenues and incur expenses (including intra-company revenues and expenses),
b. Whose operating results are regularly reviewed by the Company's Board of Directors to make decisions about resources to be allocated to the segment and assess its performance, and
c. For which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Segment reporting (continued)

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year. Management considers the Company to have three (3) (2016- two (2)) strategic business units which offer differentiated volume and price to its customers.

The primary operating segments (reportable business units) are:

Distribution (Household products, detergents and bulk foods);

Wholesale (Trading outlets and supermarkets); and

Other Operations (Manufacturer of Flavours and Fragrances)

Financial and other transactions between business units have been eliminated where necessary in preparing these consolidated financial statements.

(f) Property, plant and equipment

Property, plant and equipment are stated at historical cost, less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of items. Land is carried at cost and is not depreciated.

Depreciation is calculated on a straight-line basis at such rates as will write off the carrying value of the assets over the period of their expected useful lives. Current annual rates of depreciation are:

Buildings	2.5%
Leasehold improvements	2.5%
Machinery and equipment	10.0%
Furniture, fittings and fixtures	20.0%
Motor vehicles	20.0%
Computer	33.33%

The assets' residual values and useful lives are reviewed periodically for impairment. Where the assets' carrying amount is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognized in other income in the statement of comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment (Continued)

Repairs and maintenance expenditure are included in the statement of comprehensive income during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that the future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company.

The cost of self-constructed assets includes the cost of materials, direct labour and related cost to put the asset into service. Borrowing costs, including but not limited to, interest on borrowings and exchange differences arising on such borrowings, that are directly attributable to the acquisition and/or construction of a qualifying asset are capitalized as part of the cost of that asset. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its use are complete. Thereafter, borrowing costs are recognized in profit or loss when they are incurred.

(g) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of General Consumption Tax, returns and discounts and after eliminating sales within the Group.

The Group recognizes revenue in the income statement when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group, where the significant risks and rewards of ownership have been transferred to the buyer and specific criteria have been met in relation to the Group's activities as described below:

Sale of goods

Sales are recognized upon delivery of products and customer acceptance of the products and collectability of the related receivables is reasonably assured. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration that is due for the delivery and supply of goods.

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

Interest income
Interest income is recognized in profit or loss for all interest-bearing instruments on an accrual basis unless collectability is doubtful.

Dividend income
Dividend income is recognized when the right to receive payment is established.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Foreign currency translation

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

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

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

(i) **Financial instruments** – recognition and measurement

A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity.

Financial assets and liabilities:

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

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

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

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

Derrimon Trading Company Limited

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31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Classification choices for financial liabilities include:

a. FVTPL; and
b. Other liabilities

The Company's financial assets and financial liabilities are generally classified and measured as follows:

Asset/Liability	Classification	Measurement
Receivables	Loans and receivables	Amortized cost
Investments	Available-for-sale	Fair value
Cash and cash equivalents	Loans and receivables	Amortized cost
Related party receivable	Loans and receivables	Amortized cost
Bank overdraft	Other liabilities	Amortized cost
Payables	Other liabilities	Amortized cost
Short term loans	Other liabilities	Amortized cost
Long-term borrowing	Other liabilities	Amortized cost

Available-for-sale

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

Loans and receivables

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

Other liabilities

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

De-recognition of financial instruments

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Inventories

Inventories are carried at the lower of cost and net realizable value.

The cost of inventories is determined based on weighted average cost and includes costs incurred in bringing the inventories to their present location and condition. Inventories comprised finished goods, work-in-progress, and raw and packaging materials.

Net realizable value is the estimated selling price of inventory during the normal course of business less estimated selling expenses.

(k) Related parties' disclosure

Related parties are identified and disclosed to allow users of the financial statements to be aware of the possibilities that the financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments, with such parties.

A related party is a person or entity that is related to the Company:

(a) **A person or close member of that person's family is related to the Company if that person:**

- Has control or joint control over the Company;
- Has significant influence over the Company; or
- Is a member of the key management personnel of the Company or of a parent of the Company.

(b) **An entity is related to the Company if any of the following conditions applies:**

- The Company, its subsidiary and joint operation are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One company is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both companies are joint ventures of the same third party.
- One company is a joint venture of a third entity and the other entity is an associate of the third entity
- The company is a post-employment benefit plan for the benefit of the employees of either the reporting entity or an entity related to the reporting entity.
- The company is controlled, or jointly controlled by a person identified in (a) above.
- A person identified related to the Group has significant influence over the company or is a member of the key management personnel of the company (or of a parent of the company).
- The company, or any member of a group of which it is a part, provides key management personnel services to the company or to the parent of the company.

A related party transaction involves transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Income taxes

Taxation expense in profit or loss comprises current and deferred tax charges

i. Current Taxation

Current tax charges are based on taxable profit for the year, which differs from the reported profit before tax because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The Group's liability for current tax is calculated at tax rates that have been enacted at the date of the statement of financial position.

ii. Deferred Taxation

Deferred tax is the tax expected to be paid or received on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax is charged or credited to profit or loss, except where it related to items charged or credited to other comprehensive income or equity, in which cases, deferred tax is also dealt with in other comprehensive income or equity

At 31 December 2017, no deferred tax was accounted for because Derrimon, the parent company of the group, was listed on the Junior Market of the JSE, effective 17 December 2013 and is subject to five (5) years tax free status until 17 December 2018 and 50% tax free status until 17 December 2023.

The other subsidiary of the Group, CFFL, is also listed on the Junior Market of the JSE and during this period is not subject to income tax.

(m) Trade receivables

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

(n) Prepayments

Prepayments are partial or full settlements of debt or expenses before the contractually obligated due date, this includes advances and deposits.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Investments

Investments are highly liquid instruments, primarily bonds and equities in both Jamaican and United States dollar denominations, with an original term to maturity of more than three months.

(p) Cash and cash equivalents

Cash and cash equivalents are defined as cash-in-hand and at-bank

Bank overdrafts are repayable on demand and form part of the Group's cash management activities and are included as a component of net cash resources for the purposes of the statement of cash flows.

(q) Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of identifiable assets acquired and liabilities assumed in a business combination. Goodwill is measured at cost less accumulated impairment Goodwill on acquisition of subsidiaries is included in intangible assets. Separately recognised goodwill is tested for impairment annually and carried at cost less accumulated impairment. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purpose of impairment testing, goodwill acquired in a business combination is assigned to cash generating units that are expected to benefit from the synergies of the combination.

The Group and Company assess goodwill for impairment at least on an annual basis or when events or circumstance indicates that the carrying value may be impaired.

Research and development

Expenditures on research and development activities are expensed as incurred.

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Notes to the Financial Statements
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lessor
When the Company is the lessor in an operating lease, rental income is recognized in net income on a straight-line basis over the term of the lease.

Lessee
When the Company is the lessee in an operating lease, rent payments are charged to profit or loss on a straight-line basis over the term of the lease. Lease incentives are amortized on a straight-line basis over the terms of the respective leases.

