DERRIMON TRADING CO. LTD.

**FINANCIAL RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2018**

**Consolidated Net Profit of $122.818M**

**Consolidated Statements of Derrimon Trading Company Limited**

**Report to Stockholders**
**Six (6) months ended June 30, 2018**

The Board of Directors is pleased to report the unaudited results of the Company for the six (6) months ended June 30, 2018 and to report on the performance of the Group.

## Financial Highlights

- **Consolidated Net Profit of $122.818M**
- **Consolidated Earnings Per Stock unit of $0.45, an increased from $0.32**
- **Consolidated Revenue of $4.040B**
- **Consolidated Gross Profit of $731.574M**

The consolidated revenue for this six (6) months period was $4,039.548 billion or 32.65% above the $3,045.263 billion reported for the prior period in 2017. Consolidated gross profit generated for the six (6) months period was $731.574 million which was $150.851 million or 25.98% above the $580.723 million reported for the comparative period last year. Consolidated net profit earned for this reporting period was $122.818 million, an increase of $36.491 million or 42.27% over the $86.327 million reported for the same period last year.

The six months (6) revenue from the Distribution and Retail segment was $3,830.119 billion which was $986.631 million or 34.70% over the $2,843.488 billion reported for the corresponding six (6) months period in 2017. For the second quarter ending June 2018, revenue generated was $1,979.822 billion representing a growth of $574.513 million or 40.88% over the similar period in 2017.

The Company continued to experience growth during the six (6) months period and had steady growth in revenue for both the Distribution and Retail segments of the business. Our ability to respond to our customers' needs on a timely basis and improvement in logistics and distribution were critical for our improved results.

Gross profit from the Distribution and Retail segment for the six (6) months period was $647.514 million which represents a $152.263 million or 30.74% more than the $495.251 million reported for the same period in 2017. Gross profit generated for the second quarter ending June 30, 2018 was $328.725 million which was $77.23 million or 30.71% better than the $251.495 million reported in the similar period in 2017. The improvement in margins is due to strategies employed within both segments of the business such as the discontinuation of non-performing products and improved margins from the growth of the supermarket portfolio.

Operating expenses from the Distribution and Retail segment for the six (6) months period was $514.018 million representing an increase of $108.979 million or 26.91% over the $405.039 million reported for the same period in 2017. For the second quarter ending June 30, 2018, operating expenses was $270.646 million which was $59.813 million or 28.37% above the expenses incurred for the similar period in 2017. The operating cost of the two new supermarkets, that were acquired during the first quarter of 2017, is now fully reflected in this year's six (6) months period. There were also general increases in administrative cost such as salaries.

The June 2018 second quarter finance cost was $7.210 million or 17.90% lower than the amount reported for the first quarter ended March 2018. Finance charges for the six (6) months period ended June 30, 2018 was $73.348 million up by $20.624 million or 39.12% from the $52.724 million reported in June 30, 2017. For the second quarter ended June 2018, the finance cost was $33.069 million which was $5.998 million or 22.16% above that reported for the similar quarter in 2017.

The company signed an agreement with Sagicor Bank to refinance $550 million of its debt. This will be amortized over 10 years at an interest rate of 9.50%. This will lead to significant reduction in our interest cost. Other strategies to reduce finance cost is being implemented and the full impact will be realized in the short to medium term.

Net Profit recorded for the six (6) months period from the Distribution & Retail segment was $77.796 million representing a $14.616 million or 23.13% increase over the $63.180 million reported for the corresponding period in 2017. For the second quarter ending June 30, 2018 net profit was $35.929 million which was $2.026 million or 5.98% above the $33.903 million reported for the similar period in 2017.

Total Assets less Current Liabilities for the Distribution and Retail Segment for the second quarter ended June 30, 2018 was $1.995 billion which represents growth of $218.106 million or 12.27% when compared to the $1.777 billion reported for the similar period last year. The consolidated total assets less current liabilities was $2.188 billion which grew by $239.090 million or 12.27% when compared to the $1.949 billion reported for similar quarter in 2017.

Caribbean Flavours and Fragrances continues to perform positively, and we anticipated further growth given several strategic initiatives that will be executed for the rest of the year.

We thank all stakeholders for their support as we continue to expand our business and bring greater value to all parties.

