



Consolidated Statements of Derrimon Trading Company Limited

Report to Stockholders

Nine (9) months ended September 30, 2019

The Board of Directors is pleased to report the unaudited results of the Company for the nine (9) months ended September 30, 2019 and to report on the performance of the Group.

Financial Highlights

Consolidated Group

- **Consolidated Revenue of \$9.53B, an increase of \$3.19B or 50.34%**
- **Consolidated Gross Profit of \$1.66B, an increase of \$525.10M or 46.31%**
- **Consolidated Profit before Tax \$254.28M, an increase of \$73.73M or 40.84%**
- **Consolidated Earnings Per Stock unit of \$0.07 an increased from \$0.06**

The Nine (9) months consolidated results for Derrimon Trading Company Limited reflect revenue of \$9.53 billion which is \$3.19 billion (50.34%) over the \$6.34 billion reported for the corresponding nine (9) months period in 2018. The improvement was driven by the performance of the core business as well as positive contributions from the subsidiaries, Caribbean Flavours and Fragrances and Woodcats International Limited. Woodcats International Limited and the SM Jaleel distribution portfolio are both now experiencing their first full year of performance.

The Group reported gross profit of \$1.66 billion which represents an increase of \$525.10 million (46.31%) above the \$1.13 billion reported for the comparative period last year. The improvements were primarily attributed to more favourable purchasing transactions as well as the strategic focus on higher yielding products.

Consolidated operating expenses for the nine (9) months period was \$1.27 billion representing an increase of \$380.09 million (42.92%) over the \$885.65 million reported for the same period in 2018. This increase was partly due to annual increases in salaries and wages at the beginning of second quarter of this financial year, utilities which were impacted by the depreciation of the Jamaican dollar and the full costing of both SM Jaleel portfolio and Woodcats International limited which came on board during September 2018.

The realignment of our debt portfolio from short term to long term amortized facilities, the switching from US Dollar loans to Jamaican Dollar facilities and the re-negotiation of interest rates continued to positively impact the finance cost of the Group.

The consolidated profit before tax earned for the nine months was \$254.28 million, an increase of \$73.73 million (40.84%) over the \$180.55 million reported for the similar period in 2018. The Group net profit after taxes was \$221.12 million which was an increase of \$40.58 million (22.47%) above the \$180.55 million previously reported which was not influenced by taxation.

The consolidated total assets less current liabilities was \$3.08 billion compared to the \$2.18 billion reported for similar period in 2018.

Core Activity

The distribution and retail arms of the business (core) nine (9) months results recorded revenue of \$8.69 billion which was \$2.68 billion (44.55%) more than the \$6.01 billion reported for the corresponding period last year. For this third quarter ended September 2019, revenue generated from core activity was \$2.96 billion representing a growth of \$777.02 million (35.64%) over the \$2.18 billion reported for the similar reporting period in 2018.

We continue to make changes in our distribution and retail management strategies which is evident through product availability, improvement in various key performance index (KPI's), customer satisfaction surveys, improvement in sales management and growth in new customers.

Gross profit from these divisions for the nine (9) months period was \$1.41 billion which represents a \$39.86 million (39.78%) increase above the \$1.05 billion reported for the similar period in 2018. Gross profit from core activities for the third quarter was \$484.93 million and was \$127.29 million (35.59%) more than the \$357.64 million reported in the similar period in 2018.

The growth in Gross Profit reflect improvements in margins arising from strategies employed within both the distribution and retail segments of the business from procurement to sales.

Operating Expenses for the nine (9) months period was \$1.13 billion which was \$318.12 million (39%) above the \$815.60 million reported for the comparative period last year. For the third quarter ending September 30, 2019, operating expenses was \$393.04 million which was \$91.46 million (30.33%) above the expenses incurred for the similar period in 2018. The major factors for this increase were utilities, distribution costs inclusive of trucking cost for the new portfolios, marketing, advertising, and staff cost.

Finance charges from core activities for the nine (9) months period was \$157.13 million up by \$40.74 million (35%) from the \$116.39 million reported in September 30, 2018. For the three (3) months ending September 30 2019, the finance cost was \$58.99 million which was \$15.94 million (37.04%) above that reported for the similar quarter in 2018

Pre-tax Profit recorded for the nine (9) months period was \$126.68 million representing a \$16.44 million (14.91%) increase over the \$110.24 million reported for the corresponding period in 2018. For the three (3) months ended September 30, 2019, pre-tax profit was \$36.85 million or \$4.40 million (13.56%) when compared to the \$32.45 million reported for the corresponding period.