Assets under finance leases are recognized as assets of the Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability is included in the Consolidated Balance Sheets as a finance lease obligation. Lease payments are apportioned between finance costs and reduction of the lease obligations, so as to achieve a constant rate of interest on the remaining balance of the liability

(s) Impairment of assets

The carrying amounts of property, plant and equipment, investment property, and intangible assets with finite useful lives are reviewed at the end of each reporting period to determine whether there are any indicators of impairment. Indicators of impairment may include a significant decline in asset market value, material adverse changes in the external operating environment which affect the manner in which the asset is used or is expected to be used, obsolescence, or physical damage of the asset. If any such indicators exist, then the recoverable amount of the asset is estimated. Goodwill and intangible assets with indefinite useful lives and intangible assets not yet available for use are not amortized but are tested for impairment at least annually or whenever there is an indicator that the asset may be impaired.

Cash generating units

When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the asset belongs. The CGUs correspond to the smallest identifiable group of assets whose continuing use generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill acquired in a business combination is allocated to each of the CGUs (or groups of CGUs) expected to benefit from the synergies of the combination. Intangible assets with indefinite useful lives are allocated to the CGU to which they relate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Impairment of assets (Continued)

Determining the recoverable amount

An impairment loss is recognized when the carrying amount of an asset, or of the CGU to which it belongs, exceeds the recoverable amount. The recoverable amount of an asset or CGU is defined as the higher of its fair value less costs to sell ("FVLCS") and its Value-In-Use (VIU). In assessing VIU, the estimated future cash flows are discounted to their present value. Cash flows are discounted using a pre-tax discount rate that includes a risk premium specific to each line of business. The Company estimates future cash flows based on a multi-year extrapolation of the last five years historical actual results and a terminal value by discounting the final year in perpetuity. The growth rate applied to the terminal values is based the Bank of Jamaica's target inflation rate or a growth rate specific to the individual item being tested based on Management's estimate.

Recording impairments and reversals of impairments

Impairments and reversals of impairments are recognized in other income in the Consolidated Statements of Income. Any impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU. Impairments of goodwill cannot be reversed. Impairments of other assets recognized in prior periods are assessed at the end of each reporting period to determine if the indicators of impairment have reversed or no longer exist. An impairment loss is reversed if the estimated recoverable amount exceeds the carrying amount. The increased carrying amount of an asset attributable to a reversal of impairment may not exceed the carrying amount that would have been determined had no impairment been recognized in prior periods.

(t) Employee benefits

Employee benefits are all forms of consideration given by the Group in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, NIS contributions, annual leave, and non-monetary benefits such as medical care and termination benefits.

Employee benefits that are earned as a result of past or current service are recognized in the following manner: short-term employee benefits are recognized as a liability, net of payments made, and charged as an expense. The expected cost of vacation leave that accumulates is recognized when the employee becomes entitled to the leave.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Pension and employee benefits

The Company does not have a Pension Plan; however, it has implemented an Individual Retirement Account (IRA) Scheme for some categories of staff operated by an Insurance Company. The Company contributes a fixed amount to this Scheme for each participating individual. The Company recognizes a liability and an expense for its contribution to the Scheme.

(v) Borrowings and borrowing costs

Short-term loans and Borrowings

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

Borrowing cost and interest

Borrowing costs and interests directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of these assets. Capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs and interests are recognized in profit or loss in the period in which they are incurred.

(w) Payables and accruals

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

Payables for trade and other accounts payable at 31 December 2017, which are normally settled on 30 to 90 days terms, are recorded at original invoice amount or an amount representing the fair value of the consideration to be paid in the future for goods or services received by the Group.

Amounts accrued for certain expenses are based on estimates and are included in payables.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Share capital, dividends and distributions

Shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are deducted, net of tax from proceeds.

Dividends

Dividends declared and payable to the Company's shareholders are recognized as a liability in the consolidated statement of financial position in the period in which the dividends are approved by the Company's Board of Directors.

Distributions

Distributions to non-controlling interest are recognized as a liability in the consolidated statement of financial position in the period in which the distributions are declared.

(y) Earnings per share

Basic earnings per share ("EPS") are calculated by dividing the net income attributable to the shareholders divided by the weighted average number of ordinary shares outstanding during the reporting period.

(z) Finance income and costs

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues, using the effective interest method.

Finance costs comprise interest expense on borrowings and bank charges. Borrowing costs are recognized in profit or loss using the effective interest method.

(aa) Provisions

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

The expense relating to any provision is charged to the statement of comprehensive income net of any reimbursement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(bb) Non-controlling interests

Equity in the controlled entities not attributable, directly or indirectly, to the Company, is considered non-controlling interest. When the proportion of the equity held by non-controlling interest's changes, the Company adjusts the carrying amounts of the controlling and non-controlling interests to reflect the changes in their relative interest in the controlled entities. The Company recognizes directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the shareholders of the Company.

(cc) Comparative information

Where necessary, comparative figures have been reclassified and or restated to conform to changes in the current year. There are no 2016 figures for the Group because the year ended 31 December 2017 was the first period that the Group acquired a subsidiary, necessitating consolidation.

4. SEGMENTAL FINANCIAL INFORMATION

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer that are used to make strategic decisions.

The Group operates three (3) segments. Two (2) segments are exposed to similar risks as they both sell household and grocery products and the third segment, which is new due to the consolidation of the subsidiary, manufactures flavor and fragrances. The principal divisions are:

(i) Distribution**-** distribution of Nestle household products, Sun Power Detergents and bulk food products.

(ii) Wholesale and retail **-** operation of seven (7) outlets, six trading under the name Sampars Cash and Carry and Sampars Outlets and the other under the name Select Grocers.

The distribution hub along with four (4) outlets is located in Kingston and Saint Andrew and the other three (3) locations are in rural Jamaica.

(iii) Other operations – manufacturer of flavours and fragrances

Derrimon Trading Company Limited

Notes to the Financial Statements

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4. SEGMENTAL FINANCIAL INFORMATION (continued)

The Group

2017

	Distribution	Sampars Outlets	Other Operations	Total
	$'000	$'000	$'000	$'000
Revenue from external customers	2,422,364	3,924,160	377,284	6,723,808
Depreciation	20,314	28,540	2,998	51,852
Current liabilities	565,033	660,469	26,029	1,251,531
Current Assets	1,102,495	877,630	391,191	2,31,316

The Company

2017

	Distribution	Sampars and Select Grocers	Total
	$'000	$'000	$'000
Revenue from external customers	2,422,364	3,924,160	6,346,524
Depreciation	20,314	28,540	48,854
Current liabilities	565,033	660,469	1,225,502
Current Assets	1,102,495	877,630	1,980,125

2016

	Distribution	Sampars Outlets	Total
	$'000	$'000	$'000
Revenue from external customers	2,888,146	3,288,782	6,176,928
Depreciation	11,494	12,247	23,741
Current liabilities	602,191	477,764	1,079,955
Current Assets	1,153,081	724,972	1,878,053

No reconciliations between segments are presented to the CEO in the Company's monthly financial statements.