Derrick Cotterell
Chairman/Chief Executive Officer

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**Derrimon Trading Company Limited**
**Statement of Profit and Loss & Comprehensive Income**
**Six Months Ended June 30, 2018**

| | Notes | Company Unaudited Derrimon Three months ended June 30 2018 $'000 | Company Unaudited Derrimon Three months ended June 30 2017 $'000 | Company Unaudited Derrimon Six months ended June 30 2018 $'000 | Company Unaudited Derrimon Six months ended June 30 2017 $'000 | Group Unaudited Consolidated Six months ended June 30 2018 $'000 | Group Unaudited Consolidated Six months ended June 30 2017 $'000 | Company Audited year ended December 31 2017 $'000 | Group Audited year ended December 31 2017 $'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | | |
| Trading Income | 3h | 1,979,822 | 1,405,309 | 3,830,119 | 2,843,488 | 4,039,548 | 3,045,263 | 6,346,526 | 6,723,810 |
| Less cost of sales | | 1,651,097 | 1,153,814 | 3,182,605 | 2,348,237 | 3,307,974 | 2,464,540 | 5,162,896 | 5,388,010 |
| **Gross Profit** | | 328,725 | 251,495 | 647,514 | 495,251 | 731,574 | 580,723 | 1,183,630 | 1,335,800 |
| **Other Income** | | 10,919 | 20,312 | 17,648 | 25,692 | 24,326 | 11,358 | 38,562 | 257,128 |
| | | 339,644 | 271,807 | 665,162 | 520,943 | 755,900 | 592,081 | 1,222,192 | 1,592,928 |
| **Less operating expenses:** | | | | | | | | | |
| Administrative | | 232,301 | 186,716 | 442,163 | 351,020 | 484,902 | 396,891 | 923,899 | 1,005,566 |
| Selling & distribution | | 38,345 | 24,117 | 71,855 | 54,019 | 74,832 | 56,166 | 131,229 | 135,665 |
| | | 270,646 | 210,833 | 514,018 | 405,039 | 559,734 | 453,057 | 1,055,128 | 1,141,231 |
| Operating profits/ (loss) before finance charges | | 68,998 | 60,974 | 151,144 | 115,904 | 196,166 | 139,024 | 167,064 | 451,697 |
| Less : finance cost | | (33,069) | (27,071) | (73,348) | (52,724) | (73,348) | (52,697) | (169,098) | (169,901) |
| Gain on acquisition of | | | | | | | | 206,349 | |
| Profit before taxation | | 35,929 | 33,903 | 77,796 | 63,180 | 122,818 | 86,327 | 204,315 | 281,796 |
| Taxation ( Estimated) | 4 | - | - | - | - | | | | - |
| Net Profit | | 35,929 | 33,903 | 77,796 | 63,180 | 122,818 | 86,327 | 204,315 | 281,796 |
| **Other comprehensive income** | | - | - | - | - | - | - | | |
| Non-controlling interest | | | | | | (17,099) | (9,897) | - | |
| Reversal of deferred taxation | | - | - | - | - | - | - | - | - |
| Increase in revaluation | | - | - | - | - | | 170,592 | - | - |
| **Total comprehensive income** | | 35,929 | 33,903 | 77,796 | 63,180 | 105,719 | 247,022 | 204,315 | 281,796 |
| Earnings per stock unit | 5 | 0.13 | 0.12 | 0.28 | 0.23 | 0.45 | 0.32 | 0.75 | 1.03 |