Net profit for the nine (9) months period was \$116.59 million which was \$6.35 million (5.76%) higher when compared to the same period last year. For the third quarter ending September 30, 2019, core operations generated net profit of \$32.24 million which was basically flat compared to the similar period for 2018. It is to be noted that this year's net profit factors taxation which was not present in the corresponding period.

Total Assets less Current Liabilities from core activities was at \$2.72 billion a growth of \$769.07 million (39.49 %) when compared to the \$1.95 billion reported for the similar period last year.

The results for the first nine (9) months of 2019 are encouraging and reflect the direct gains of the Group's strategy. We will continue to analyse, make improvements where necessary and execute on new initiatives in the pursuit of excellence.

We thank our employees for their commitment and dedication as well as our shareholders, customers and other 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
Group Statement of Profit and Loss & Comprehensive Income
Nine Months Ended September 30, 2019

| | Group Unaudited Consolidated Three months ended September 30 | Group Unaudited Consolidated Three months ended September 30 | Group Unaudited Consolidated Nine months ended September 30 | Group Unaudited Consolidated Nine months ended September 30 | Group Audited year ended December 31 |
|---|---|---|--|--|--|
| Notes | <u>2019</u> <u>\$'000</u> | <u>2018</u> <u>\$'000</u> | <u>2019</u> <u>\$'000</u> | <u>2018</u> <u>\$'000</u> | <u>2018</u> <u>\$'000</u> |
| Revenue | | | | | |
| Trading Income | 3,243,919 | 2,300,046 | 9,530,761 | 6,339,594 | 9,303,460 |
| Less cost of sales | 2,679,201 | 1,897,811 | 7,871,854 | 5,205,785 | 7,612,427 |
| Gross Profit | <u>564,718</u> | <u>402,235</u> | <u>1,658,907</u> | <u>1,133,809</u> | <u>1,691,033</u> |
| Other Income | 8,337 | 19,428 | 20,489 | 43,754 | 66,248 |
| | <u>573,055</u> | <u>421,663</u> | <u>1,679,396</u> | <u>1,177,563</u> | <u>1,757,281</u> |
| Less operating expenses: | | | | | |
| Administrative | 351,835 | 273,063 | 983,004 | 757,965 | 1,069,495 |
| Selling & distribution | 89,702 | 52,856 | 282,740 | 127,688 | 233,718 |
| | <u>441,537</u> | <u>325,919</u> | <u>1,265,744</u> | <u>885,653</u> | <u>1,303,213</u> |
| Operating profits/ (loss) before finance charges | 131,518 | 95,744 | 413,652 | 291,910 | 454,068 |
| Less : finance cost | (63,690) | (38,017) | (159,375) | (111,365) | (172,223) |
| Share of profit of consolidated company | | | - | - | - |
| Gain on acquisition of subsidiary | | | | | 4,632 |
| Profit before taxation | 67,827 | 57,727 | 254,277 | 180,545 | 277,213 |
| Taxation (Estimated) | 8,843 | - | 33,155 | - | - |
| Net Profit | 58,984 | 57,727 | 221,122 | 180,545 | 277,213 |
| Other comprehensive income | - | - | - | - | - |
| Non-controlling interest | (4,198) | (9,602) | (17,574) | (26,701) | (28,093) |
| Reversal of deferred taxation | - | - | - | - | - |
| Increase in revaluation investment | - | - | - | - | - |
| Total comprehensive income | <u>54,786</u> | <u>48,125</u> | <u>203,548</u> | <u>153,844</u> | <u>249,120</u> |
| * Earnings per stock unit | 0.020 | 0.018 | 0.074 | 0.056 | 0.091 |

* Restated due to stock split of 10:1

Derrimon Trading Company Limited
Company Statement of Profit and Loss & Comprehensive Income
Nine Months Ended September 30, 2019