Derrimon Trading Company Limited

Notes to the Financial Statements

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5. OTHER INCOME

	The Group	The Company	
	2017 $'000	2017 $'000	2016 $'000
Interest income	.451	.451	795
Rental from warehouse space	22,399	22,400	18,670
Other income: insurance proceeds, bad debts recovered and dividends	28,378	16,161	9
	50,779	38,562	19,474
Gain on acquisition of subsidiary	206,349	206,349	-
	257,128	244,911	19,474

6. EXPENSES BY NATURE

	The Group	The Company	
	2017 $'000	2017 $'000	2016 $'000
Direct costs			
Cost of inventories recognized as an expenses	5,388,010	5,162,896	5,242,449

	The Group	The Company	
	2017 $'000	2017 $'000	2016 $'000
Administrative expenses			
Directors fees and expenses	11,697	860	-
Insurance	44,089	42,067	27,235
Motor vehicle expenses	18,211	17,363	6,106
Professional services	50,268	46,074	20,006
Office expenses	26,310	23,110	19,940
Repairs and maintenance	28,611	27,707	22,957
Rental of equipment and office	132,091	123,952	60,606
Staff costs (note 7)	377,431	349,918	273,092
Security	23,614	22,336	18,505
Utilities	97,486	94,326	55,935
Depreciation	51,852	48,854	23,741
Gain on disposal of fixed assets	-	-	(1,250)
Travelling and accommodation	14,081	8,534	9,861
Other, including minimum business tax	124,190	118,798	24,726
Acquisition cost	5,635	-	-
	1,005,566	923,899	561,460

Derrimon Trading Company Limited

Notes to the Financial Statements

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6. EXPENSES BY NATURE (Continued)

	The Group	The Company	
	2017	2017	2016
Selling and distribution	$'000	$'000	$'000
Advertising and promotion	39,537	35,949	40,239
Commission	13,905	13,905	31,757
Bad debts written off	12,256	12,256	13,253
Trucking and delivery	69,966	69,118	92,703
	135,664	131,228	177,952

	The Group	The Company	
	2017	2017	2016
Finance costs	$'000	$'000	$'000
Long term loans: Interest (including preference dividend)	106,532	106,533	102,907
Credit line interest and bank charges	63,369	62,565	33,713
	169,900	169,098	136,621

Expenses by nature include the total of cost of sales, distribution costs, administration and other expenses.

7. STAFF COSTS

	The Group	The Company	
	2017	2017	2016
	$'000	$'000	$'000
Salaries and wages	318,123	301,287	247,602
Staff welfare	35,524	32,607	16,795
Contract services and other	23,784	16,024	8,695
	377,431	349,918	273,092

The average number of persons employed full-time by the Group during the year was 265 (2016 – 243) and part-time was 21 in (2016 - the Group came into existence in 2017).

8. ACQUISITION OF CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED

On 12 February 2017, the Company acquired 75.02% of the voting shares of Caribbean Flavours and Fragrances Limited ("CFFL") by means of a staged acquisition with the ownership of an additional 26% of CFFL voting share for a purchase consideration of $506,159,425. This included cash of $105,206,436 and the fair value of 49.02% of CFFL voting shares ($400,953) previously held as investment in associate by the Company. The fair value of the previously held shares were re-measured using the market price for CFFL shares of $9.10 per share as quoted on the JSE on 12 February 2017.

CFFL, a public listed company on the JSE Junior Market, is domiciled in Jamaica with registered offices at 226 Spanish Town Road, Kingston 11, Jamaica W.I. Its activities are the manufacturing and distribution of flavours for the beverages, baking and confectionery industries; and fragrances for household and general cleaning and sanitation purposes

8. ACQUISITION OF CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED (continued)

Intangible assets of $270,789,869 were recognized on the acquisition, being the excess of the purchase consideration over the fair value of the net assets acquired as set out below. The net asset fair values, in line with accounting standards, were determined, on the cost approach basis reflecting the amount that would be required to replace the service capacity of the business. The net book values were deemed the replacement costs at the acquisition date. The fair value of the non-controlling interest was measured on the same basis.

On 16 June 2017, the Company sold 13% of its ownership interest in CFFL for cash consideration of $114,648,068, reducing its holdings from 75.02% to 62.02%., without losing control of CFFL. As a result of this proportional change in equity held by the non-controlling interest, the Company adjusted the carrying amounts of the controlling and non-controlling interests to reflect the changes in their relative interest in CFFL. These adjustments were recognized directly in equity and the difference between the non-controlling interest and the consideration received were attributed to the shareholders of the Company.

DTCL: Summarized financial information

	2017
	$'000
Amount settled in cash	105,206
Fair value of equity shares issued	-
Total	105,206
Effect of settlement of pre-existing relationship	
Fair value of consideration transferred	105,206
Fair value of previously held investment in CFFL	400,953
Fair value of non-controlling interest in CFFL	78,373
	584,533
Recognised amounts of identifiable net assets:	
Fixed assets, net	15,513
Investments	160,303
Receivables, net	44,044
Inventories	86,800
Prepayments	1,784
Cash and bank	43,203
Taxation recoverable	3,153
Payables and accruals	(29,061)
Borrowings	(11,997)
Net identifiable assets and liabilities	**313,743**
Intangible assets	270,790
Impact of the 13% re-sale of CFFL shares	(14,267)
Revised intangible assets	256,523

DTCL book value of 49.02% of CFFL as at 11 February 2017 $194,604,036

DTCL fair value of 49.02% of CFFL as at 12 February 2017 $400,953,426

Gain recognized on re-measurement $206,349,390

The re-measurement gain was recognized in the Company's Profit or Loss Statement.

Derrimon Trading Company Limited

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8. ACQUISITION OF CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED (continued)

CFFL: Summarized financial information

	2017 $'000
Dividends paid to non-controlling interests	4,950
Current assets	389,249
Non-current assets	15,450
Current liabilities	23,789
Non-current liabilities	9,813
Revenue	375,366
Depreciation and amortization	3,376
Interest income	9,826
Interest expense	920
Post-tax profit or loss from continuing operations	77,275
Other comprehensive income	
Total comprehensive income	77,275

9. JOINT OPERATION AND ASSOCIATES

Since March 2017, the Company has a 60% interest in Select Grocers, an unincorporated business. Select Grocers is operated as an "upscaled" supermarket positioned to capture the affluent middle classes.

Select Grocers: Summarized financial information

	2017 $'000
Dividends received from joint operations	Nil
Current assets	122,066
Cash and cash equivalents included in current assets	5,536
Non-current assets	146,467
Current liabilities	110,556
Current financial liabilities, excluding trade and other payables and provision, included in current liabilities	Nil
Non-current liabilities	9,000
Revenue	327,171
Depreciation	10,690
Interest income	Nil
Interest expense	2,046
Income tax expense or income	-
Post-tax profit	18,336

Derrimon Trading Company Limited

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31 December 2017

10. INVESTMENT IN ASSOCIATE AND SUBSIDIARY

	The Company	
	2017	2016
Associate acquired: August 2014	$	$
	$'000	$'000
Investment at the beginning of the year	194,604	160,825
Share of results of associate after tax	-	38,186
Less dividend received	-	(4,407)
Re-measurement gain on acquisition	206,350	-
Amount settled in cash	105,206	-
Cost of shares resold	(67,440)	-
Balance at the end of the year	438,720	194,604

In August 2014, the Company acquired 49.02% of CFFL, a company incorporated in Jamaica and listed on the Junior Market of the Jamaican Stock Exchange. The Company participated in the financial and operating policy decisions but did not control CFFL.