**Statement of Financial Position**
**Six Months ended June 30, 2018**

| | Notes | Company Unaudited Derrimon Six Months June 30 | Company Unaudited Derrimon Six Months June 30 | Group Unaudited Consolidated Six months ended June 30 | Group Unaudited Consolidated Six months ended June 30 | Company Audited year ended December 31 | Group Audited December 31 |
|---|---|---|---|---|---|---|---|
| | | 2018 $'000 | 2017 $'000 | 2018 $'000 | 2017 $'000 | 2017 $'000 | 2017 $'000 |
| **ASSETS** | | | | | | | |
| **Non-current assets:** | | | | | | | |
| Fixed Assets | 3f | 396,772 | 196,539 | 417,088 | 212,229 | 371,557 | 387,007 |
| Goodwill | 7 (d) | 33,220 | 33,220 | 33,220 | 33,220 | 33,220 | 33,220 |
| Intangible | 7(a) | - | - | 152,388 | 270,790 | | 256,523 |
| Investment in Subsidiary | 7(a) | 438,720 | 438,720 | - | - | 438,720 | - |
| **Current assets:** | | | | | | | |
| Receivables and prepayments | | 898,854 | 871,549 | 961,474 | 930,511 | 820,408 | 887,212 |
| Inventories | | 852,786 | 959,647 | 987,703 | 1,057,375 | 710,595 | 795,551 |
| Related parties | | - | - | - | - | | |
| Investment | | 105,789 | 9,076 | 251,176 | 137,404 | 124,362 | 256,976 |
| Cash & bank | | 102,962 | 91,162 | 186,258 | 151,872 | 177,140 | 265,521 |
| Tax recoverable | | - | - | 5,630 | 1,670 | | 5,209 |
| | | 1,960,391 | 1,931,434 | 2,392,241 | 2,278,832 | 1,832,505 | 2,210,469 |
| **Current Liabilities:** | | | | | | | |
| Payables | | 778,919 | 641,286 | 804,421 | 664,007 | 780,475 | 791,036 |
| Short term loans | | 55,150 | - | | - | 29,975 | 29,976 |
| Current portion of long term | | | 181,699 | 2,061 | 181,699 | 256,527 | 258,766 |
| Bank overdraft | | - | - | | | 17,949 | 17,949 |
| | | 834,069 | 822,985 | 806,482 | 845,706 | 1,084,926 | 1,097,727 |
| **Net current assets** | | 1,126,322 | 1,108,449 | 1,585,759 | 1,433,126 | 747,579 | 1,112,742 |
| **Total assets less current liabilities** | | 1,995,034 | 1,776,928 | 2,188,455 | 1,949,365 | 1,591,076 | 1,789,492 |
| **Equity** | | | | | | | |
| Issued capital | | 140,044 | 140,044 | 140,044 | 140,044 | 140,044 | 140,044 |
| Non-controlling interest | | - | - | 158,671 | 130,564 | - | 171,107 |
| Retained earnings | | 648,417 | 429,486 | 676,340 | 415,152 | 570,622 | 590,357 |
| Investment revaluation reserve | | 614 | 171,206 | 614 | 171,206 | 614 | 614 |
| Treasury stock-realize gain | | | 74,861 | | 120,136 | - | |
| Capital Reserve | | 133,053 | 57,503 | 133,053 | 57,503 | 133,052 | 133,053 |
| | | 922,128 | 873,100 | 1,108,722 | 1,034,605 | 844,332 | 1,035,175 |
| **Non Current Liability:** | | | | | | | |
| Borrowings | | 1,072,906 | 903,828 | 1,079,733 | 914,760 | 746,744 | 754,317 |
| | | 1,072,906 | 903,828 | 1,079,733 | 914,760 | 746,744 | 754,317 |
| **Total equity and none-current liabilities** | | 1,995,034 | 1,776,928 | 2,188,455 | 1,949,365 | 1,591,076 | 1,789,492 |

Approved for issue by the Board of Directors on August 8, 2018 by:

Derrick Cotterell
Chairman

Ian Kelly
Director

**Derrimon Trading Limited**
**Company Statement of change in Shareholders' Equity**
**Six Months Ended June 30, 2018**

| | Share Capital | Retained Earnings | Investment Revaluation Reserve | Treasury stock-realized gain | Capital Reserves | Total |
|---|---|---|---|---|---|---|
| **Balance at 31 December 2016** | 140,044 | 366,306 | 171,206 | | 57,503 | 735,059 |
| Total comprehensive income | - | 63,180 | - | | - | 63,180 |
| Gain on stock sales | | | | 74,861 | | 74,861 |
| **Balance at June 30, 2017** | 140,044 | 429,486 | 171,206 | 74,861 | 57,503 | 873,100 |

| | Share Capital | Retained Earnings | Investment Revaluation Reserve | Capital Reserves | Total |
|---|---|---|---|---|---|
| **Balance at 31 December 2017** | 140,044 | 570,622 | 614 | 133,053 | 844,332 |
| Total comprehensive income | - | 77,796 | - | - | 77,796 |
| Non-controlling interest | | | | | - |
| **Balance at June 30, 2018** | 140,044 | 648,418 | 614 | 133,053 | 922,128 |