| | Company Unaudited | Company Unaudited | Company Unaudited | Company Unaudited | Company Audited year ended |
|--|--------------------------------|--------------------------------|-------------------------------|-------------------------------|----------------------------------|
| | Derrimon Three months ended | Derrimon Three months ended | Derrimon Nine months ended | Derrimon Nine months ended | December 31 |
| Notes | September 30 | September 30 | September 30 | September 30 | December 31 |
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> | <u>2018</u> |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Revenue | | | | | |
| Trading Income | 3h 2,956,923 | 2,179,906 | 8,687,759 | 6,010,025 | 8,759,236 |
| Less cost of sales | 2,471,994 | 1,822,264 | 7,282,743 | 5,004,869 | 7,244,705 |
| Gross Profit | <u>484,929</u> | <u>357,642</u> | <u>1,405,016</u> | <u>1,005,156</u> | <u>1,514,531</u> |
| Other Income | 3,943 | 19,428 | 12,517 | 37,076 | 44,406 |
| | <u>488,872</u> | <u>377,070</u> | <u>1,417,533</u> | <u>1,042,232</u> | <u>1,558,937</u> |
| Less operating expenses: | | | | | |
| Administrative | 302,425 | 249,480 | 852,291 | 691,643 | 964,031 |
| Selling & distribution | 90,612 | 52,098 | 281,428 | 123,953 | 228,106 |
| | <u>393,037</u> | <u>301,578</u> | <u>1,133,719</u> | <u>815,596</u> | <u>1,192,137</u> |
| Operating profits/ (loss) before finance charges | 95,835 | 75,492 | 283,814 | 226,636 | 366,800 |
| Less : finance cost | (58,990) | (43,046) | (157,134) | (116,394) | (170,376) |
| Share of profit of consolidated company | | | | | |
| Gain on acquisition of subsidiary | | | | | - |
| Profit before taxation | 36,845 | 32,446 | 126,680 | 110,242 | 196,424 |
| Taxation (Estimated) | 4,606 | | 10,093 | - | |
| Net Profit | 32,239 | 32,446 | 116,587 | 110,242 | 196,424 |
| Other comprehensive income | - | - | - | - | |
| Total comprehensive income | <u>32,239</u> | <u>32,446</u> | <u>116,587</u> | <u>110,242</u> | <u>196,424</u> |
| * Earnings per stock unit | 5 0.012 | 0.012 | 0.043 | 0.040 | 0.072 |

* Restated due to stock split of 10:1

Derrimon Trading Company Limited
Statement of Financial Position
Nine Months ended September 30, 2019

| | Notes | Company Unaudited Derrimon Nine Months September 30 | Company Unaudited Derrimon Nine Months September 30 | Group Unaudited Consolidated Nine months ended September 30 | Group Unaudited Consolidated Nine months ended September 30 | Company Audited year ended December 31 2018 \$'000 | Group Audited year ended December 31 2018 \$'000 |
|---|-------|---|---|--|--|---|--|
| | | <u>2019</u> <u>\$'000</u> | <u>2018</u> <u>\$'000</u> | <u>2019</u> <u>\$'000</u> | <u>2018</u> <u>\$'000</u> | | |
| ASSETS | | | | | | | |
| Non-current assets: | | | | | | | |
| Fixed Assets | 3f | 376,779 | 420,104 | 476,451 | 442,870 | 380,199 | 457,651 |
| Goodwill | 7 (d) | 33,220 | 33,220 | 163,940 | 33,220 | 33,220 | 163,940 |
| Intangible | 7(a) | - | - | 233,478 | 239,239 | - | 233,478 |
| Investment | | - | - | - | - | 148,351 | - |
| Investment in Subsidiary | 7(a) | 948,426 | 796,922 | 160,278 | 358,203 | 793,722 | 180,411 |
| Current assets: | | | | | | | |
| Receivables and prepayments | | 1,180,939 | 973,319 | 1,437,102 | 1,053,465 | 953,980 | 1,166,946 |
| Inventories | | 1,096,573 | 965,225 | 1,321,938 | 1,096,781 | 1,111,289 | 1,280,787 |
| Related parties | | - | - | - | - | - | - |
| Investment | | 30,610 | 114,569 | 243,153 | 311,396 | 15,736 | 170,132 |
| Cash & bank | | 436,743 | 160,774 | 483,463 | 185,330 | 290,539 | 388,751 |
| Tax recoverable | | - | - | - | 5,936 | - | 5,999 |
| | | 2,744,865 | 2,213,887 | 3,485,656 | 2,652,908 | 2,379,544 | 3,012,615 |
| Current Liabilities: | | | | | | | |
| Payables | | 750,953 | 895,421 | 803,413 | 924,921 | 1,090,545 | 1,149,544 |
| Short term loans | | 127,966 | - | 127,966 | - | 736,416 | 736,416 |
| Current portion of long term | | 508,000 | 621,413 | 508,000 | 621,413 | 67,105 | 69,636 |
| Bank overdraft | | - | - | - | - | - | 8,525 |
| | | 1,386,919 | 1,516,834 | 1,439,379 | 1,546,334 | 1,894,066 | 1,964,121 |
| Net current assets | | 1,357,946 | 697,053 | 2,046,277 | 1,106,574 | 485,478 | 1,048,494 |
| Total assets less current liabilities | | 2,716,371 | 1,947,299 | 3,080,424 | 2,180,106 | 1,840,970 | 2,083,974 |
| Equity | | | | | | | |
| Issued capital | | 140,044 | 140,044 | 140,044 | 140,044 | 140,044 | 140,044 |
| Non-controlling interest | | - | - | 180,171 | 160,946 | - | 162,597 |
| Retained earnings | | 864,501 | 661,730 | 1,023,891 | 725,068 | 747,914 | 820,343 |
| Investment revaluation reserve | | 614 | 614 | 614 | 614 | 614 | 614 |
| Capital Reserve | | 94,638 | 133,053 | 94,638 | 133,053 | 94,638 | 94,638 |
| | | 1,099,797 | 935,441 | 1,439,358 | 1,159,725 | 983,210 | 1,218,236 |
| Non Current Liability: | | | | | | | |
| Borrowings | | 1,616,574 | 1,011,858 | 1,641,066 | 1,020,381 | 857,760 | 862,658 |
| Deferred tax liability | | - | - | - | - | - | 3,080 |
| | | 1,616,574 | 1,011,858 | 1,641,066 | 1,020,381 | 857,760 | 865,738 |
| Total equity and non-current liabilities | | 2,716,371 | 1,947,299 | 3,080,424 | 2,180,106 | 1,840,970 | 2,083,974 |