In February 2017, the Company acquired an additional 26% of the issued shares of CFFL, effectively gaining control. The Company subsequently sold 13% in June 2017, resulting in a holding of 62.02% of the issued shares as at 31 December 2017. Both entities were consolidated at the end of the reporting period.

Derrimon Trading Company Limited
Notes to the Financial Statements
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11. TAXATION

Income tax is based on profit for the year, taxable at 25%, adjusted for taxation purposes and comprises:

	The Group	The Company	
	2017	2017	2016
	$'000	$'000	$'000
Income tax charge @ 25% (2016 - 25%)	-	-	-

The income tax charge on the Group's profit differs from the theoretical amount that arose using the statutory tax rate as follows:

	The Group	The Company	
	2017	2017	2016
	$'000	$'000	$'000
Profit before taxation	281,796	204,315	116,106
Income tax calculation at 25%	70,449	51,078	29,026
Net effect of other charges for tax purposes	(50,374)	(51,078)	(8,546)
Remission of tax	(20,075)	-	(20,480)
	-	-	-

Derrimon was listed on the Junior Market of the Jamaican Stock Exchange on 17 December 2013 and under the Income Tax Act (Jamaica Stock Exchange Junior Market) (Remission). Notice 2010, 100% of income taxes will be remitted by the Minister of Finance during the first five (5) years of listing.During the second five (5) years, 50% of income taxes will be remitted by the Minister of Finance. To obtain the remission of income taxes, the following conditions should be adhered to over the period:

Derrimon remains listed for at least 15 years and is not suspended from the JSE for any breaches of the rules of the JSE

The Subscribed Participating Voting Share Capital of Derrimon does not exceed $500 million

The Derrimon has at least 50 Participating Voting Shareholders.

The financial statements have been prepared on the basis that Derrimon will have the full benefit of the tax remissions. The period is as follows:

Years 1 to 5 (17 December 2013- 16 December 2018) – 100%
Years 6 to 10 (17 December 2018- 16 December 2023) - 50%

Derrimon's subsidiary, CFFL also benefits from tax remission as effective 2 October 2013, the Company's shares were listed on the Junior Market of the JSE and are is therefore not subject to income tax for the year ended 30 June 2017. The Company is entitled to a remission of income taxes for ten years in the following proportion:

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

Derrimon Trading Company Limited

Notes to the Financial Statements

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12. CAPITAL RESERVES

	The Group	The Company	
	2017 $'000	2017 $'000	2016 $'000
Balance: 31 December	93,949	93,949	57,503

	The Group	The Company	
	2017 $'000	2017 $'000	2016 $'000
Represented by:			
Surplus on revaluation of fixed assets: 2011	38,420	38,420	38,314
Surplus on revaluation of fixed assets: 2012	55,529	55,529	19,189
	93,949	93,949	57,503

13. INVESTMENT RESERVE

	The Group	The Company	
	2017 $'000	2017 $'000	2016 $'000
Opening balance: 1 January	614	614	614
Increase in revaluation of investments	-	-	-
Closing balance: 31 December	614	614	614

14. EARNINGS PER SHARE

The calculation of earnings per ordinary share is based on the Group's and Company net profit attributable to shareholders divided by the weighted average number of ordinary shares of 273,336,067.

	The Group	The Company	
	2017 $'000	2017 $'000	2016 $'000
Net profit attributable to shareholders	252,369	204,315	116,106
Weighted average number of ordinary shares in issue	273,336	273,336	273,336
Basic earnings per ordinary share	0.92	0.75	0.43

Derrimon Trading Company Limited

Notes to the Financial Statements

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15. PROPERTY, PLANT AND EQUIPMENT

2017
The Group

	Furniture. & Equipment	Computer	Motor Vehicles	Building	Land	Lease hold Improvements	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost or valuation							
1 January 2017	114,225	18,776	61,998	49,499	15,933	49,499	309,711
Additions	134,320	1,664	84	-	-	110,954	247,022
Disposals							
31 December 2017	248,545	20,440	62,082	49,499	15,933	160,453	556,952
Acc. Depreciation							
1 January 2017	68,477	13,481	24,246	6,851	3,353	1,6859	118,096
Charge for year	29,965	2,864	15,758	1,066	59	2,140	51,852
Disposals							
31 December 2017	98,825	16,461	40,004	7,917	3,413	3,825	169,945
Net book value							
31 December 2017	150,103	4,095	22,078	41,582	12,521	156,628	387,007

Derrimon Trading Company Limited

Notes to the Financial Statements

31 December 2017

15. PROPERTY, PLANT AND EQUIPMENT (continued)

2017
The Company

	Furniture. & Equipment	Computer	Motor Vehicles	Building	Land	Lease hold Improvements	Total
	$'000	$'000	$'000	$'000	$''000	$'000	$'000
Cost or valuation							
1 January 2017	141,958	13,803	51,023	49,499	12,520	15,732	284,535
Additions	132,279	1,612	84	-	-	110,308	244,283
Disposals	-	-	-	-	-	-	-
31 December 2017	274,234	15,415	51,107	49,499	12,520	126,040	528,818
Acc. Depreciation							
1 January 2017	65,551	11,046	23,332	6,851	-	1,627	108,407
Charge for year	30,048	2,283	13,471	1,066	-	1,986	48,854
Disposals	-	-	-	-	-	-	-
31 December 2017	95,599	13,329	36,803	7,917	-	3,613	157,261
Net book value							
31 December 2017	178,638	2,086	14,304	41,582	12,520	122,427	371,557

2016
The Company

	Furniture. & Equipment	Computer	Motor Vehicles	Building	Land	Lease hold Improvements	Total
	$	$	$	$	$	$	$
Cost or valuation							
1 January 2016	135,107	10,801	33,796	49,499	12,520	15,732	257,455
Additions	6,852	3,002	35,142	-	-	-	44,996
Disposals	-	-	(17,915)	-	-	-	(17,915)
31 December 2016	141,959	13,803	51,023	49,499	12,520	15,732	284,536
Acc. Depreciation							
1 January 2016	52,957	10,272	26,866	5,758	-	1,279	97,131
Charge for year	12,594	774	8,931	1,093	-	348	23,741
Disposals	-	-	(12,465)	-	-	-	(12,465)
31 December 2016	65,551	11,046	23,332	6,851	-	1,627	108,407
Net book value							
31 December 2016	76,406	2,756	27,691	42,648	12,520	14,105	176,130

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16. INTANGIBLE ASSETS

	The Group 2017		The Company Goodwill	
	Product Formulations and Customer relationships $'000	Goodwill $'000	2017 $'000	2016 $'000
Cost-				
At 1 January 2017	-	15,220	15,220	15,220
Additions	-	18,000	18,000	-
Acquisition of business	256,523	33,220	33,220	
31 December 2017	256,523	33,220	33,220	15,220

During the year, the Group continued to use the name, *Sampars Cash and Carry* to brand six (6) of its retail outlets. The other supermarket, operated under the business name Select Grocers.