**Derrimon Trading Limited**
**Group Statement of change in Shareholders' Equity**
**Six Months Ended June 30, 2018**

| | Attributable to the Company's Shareholders | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share Capital | Retained Earnings | Investment Revaluation Reserve | Treasurystock realized gain | Capital Reserves | Non-controlling interest | Total |
| **Balance at 31 December 2016** | 140,044 | 366,306 | 614 | | 57,503 | | 564,467 |
| Total comprehensive income | - | 63,180 | - | | - | 9,897 | 73,077 |
| Adjustment for stock re-sale | | (14,334) | | 45,275 | | 40,180 | 71,121 |
| Gain on stock sales | | | | 74,861 | | | 74,861 |
| Non-controlling interest | | | | | | 80,487 | 80,487 |
| Revaluation in associated company | | | 170,592 | | | | 170,592 |
| **Balance at June 30, 2017** | 140,044 | 415,152 | 171,206 | 120,136 | 57,503 | 130,564 | 1,034,605 |

| | Share Capital | Retained Earnings | Investment Revaluation Reserve | Treasurystock realized gain | Capital Reserves | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|
| | | | | - | | | |
| **Balance at 31 December 2017** | 140,044 | 590,357 | 614 | | 133,053 | 171,107 | 1,035,175 |
| Total comprehensive income | - | 105,719 | - | | - | | 105,719 |
| Non-controlling interest | | (19,736) | | | | -12,436 | (32,172) |
| **Balance at June 30, 2018** | 140,044 | 676,340 | 614 | - | 133,053 | 158,671 | 1,108,721 |

**Derrimon Trading Limited**
**Company Statement of Cash flows**
**Three Months Ended June 30,2018**

| | Note | 6 Months ended June 30,2018 $'000 | 6 Months ended June 30,2017 $'000 | Company Audited December 31, 2017 $'000 |
|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | | |
| Net profit | | 77,796 | 63,180 | 204,315 |
| Adjustments for: | | | | |
| Depreciation | | 24,113 | 6,206 | 48,854 |
| Share of profit of associated company | | - | - | |
| Capital reserves | | - | | (689) |
| Investment revaluation | | - | | 37,138 |
| Interest income | | - | | (451) |
| Finance costs | | 73,348 | | 169,098 |
| | | 175,257 | 69,386 | 458,265 |
| Changes in non-cash working capital components:- | | | | |
| Decrease/(Increase): | | | | |
| Receivables | | (78,446) | (70,264) | (139,749) |
| Prepayments | | | | 120,619 |
| Inventory | | (142,191) | (53,822) | 195,231 |
| Related Company | | - | 834 | 834 |
| Increase/(Decrease): | | | | |
| Payables | | (1,556) | (130,746) | 8,443 |
| | | (222,193) | (253,998) | 185,378 |
| Cash generated by/ (used in) operations | | (46,936) | (184,612) | 643,643 |
| Finance costs | | (73,348) | | (169,098) |
| **Net funds provided by/(used in) operating activities** | | (120,284) | (184,612) | 474,545 |
| **CASH FLOWS FROM INVESTING ACTIVITY:** | | | | |
| Interest income | | | - | 451 |
| Investments | | 18,573 | 3,101 | (112,184) |
| Investments in associate | | - | 1,337 | (244,116) |
| Goodwill | | | (18,000) | (18,000) |
| Realised gain on disposal of shares | | | | 39,103 |
| Acquisition of property, plant and equipment | | (49,328) | (26,614) | (244,283) |
| **Net cash used in investment activities** | | (30,755) | (40,176) | (579,030) |
| **Financing activities:** | | | | |
| Loans received during the period | | 351,337 | 469,138 | 356,777 |
| Loans repayments | | (274,477) | (254,382) | (194,296) |
| **Net cash provided by financing activities** | | 76,860 | 214,756 | 162,481 |
| **Net (decrease)/ increase in cash balances** | | (74,179) | (10,032) | 57,996 |
| **Net cash balance at beginning of period** | | 159,191 | 101,194 | 101,194 |
| **Net cash balance at end of period** | | 85,013 | 91,162 | 159,191 |
| | | | | |
| **Represented by:** | | | | |
| Cash & cash equivalents | | 102,962 | 91,162 | 177,140 |
| Bank overdraft | | (17,949) | - | (17,949) |
| Net cash and cash equivalents at end of period | | 85,013 | 91,162 | 159,191 |