The Group determines whether goodwill is impaired on an annual basis or when events or changes in circumstances indicate the carrying value may be impaired. This requires an estimation of the recoverable amount of the cash-generating unit (CGU) to which the goodwill is allocated. The recoverable amount is determined by reference to the value in use which is based on the management's estimate of the expected future cash flows from the CGU using an agreed discount rate to calculate the present value of future cash flows.

After their computations and review, management is of the opinion, that there is no impairment in the total value of goodwill for each respective outlet (CGU) and therefore no write-down of the amount for goodwill is considered necessary at the reporting date.

17. INVENTORIES

	The Group	The Company	
	2017 $'000	2017 $'000	2016 $'000
Sampars wholesale outlets and Select Grocers; grocery and household items	400,643	400,643	481,938
Wholesale bulk commodity food items	309,952	309,952	423,887
Flavours and fragrances inventory	84,956	-	-
	795,551	710,595	905,826

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Notes to the Financial Statements
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18. RECEIVABLES AND PREPAYMENTS

	The Group	The Company	
	2017	2017	2016
	$'000	$'000	$'000
Receivables			
Trade receivables	347,902	287,190	260,331
Provision for bad debts	(31,180)	(30,748)	(6,079)
	316,722	256,442	254,252
GCT recoverable	314,305	314,305	380,504
Staff advances	13,493	12,048	13,11
Other receivables	242,692	237,613	32,789
	887,212	820,408	680,661
Prepayments			
Advance payment on shares	-	-	105,206
Deposit on acquisition of new outlets	-	-	15,413
	-	-	120,619

The following are the trade receivables aging as of 31 December 2017 and 2016.

The Group
Past due but not impaired

Year	0-60 days $'000	60-90 days $'000	Over 90 days $'000	Total $'000
2017	439,388	5,417	50,715	495,521

The Company
Past due but not impaired

Year	0-30 days $'000	31-59 days $'000	60-90 days $'000	Over 90 days $'000	Total $'000
2017	328,477	52,930	4,033	49,369	434,811
2016	181,661	7,698	5,092	65,878	260,331

Movement in provision for bad debts against trade receivables:

	The Group	The Company	
	2017	2017	2016
	$'000	$'000	$'000
At the start of the year	-	6,079	6,079
Amounts provided for during the year	31,180	24,669	-
At the end of the year	31,180	30,748	6,079

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18. RECEIVABLES AND PREPAYMENTS (continued)

During the year, the Company wrote off $12,256,143 (2016- $13,252,868) to profit and loss after repeated attempts were made to collect long outstanding amounts. Management has deemed the current receivable balance to be collectible, as all doubtful amounts were written off during the year. All remaining doubtful balances over 90 days were reviewed and strategies and agreements implemented with debtors to help them liquidate their long outstanding balances with the Group.

19 RELATED PARTIES AND RELATED PARTIES TRANSACTIONS

Related party balances consist of the following:

(a) Due from related parties

	The Group	The Company	
Convenience Store:	2017	2017	2016
	$,000	$'000	$'000
Opening balance:	834	834	14,535
Purchases during the year	11,959	11,959	8,869
Amounts repaid based on invoices	(5,485)	(5,485)	(22,570)
Balance at the end of the year	7,308	7,308	834

The Convenience Store is an entity owned by the Managing Director.

(b) Key management personnel

During the year the Group paid salaries and repaid loans from key management personnel.

(c) Transactions with related parties

	The Group	The Company	
	2017	2017	2016
	$'000	$'000	$'000
Remuneration paid to management staff	39,674	28,424	34,664
Remuneration paid to directors	39,674	28,424	34,664
Directors' loan received by the Company	-	-	25,000
Fees paid to directors	1,465	860	270

Due to/ (from) CFFL

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

Amounts were borrowed from and repaid by the Company to its subsidiary, CFFL during the year. Interest was charged on the loans at market rates.

Derrimon Trading Company Limited

Notes to the Financial Statements

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20. INVESTMENTS

	The Group	The Company	
	2017	2017	2016
Available-for-Sale:	$'000	$'000	$'000
Bonds	119,158	119,158	6,104,279
Bonds – (US$)	3,566	3,567	2,625,369
Quoted equities – at cost	1,636	1,637	3,448,104
Re-purchase agreement and private placement	-	-	-
Jamaica Money market brokers Limited(US$)	69,889	-	-
NCB Capital markets (US $)	47,725	-	-
Mayberry Structured: Corporate Paper (MSCP)	15,000	-	-
	256,976	124,362	12,177

Interest earned on bonds range between 3.9% -5%. The MSCP is at 11%.

21. CASH AND CASH EQUIVALENTS

	The Group	The Company	
	2017	2017	2016
	$'000	$'000	$'000
Foreign currency bank accounts	88,485	12,508	5,516
Cash in hand and Jamaican dollar bank accounts	177,036	164,632	152,418
	265,521	177,140	157,934

The weighted average effective interest rate on Jamaican dollar and US dollar short term deposits was 3.8% (2016 – 4.5%) and 2.15% (2016 – 2.5%) respectively. These represent call deposits which are repayable on demand.

22. PAYABLES

	The Group	The Company	
	2017	2017	2016
	$	$	$
	$'000	$'000	$'000
Staff related payables	3,538	3,538	223
Foreign trade payables	56,353	51,232	49,597
Local payables and accruals	724,951	721,056	716,973
Statutory liabilities	6,193	4,649	5,240
	791,035	780,475	772,033

23. SHORT TERM LOANS

	The Group and The Company	
	2017	2016
	$	$
	$'000	$'000
Credit lines with various financial institutions	29,975	224,272
	29,975	224,272

The credit lines are unsecured and used to purchase significant commodities sold by the Group.

Derrimon Trading Company Limited

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24. NON –CONTROLLING INTEREST

	The Group
	2017 $ $'000
Non- controlling interest in subsidiary	171,107

Summarized financial information on subsidiary with material non-controlling interest

Set out be below is the summarised financial information for the subsidiary that has non-controlling interest that are material to the Group.

Summarised statement of financial position

	The Group
	2017 $ $'000
Current -	
Assets	377,961
Liabilities-	26,028
Non- current net assets	15,450
Net assets	365,162

Summarised comprehensive income

	The Group
	2017 $ $'000
Revenue	377,284
Cost of sales and total expenses before tax	225,114
Profit before tax	77,480
Dividends paid to non-controlling interest	14,298

Derrimon Trading Company Limited

Notes to the Financial Statements

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24. NON –CONTROLLING INTEREST (CONTINUED)

Summarised cash flows

	The Group
	2017
	$
	$'000
Cash generated from operations	62,271
Net cash generated from operating activities	
Net cash used in investing activities	(35,841)
Net cash (used in)/provided by financing activities	(32,982)
Net (decrease)/increase in cash and cash equivalents	(6,552)
Cash and cash equivalents at the beginning of the year	94,933
Cash and cash equivalents at the end of the year	88,381

The information relating to non-controlling interest represents amounts before intercompany eliminations.

25. BORROWINGS

	The Group	The Company	
	2017	2017	2016
	$	$	$
	$'000	$'000	$'000
i) 10% Proven Investments – US$ Loan	-	-	145,520
ii) 11.75% Private Placement Notes	511,754	511,754	198,094
iii) 8.49% Bank Of Nova Scotia	7,653	7,653	9,785
iv) 9.69% National Commercial Bank (NCB)	3,253	3,253	3,664
v) 10% First Global Bank (FGB)	4,280	4,280	5,562
vi) Director's loan	9,000	9,000	25,000
vii) 11.75% Redeemable Preference Shares	250,000	250,000	246,555
viii) 12% National Commercial Bank	2,558	2,558	19,537
ix) 8.25% Mayberry Loan	30,000	30,000	-
x) Mayberry credit line	178,623	178,623	-
xi) 11% National Commercial Bank	491	491	965
xii) 8.35%-10% First Global Bank	15,471	5,659	7,846
	1,013,083	1,003,271	646,968
Less current portion payable within 12 months	(258,766)	(256,527)	(30,901)
	754,317	746,744	615,593

25. BORROWINGS (Continued)

i) The 10% Proven Investment Limited loan was repaid during the year.
ii) This 11.75% represents private placements through a financial institution. .
iii) The 8.49% BNS loan was used to purchase a vehicle and is secured by the said vehicle. The monthly repayment is $177,735 and the final payment is scheduled for October 2022
iv) The 9.69% loan was used to purchase a Mazda Pick Up and is secured by the said vehicle. The loan is payable in monthly installments of $73,480, and the final payment is scheduled for June 2022.
v) The 10% FGB loan was utilized to purchase a motor car. The loan is repayable by monthly installment of $148,770 and the final payment is scheduled for September 2020.
vi) During the year, a director loan the company $9,000,000. The loan has now defined repayment or interest rate.
vii) The 11.75% Redeemable Preference shares were issued in March 2015 and are to be redeemed in full in March 2018. The funds raised were used to pay off the 17% NCB credit line along with certain Shareholder loans. The balance was used to buy foreign exchange and provide working capital support.
viii) The 12% loan was used to purchase a delivery van for Sampars West Street, and is secured by the said vehicle. The loan is payable by monthly installments of $50,693 and the final payment is scheduled for May 2020.
ix) The company obtained a loan from Mayberry of $30,000,000 at 8.25%. The loan matures within 12 months, at which time the principal is payable.
x) Mayberry credit line
xi) The 11% NCB loan was utilized to purchase a delivery van and is secured by the said vehicle. The loan is repayable by monthly installments of $41,921 and the final payment is scheduled for July 2017.
xii) The 8.25% - 10% FGB loans were used to purchase a delivery truck and a motor car and are secured by the said vehicles.

No borrowings or loans were in default during the period that would permit any lender to demand accelerated repayment.

Derrimon Trading Company Limited

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26. BANK OVERDRAFT

	The Group	The Company	
	2017	2017	2016
	$'000	$'000	$'000
Reconciled bank balances	17,949	17,949	56,740
	17,949	17,949	56,740

Bank overdrafts are secured by real estate owned by the Company along with personal guarantee of directors.

27. SHARE CAPITAL

	Number of shares	Ordinary shares
		$
		$'000
Issued and fully paid:		
At 1 and 31 December 2017	273,336,067	140,044

The total authorized number of ordinary shares is 400,400,000 shares (2016- 400,400,000). The shares in 2017 and 2016 are stated in these financial statements without a nominal or par value.

28. OPERATING PROFIT BEFORE TAXATION

The following items have been charged in arriving at operating profit before taxation:

	The Group	The Company	
	2017	2017	2016
	$'000	$'000	$'000
Auditors' remuneration	4,200	3,700	3,500
Directors' emoluments:			
Fees	1,465	860	270
Management remuneration	39,425	28,424	34,664
Bad debts written off	12,424	12,256	13,252
Inventory written off during the year	3,124	3,124	2,123
Depreciation	51,852	48,854	23,741
Staff costs (including management remuneration)	377,431	349,918	273,092

29. CAPITAL AND RISK MANAGEMENT

Capital Management:

The Group defines capital as equity and total borrowings. The Group manages its Capital, of $1.9 Billion to support and be responsive to opportunities for its current growth strategy and expansion plans, and to maintain its normal operations and remain compliant with various covenants and restrictive rules and regulations of the industry and the financial environment in which it operates.

29. CAPITAL AND RISK MANAGEMENT (Continued)

Capital Management Strategies

The Group's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for its shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital as well as meet externally imposed capital requirements. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by capital as defined above. Total borrowing is calculated as current and non-current borrowings as shown in the consolidated statement of financial position. Capital is calculated as equity as shown in the statement of financial position plus total borrowings.

During 2017, the Group's strategy, which was in principle unchanged from 2016, was to maintain the gearing ratio below 100%. The gearing ratios at 31 December 2017 and 31 December 2016 were as follows:

	The Group	The Company	
	31 Dec 2017 $'000	31 Dec 2017 $'000	31 Dec 2016 $'000
Total borrowings	1,013,083	1,003,271	703,234
Capital	1,906,578	1,847,604	1,267,702
Gearing ratio	53%	54%	55%

There are certain imposed capital requirements by certain financial institutions which management regularly reviews to ensure compliance at all times. There have been no changes to the Group's overall approach to capital management during the year.

Risk Management:

The Group's activities expose it to a variety of financial risks: market risk (currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. This note presents information about the Group's exposure to each of the above risks as well as its objectives, policies and processes for measuring and managing risk.

The Directors have overall responsibility for the establishment and oversight of the Group's risk management framework. They are responsible for developing and monitoring the Group's risk management policies and through training to develop standards and procedures and a disciplined and constructive control environment in which all employees understand their roles and obligations.

Audit Committee

The Board of Directors has also established an Audit Committee to assist in managing the Group's risk profile. This Committee oversees how management monitors compliance with the Group's risk management policies and reviews the adequacy of the risk management framework. This committee is also assisted by Internal Audit that reports to the Audit Committee after it undertakes regular and ad hoc reviews of risk management controls and procedures, especially over inventories and receivables.

29. CAPITAL AND RISK MANAGEMENT (Continued)

a) Market risk

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks principally arise from changes in foreign currency exchange rates, interest rates and commodity prices. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while optimizing returns. This risk is principally monitored by the finance director along with guidelines from the board of directors.

There has been no change to the Group's exposure to market risk or the manner in which it manages and measures this risk.

i. Commodity Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Company is exposed to price risk principally relating to importation of rice. The Company enters into commodity contracts in respect of the anticipated future usage requirements and the price on imported rice is tracked and purchased in advance, when necessary, if price on the international market is increasing. This strategy is used to mitigate this risk. .

ii. Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign exchange risk, due to fluctuations in exchange rates on transactions and balances that are denominated in currencies other than the Jamaican dollar. The Group is exposed to foreign exchange risk, arising primarily with respect to the US dollar, from commercial transactions such as the importation and sale of bulk rice that represents a significant percentage of the Group's overall purchase figure. To manage currency risk on imported rice, the Group enters into short and medium-term arrangements with millers and producers at agreed terms primarily in producing countries.