**Derrimon Trading Limited**
**Group Statement of Cash flows**
**Six Months Ended June 30,2018**

| | Note | 6 Months ended June 30,2018 $'000 | Group Audited year ended December 31 $'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| Net profit | | 105,719 | 252,369 |
| Adjustments for: | | | |
| Depreciation | | 25,919 | 51,852 |
| Investment revaluation | | | 37,135 |
| Capital reserve | | | (689) |
| Interest income | | | (9,210) |
| Finance cost | | 73,348 | 169,908 |
| | | 204,986 | 501,365 |
| Changes in non-cash working capital components:- | | | |
| Decrease/(Increase): | | | |
| Receivables & prepayments | | (74,262) | (154,112) |
| Inventory | | (192,152) | 189,451 |
| Related Company | | - | 834 |
| Taxation recoverable | | (421) | |
| Short term Investment | | 5,800 | (154,495) |
| Prepayments | | - | 121,141 |
| Payables | | 13,385 | 19,027 |
| | | (247,650) | 21,846 |
| Finance cost | | (73,348) | (169,098) |
| **Net funds provided by/(used in) operating activities** | | (42,664) | 354,113 |
| **CASH FLOWS FROM INVESTING ACTIVITY:** | | | |
| Interest income | | - | 9,210 |
| Investments in Subsidiary | | - | (244,116) |
| Realised gains on disposal of shares in subsidiary | | - | 39,103 |
| Purchase of fixed assets | | (56,000) | (247,022) |
| Purchase cost of goodwill | | - | (18,000) |
| **Net cash used in investment activities** | | (56,000) | (460,825) |
| **Financing activities:** | | | |
| Loans received during the period | | 612,097 | 353,259 |
| Repayment of loans | | (574,747) | (194,296) |
| Interest expense | | - | (804) |
| **Net cash provided by financing activities** | | 37,350 | 158,159 |
| **Net (decrease)/ increase in cash balances** | | (61,314) | 51,446 |
| **Net cash balance at beginning of period** | | 247,572 | 196,125 |
| **Net cash balance at end of period** | | 186,258 | 247,572 |
| | | | |
| **Represented by:** | | | |
| Cash & cash equivalents | | 186,258 | 265,521 |
| Bank overdraft | | - | (17,949) |
| Net cash and cash equivalents at end of period | | 186,258 | 247,572 |

**Notes to the Unaudited Financial Statements**

**Six (6) Months Ended June 30, 2018**

## 1. IDENTIFICATION AND PRINCIPAL ACTIVITIES

Derrimon Trading Company Limited ("the Company") is a company limited by shares, incorporated and domiciled in Jamaica. Its registered office is located at 233 and 235 Marcus Garvey Drive, Kingston 11. The principal activity of the Company is distribution of bulk household food items inclusive of meat products. The Company also distributes branded products on behalf of a major global corporation. In 2009, the Company purchased the assets of a wholesale distribution company and continued to operate from its original location at 233 Marcus Garvey Drive, Kingston 11.

The Company maintained the entity's trading name, Sampars Cash & Carry as well as its operating Outlets: Sampars Outlet Washington Boulevard at 8-10 Brome Close, Kingston 20; Sampars Outlet West Street at 60 ½ West Street, Kingston; Sampars Outlet Mandeville at 26 Hargreaves Avenue Mandeville; Sampars Old Harbour at 3 Ascott Drive, Old Harbour, St. Catherine, Sampars St. Ann's Bay at 3 Harbour Street, St. Ann's Bay, St. Ann, and Sampars Cross Roads, 1-3 Retirement Road, Kingston 5 and Select Grocers at Shop # 15, Upper Manor Park Plaza, Constant Spring Road, Kingston 8.

Effective December 17, 2013, the Company's shares were listed on the Junior Market of the Jamaican Stock Exchange.

## 2. BASIS OF PREPARATION

Statement of Compliance

The financial statements of Derrimon Trading Company Limited have been prepared in accordance with and compliance with International Financial Reporting Standards (IFRS) under the historical cost convention, as modified by the revaluation of certain financial assets. The same accounting policies and methods of computation are followed in the unaudited financial statements as were applied in the audited financial statements for the year ended December 31, 2017.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from those estimates.