Foreign currency bank accounts are maintained at levels which will meet foreign currency obligations and management also has access to purchase foreign currencies at market or close to market rates thereby reducing or mitigating the Group's exposure to sudden exchange rate fluctuations. The Group manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by closely monitoring currency positions. The Group further manages this risk by maximizing foreign currency earnings and holding foreign currency balances.

As at 31 December 2017, the Group had net foreign currency liabilities of US$1 Million which were subject to foreign exchange rate changes as follows:

29. CAPITAL AND RISK MANAGEMENT (Continued)

a) Market risk (Continued)

ii. Currency risk (continued)

Concentrations of currency risks

	The Group	The Company	
	2017	2017	2016
	US'000 $	US'000 $	US'000 $
Foreign currency financial assets:			
Cash equivalents and investments	333,296	129,296	63,378
	333,296	129,296	63,378
Foreign currency financial liabilities:			
Payables and accruals	(448,419)	(443,290)	(386,151)
Short term loans	-	-	(1,390,711)
Borrowings	(889,676)	(889,676)	(1,132,988)
	(1,338,095)	(1,332,966)	(2,909,850)
Total net foreign currency liabilities	(1,004,799)	(1,203,670)	(2,846,472)

A significant portion of the Group's purchases are made using United States (US) dollars. The Group hedges against movement in the United States dollar principally by holding cash resources in that currency, prompt payment, when necessary, of foreign currency bills as they become due along with maximizing efforts to earn foreign currency by innovating marketing on-line to the Jamaican Diaspora community.

In accordance with accounting policies applied consistently, exchange gains and losses are recognized in the income statement when incurred.

	2017	2016
	J$	J$
31 December 2017: exchange rate 1US$	125.00	128.44

Foreign currency sensitivity analysis

The sensitivity analysis represents the impact on the profit or loss due to the movement in the US dollar exchange rate relative to the Jamaican dollar, with other variables remaining constant.

Due to the nature of the Group's operations and the very short term nature of balances denominated in currencies other than the Jamaican dollar, in the opinion of management there should be no material impact on the results of the Group's operations as a result of changes in foreign currency rates as sudden changes are promptly adjusted in the selling prices of the Group's imported products, especially bulk rice and red kidney beans that form a significant percentage of the Group's overall purchases.

A 5% (2016-5%) weakening of the Jamaican dollar, with all other variables remaining constant, in particular interest rates, would result in a loss of approximately $6.2 Million to the Group if all outstanding foreign liabilities are settled at the depreciated rate of the Jamaican dollar. A 5% appreciation of the Jamaican dollar under similar circumstances would result in a profit of $6.2Million.

29. CAPITAL AND RISK MANAGEMENT (Continued)

a) Market risk (Continued)

iii. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

The Group invests excess cash in short-term deposits and maintains interest-earning bank accounts with licensed and reputable financial institutions. Short-term deposits are invested for periods of three (3) months or less at fixed rates and are not affected by fluctuations in market interest rates up to the date of maturity. Due to the fact that interest rates on the Group's short-term deposits are fixed up to maturity and interest earned from the Group's interest-earning bank accounts is immaterial, management is of the opinion there would be no material impact on the results of the Group's operations as a result of fluctuations in interest rates.

The Group incurs interest on its borrowings. These borrowings are at fixed rates and expose the Group to fair value interest rate risk. Interest rate fluctuations are not expected to have a material effect on the net results or shareholders' equity. The Group reviews its interest rate exposure arising from borrowings on an ongoing basis, taking into consideration the options of refinancing, renewal of existing positions and alternative financing. Management, as a policy, obtains fixed rate loans when interest rates are expected to rise and floating rate loans when interest rates are expected to fall but generally avoids variable rate borrowing instruments.

Interest rate sensitivity

The Group's interest rate risk arises from long-term borrowings and available-for-sale debt instruments. The sensitivity of the profit or loss is the effect of the assumed changes in the interest rates on profit before taxation based on floating rate borrowing and available-for-sale debt instruments.

The Group does not have any significant exposure to floating rate borrowings or on investments because the majority of the financial instruments carry fixed rates of interest to maturity.

29. CAPITAL AND RISK MANAGEMENT (Continued)

b) Credit risk

Credit risk is the risk that one party, which includes customers, clients and counterparties, to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk is an important financial risk for the Group's business and therefore management meticulously manages the Group's exposure to this risk.

The Group faces credit risk in respect of investment activities and its receivables from customers.

i. Cash, deposits and investments

Credit risk for cash, deposits and investments is managed by investing in mainly liquid securities and maintaining these balances with licensed financial institutions considered to be reputable and stable. Accordingly, management does not expect any counterparty to fail to meet its obligations. The Finance Director along with the Board of Directors performs monthly reviews of the investments and securities held as a part of their assessment of the Group's credit risk.

The maximum credit risk faced by the Group is the total of these balances reflected in the financial statements. No provision for impairment is deemed necessary.

ii. Receivables

Credit risk for receivables is mitigated by stringent credit reviews and approval of limits to customers as well as regular credit evaluation of customers. Appropriate credit checks, references and analyses are undertaken in order to assess customers' credit risk profile prior to offering new credit or increasing existing credit limits. Many of the customers who are experiencing cash flow difficulties and are exceeding their credit limits are identified and the appropriate actions taken. Key Performance Indicators are reviewed regularly, including cash collected, average debt collection period, percentage of customers with overdue balances and debts deemed uncollectible. Credit limits for all customers inclusive of payment history and risk profile, are reviewed annually before renewal of credit facilities.

29. CAPITAL AND RISK MANAGEMENT (Continued)

b) Credit risk (Continued)

ii. Receivables (Continued)

Aging analysis of trade receivables that are past due but not impaired

Trade receivables that are less than 90 days past due are not considered impaired. As of 31 December 2017, trade receivables of $116,378,162 (2016 - $106,333,778) were reviewed for impairment and a provision of $31,180,720 (2016 - $30,748,720) was considered necessary.

Management continues to critically review this position as they are aware that many of their customers who are retailers and wholesalers are experiencing difficult economic circumstances. The ageing analysis of these trade receivables is as follows:

	The Group	The Company	
	2017	2017	2016
	$'000	$'000	$'000
Past due 31 to 60 days	61,627	52,930	7,698
Past due 61 to 90 days	4,034	4,033	5,092
Past due over 90 days	50,715	49,369	65,878
	116,378	106,333	78,669

Management, based on past experience, does not consider that any additional provision is required for long outstanding balances due to the Group or Company, especially those over 90 days

Exposure to credit risk for trade receivables

The following table summarizes the Group and Company's credit exposure for trade receivables at their carrying amounts, as categorized by customer sector.

	The Group	The Company	
	2017	2017	2016
	$'000	$'000	$'000
Supermarket chains	70,946	70,946	54,106
Wholesale and retail distributors	119,697	119,697	92,594
Government entities	8,793	8,793	2,840
Manufactures	60,711	-	-
Other	82,278	82,278	104,081
	342,425	281,714	253,623
Overseas	5,477	5,477	6,708
Total (see note 18)	347,902	287,191	260,331

Overseas customers mainly relate to customers in the United States and United Kingdom and represent approximately 1.6% (2016 - 2.6%) of the total balance. The currencies of these countries are considered stable and consistently appreciate against the Jamaican dollar and no risk of any significant loss is anticipated in this category of overseas customers.

There is no change from the prior year in the nature of the Group's exposure to credit risk or the manner in which it manages and measures the risk.

29. CAPITAL AND RISK MANAGEMENT (Continued)

b) Credit risk (Continued)

iii. Total exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was $705,564,144 (2016- $850,773,022) representing the balances as at 31 December 2017 for cash and short-term deposits, investments and receivables as reported in the statement of financial position of the Group.

c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages its liquidity risk by maintaining an appropriate level of resources in liquid or near liquid form to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's liquidity management process, as carried out within the Group and monitored by the Finance Director and Board of Directors, includes:

i. Monitoring future cash flows and liquidity on an ongoing basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure funding if required.

ii. Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow.

iii. Maintaining committed lines of credit.

iv. Managing the concentration and profile of debt maturities while optimizing cash returns on investments.

At 31 December, 2017, the Company's three (3) largest credit suppliers amounted to approximately 25% (2016 - 32%) of the total annual purchases of the Company for the year ended 31 December 2017. Management continues to try to diversify the base of its credit suppliers on a regional basis as well as within intra-geographical regions within the markets in which the Company's major suppliers operate. In addition, the Company's supply chain has been expanded through forging of a new relationship with a major international commodity broker who helps to reduce the risk of depending on a few major suppliers.

The Group also has access to lines of secured credit to facilitate payments to major suppliers according to agreed credit terms should the Group at any time have insufficient cash resources to settle its obligations as they fall due.

29. CAPITAL AND RISK MANAGEMENT (Continued)

c) Liquidity risk (continued)

Undiscounted contractual cash flows of financial liabilities

The Group's financial liabilities comprise long-term loans, payables and accruals, based on contractual undiscounted payments which are due as follows:

Maturity Profile of the Group
2017

	Within 1 year	Within 1 to 5years	Over 5 years
	2017 $'000	2017 $'000	2017 $'000
Long-term loans	258,766	754,317	-
Short term loans	29,976	-	-
Bank overdraft	17,949	-	-
Payables and accruals	791,036	-	-
Total	1,097,727	754,317	-

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Maturity Profile of the Company
2017

	Within 1 year		Within 1 to 5years		Over 5 years	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Long-term loans	256,527	33,706	746,744	620,639	-	-
Short term loans	29,975	224,272	-	-	-	-
Bank overdraft	17,949	56,740	-	-	-	-
Payables and accruals	780,475	772,033	-	-	-	-
Total	1,084,926	1,086,751	746,744	620,639	-	-

Assets available to cover financial liabilities include cash, short term deposits and available-for-sale investments.

d) Reputational Risk

The Group is engaged in a business that principally distributes basic food items and flavours to the general consuming population, and its reputation is critical within the market place. The Group's management endeavors at all times to be ethical and adopts international best practices especially with regard to bulk frozen meats and other bulk commodities such as rice and red kidney beans.

The Group also ensures that the necessary sanitary standards are maintained to guarantee that regular audits by the Bureau of Standards are successfully undertaken. In addition, customer audits are undertaken to facilitate continuous improvement and efficient customer delivery services.

Customer complaints are promptly and properly investigated and appropriately assessed and transparency is maintained; where necessary customers are promptly compensated if they have suffered loss. Management considers the Group's reputation secured as they ensure that events that may damage its reputation are immediately investigated and the appropriate action taken to deal with the matter in a manner that satisfies the complainant.

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial instruments that, subsequent to initial recognition, are measured at fair value are grouped into level 1 to 3 based on the degree to which the fair value is observable. The fair value of a liability reflects its non-performance risk.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical instruments. The fair value of financial instruments traded in active markets is based on quoted market prices at the yearend, 31 December 2017. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets is the current bid price.

At 31 December 2017, these instruments are quoted investment securities (Note 15) which are grouped in level 1.

At the reporting date, the Company's financial assets and liabilities were reported at fair values and there was no necessity to estimate values using present value or other estimation and valuation techniques based on market conditions existing at statement of financial position date.

The Group has no financial assets grouped in levels 3.

The following methods and assumptions have been used in determining fair values:

i. The face value, less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are estimated to approximate their fair values. These assets and liabilities include cash and bank balances, short term investments, trade receivables and payables.

ii. The carrying values of long term loans approximate their fair values, as these loans are carried at amortised cost reflecting their contractual obligations and the interest rates reflective of current market rates for similar transactions.

31. COMMITMENTS

As at the date of the signing of the financial statements, there has not been any approval for any material committed capital expenditure. These financial statements do not include any provision for capital expenditure commitments.

32. CONTINGENT LIABILITIES

In the normal course of business, the Group is subject to various claims, disputes and legal proceedings. Provision is made for such matters when, in the opinion of management and its professional advisors, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated.

At the year end, the Group had no significant outstanding legal matters being pursued in the Courts. In addition, representations from the Managing Director along with the Group's attorneys indicated that they were not aware of any potential contingent liability that may negatively affect the Group.

33. SUBSEQUENT EVENTS

As at 28 February 2018, the date of approval and signing of these financial statements the directors reported that:

(i) At a meeting of the Board of Directors on 27 February 2018, notice was given to hold an Extraordinary General Meeting, scheduled for 6 March 2018, where the directors of Derrimon Trading Company Limited will ask the shareholders to consider increasing the authorized share capital of the Company from 400,400,000 shares to 800,400,000 shares by the creation of an additional 400,000,000 shares. In addition, the directors will also approach the shareholders to considering amending the Company's Articles of Incorporation to accommodate the increase in the authorized capital.

The Company's current 125 Million preference shares fall due on 12 March 2018 and the directors' desire is to roll over the preference shares by using the new issue to pay out those that fall due.

(ii) The Company's attorneys reported by letter dated 22 January 2018 as follows:

- There is a claim against the Company by an independent contractor for injury suffered while on Derrimon premises. The suit is being defended on the basis that the contractor did not heed warnings, and caused his own injuries. Mediation is being arranged to arrive at a settlement.
- There is a claim by the company against a customer who owed the Company approximately $19.2 Million. Judgment in default has been obtained against the customer.
- They are not aware of any other outstanding claims or guarantees of indebtedness to others of which their firm's advice has been sought.

(III) As at 31 December 2017, under the 2016 Income Tax (Amended) Act, as a result of the listing of both the Company and its subsidiary on the Junior Market of the Jamaican Stock Exchange, income tax remissions amounted to approximately 138 Million. Should the companies default on any of the Junior Market requirements of listing, the total income tax waived will crystallize and be immediately payable to Tax Administration Jamaica.

(IV) Subsequent to the year end, the Group entered into discussions with financial institutions to obtain a long term consolidating loan of approximate $650 Million which forms a part of its long term growth and financial strategy.