## 2. BASIS OF PREPARATION (continued)

The arears involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are noted below:

Critical Accounting Estimates and Judgements in Appling Accounting Policies.

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### a) 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 Company 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.

### b) Allowance for losses

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.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### c) Basis of consolidation of divisional accounts

Transactions are eliminated on consolidation of divisional accounts. Inter-divisional transactions among the different business units and segments are undertaken at cost and there is no gain or loss on these transactions. Sales and receivables balances are eliminated at the end of the reporting period.

### d) Comparative information

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

### 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.

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.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Segment Financial Information

| | The Group 2018 | | | |
|---|---|---|---|---|
| | Distribution $'000 | Sampars Outlets $'000 | Other Operations $'000 | Total $'000 |
| Revenue from external customers | 1,723,358 | 2,106,761 | 209,429 | 4,039,548 |
| Depreciation | 9,845 | 14,270 | 1,804 | 25,919 |
| **Current Liabilities** | 534,740 | 244,179 | 27,563 | 806,482 |
| **Current Assets** | 1,290,463 | 669,928 | 431,850 | 2,392,241 |

| | The Company 2018 | | |
|---|---|---|---|
| | Distribution $'000 | Sampars Outlets & Select Grocers $'000 | Total $'000 |
| Revenue from external customers | 1,723,358 | 2,106,761 | 3,830,119 |
| Depreciation | 9,843 | 14,270 | 24,113 |
| **Current Liabilities** | 534,740 | 244,179 | 778,919 |
| **Current Assets** | 1,290,463 | 669,928 | 1,960,391 |

### f) Valuation of property, plant and equipment

Items of property, plant and equipment are measured at cost, except for certain plant and equipment and freehold land and buildings which are measured at valuation, less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self- constructed assets includes the cost of material and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use.

The market value of freehold land and building is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction considering its existing condition and location. The market value of plant and equipment is estimated using depreciated replacement cost approach. Gains or losses arising from changes in market value are taken to capital reserve.

**g) Depreciation and amortization**

Property, plant and equipment are stated at historical cost, less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items. Depreciation is calculated on the straight-line basis at such rates that will write off the carrying value of the assets over the period of their estimated useful lives. Each financial year, the depreciation methods, useful lives and residual values, although consistently applied are reassessed to ensure that the assets are fairly stated. Annual depreciation rates are as follows:

| | |
|---|---|
| Furniture, fittings & fixtures | 20% |
| Machinery & equipment | 10% |
| Motor vehicle | 20% |
| Computers | 33 1/3% |
| Buildings Leasehold improvements | 2.5% |
| Leasehold improvements | 2.5% |
| Goodwill and Intangibles | |

Leasehold Improvement is amortized over period of lease. Goodwill and Intangibles are tested annually for impairment or when circumstances and events give rise to a reassessment.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

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

**h) Revenue recognition**

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

The Company 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 Company, where the significant risks and rewards of ownership have been transferred to the buyer and specific criteria have been met in relation to the Company's activities as described below:

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**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.

Interest income, is recognized in the statement of comprehensive income for all interest-bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investments.

### i) Foreign currency translation

The financial statements are presented in the functional currency of the Company which is the Jamaican dollar. The Jamaican dollar is the currency of the primary economic environment in which the Company operates.

**Transactions and balances**

Foreign currencies are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from transactions at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

### j) Trade receivables

Trade receivables are carried at original invoice amounts less provision made for impairment of these receivables. The Company's policy is not to provide credit beyond thirty (30) days. If customers do not comply with the credit terms and limits, supplies are discontinued.

A provision for impairment of these 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 transactions.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### k) Business combination

The company applies the acquisition method in accounting for 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 recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognized in the acquiree'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.

## 4. TAXATION

The Company's shares were listed on the Junior Market of the Jamaica Stock Exchange on December 17, 2013. Consequently, the Company is entitled to a remission of taxes for ten (10) years in the proportions set out below, provided the shares remain listed for at least fifteen (15) years:

Years 1 to 5 (December 18, 2013 - December 16, 2018) – 100%

Years 6 to 10 (December 17, 2018 - December 16, 2023) - 50%

## 5. EARNINGS PER STOCK UNIT

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

## 6. SHARE CAPITAL

| | 2017 | 2016 |
|---|---|---|
| **Authorised:** | | |
| 400,400,000 ordinary shares of no par value | | |
| **Issued and fully paid:** | | |
| 273,336,067 (2013 – 1,000) shares net of transaction costs | 140,044,436 | 140,044,436 |

## 7. ACQUISITION OF CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED (CFFL)

**Control of Caribbean Flavours and Fragrances Limited (CFFL)**

The company holds 62.02% ownership in Caribbean Flavours and Fragrances Limited.

| | $'000 |
|---|---|
| Amount settled in cash | 105,206 |
| Fair value of equity shares issued | |
| Fair value of contingent consideration | |
| 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% resale of CFFL shares | (14,267) |
| Revised intangible assets | 256,523 |

## 7. ACQUISITION OF CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED (CFFL) (continued)

### Consideration transferred

The acquisition was settled in cash of $105,206,436.00. Acquisition related costs amounting to $13,079,751.79 by Derrimon Trading Company Limited have been recognized as an expense in the consolidated statements of comprehensive income, as part of other expense.

### Previously held investment in CFFL

On the acquisition date, the company's 49.02% investment in CFFL, previously accounted for as investment in associated company using the *equity* method, was remeasured to fair value and again of $206,349,389.60 was recognized in profit or loss. This is presented as a separate line item in the consolidated statement of comprehensive income. The previously held investment is considered part of what was given up by the company to obtain control of CFFL. Accordingly, the fair value of the investment is included in the determination of any goodwill, after separate recognition of identifiable intangible assets.

### Non-controlling interest in CFFL

The non-controlling interest in CFFL is measured at the present ownership instruments' proportionate share in the recognised amounts of CFFL's identifiable net assets i.e., 37.98%.

### Identifiable net assets

At the acquisition-date, the company's best estimate of fair value for the identifiable net asset was the carrying value in CFFL.

### Goodwill and Intangible assets

The intangible assets recognized on acquisition relates to CFFL's management and staff expertise in preparing and processing the specialized formulae for the creation of the various flavours and fragrances.

### Changes in goodwill

The reconciliation of the carrying amount of goodwill is as follows:

## 7. ACQUISITION OF CARIBBEAN FLAVOURS AND FRAGRANCES LIMITED (CFFL) (continued)

| | 2018 | 2017 |
|---|---|---|
| | $ '000 | $ '000 |
| **Cost** | | |
| At 1 January 2018 | 15,220 | 15220 |
| Additions | 18,000 | 18000 |
| Acquisition of business | 33,220 | 33,220 |
| **Balance as at 30 June 2018** | 33,220 | 33,220 |
| | | |
| **Accumulated Impairment** | | |
| At 1 January 2018 | 0 | 0 |
| Balance as at 30 June 2018 | 0 | 0 |
| **Carrying amount at the end of the year** | 33,220 | 33,220 |

**DERRIMON TRADING**

**SHAREHOLDINGS OF TOP TEN (10) STOCKHOLDERS, DIRECTORS AND SENIOR OFFICERS**

**AS AT JUNE 30, 2018**

| **Top Ten (10) Stockholders** | **Number of Shares Held** |
|---|---|
| Derrick Cotterell | 111,500,000 |
| Manwei International Limited | 47,016,943 |
| Monique Cotterell | 40,000,000 |
| Ian C. Kelly | 17,243,459 |
| Estate of E. Cotterell (Deceased) | 10,000,000 |
| Winston Thomas | 7,235,118 |
| Sagicor Pooled Equity Fund | 5,875,692 |
| Nigel Coke | 4,769,432 |
| JCSD Trustee Services - Sigma Venture | 3,696,210 |
| Sharon Harvey-Wilson | 2,916,358 |

| **Directors** | **Number of Shares Held** |
|---|---|
| Derrick Cotterell | 111,500,000 |
| Monique Cotterell | 40,000,000 |
| Ian C. Kelly | 17,243,459 |
| Winston Thomas | 7,235,118 |
| Earl Anthony Richards | 500,000 |
| Alexander I. E. Williams | 100,000 |
| Paul Buchanan | 42,482 |

**DERRIMON TRADING**

**SHAREHOLDINGS OF TOP TEN (10) STOCKHOLDERS, DIRECTORS AND SENIOR OFFICERS AS AT JUNE 30, 2018 (continued)**

| **Senior Officers** | **Number of Shares Held** |
|---|---|
| Sheldon Simpson | 245,000 |
| Craig Robinson | 0 |