Approved for issue by the Board of Directors on November 13, 2019 by:



Derrick Cotterell
Chairman



Ian Kelly
Director

Derrimon Trading Limited
Group Statement of change in Shareholders' Equity
September Months Ended September 30, 2019

Attributable to the Company's Shareholders

| | <u>Share Capital</u> | <u>Retained Earnings</u> | <u>Investment</u> <u>Revaluation Reserve</u> | <u>Capital Reserves</u> | <u>Non-controlling</u> <u>interest</u> | <u>Total</u> |
|--------------------------------------|----------------------|--------------------------|---|-------------------------|---|--------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 31 December 2017 | 140,044 | 590,357 | 614 | 133,053 | 171,107 | 1,035,176 |
| Total comprehensive income | - | 153,844 | - | - | 26,701 | 180,545 |
| Non-controlling interest | | | | | (36,862) | (36,862) |
| Dividends | | (19,134) | - | | | (19,134) |
| Balance at September 30, 2018 | 140,044 | 725,068 | 614 | 133,053 | 160,946 | 1,159,725 |

| | <u>Share Capital</u> | <u>Retained Earnings</u> | <u>Investment</u> <u>Revaluation Reserve</u> | <u>Capital Reserves</u> | <u>Non-controlling</u> <u>interest</u> | <u>Total</u> |
|--------------------------------------|----------------------|--------------------------|---|-------------------------|---|--------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 31 December 2018 | 140,044 | 820,343 | 614 | 94,638 | 162,597 | 1,218,236 |
| Total comprehensive income | - | 203,548 | - | - | - | 203,548 |
| Non-controlling interest | | | | | 17,575 | 17,575 |
| Balance at September 30, 2019 | 140,044 | 1,023,891 | 614 | 94,638 | 180,172 | 1,439,358 |

Derrimon Trading Limited
Company Statement of change in Shareholders' Equity
Nine Months Ended September 30, 2019

| | <u>Share Capital</u> | <u>Retained Earnings</u> | <u>Investment</u> <u>Revaluation Reserve</u> | <u>Capital Reserves</u> | <u>Total</u> |
|--------------------------------------|----------------------|--------------------------|---|-------------------------|--------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 31 December 2017 | 140,044 | 570,622 | 614 | 133,053 | 844,333 |
| Total comprehensive income | - | 110,242 | - | - | 110,242 |
| Non-controlling interest | | | | | - |
| Dividends | | (19,134) | - | | (19,134) |
| Balance at September 30, 2018 | 140,044 | 661,730 | 614 | 133,053 | 935,441 |

| | <u>Share Capital</u> | <u>Retained Earnings</u> | <u>Investment</u> <u>Revaluation Reserve</u> | <u>Capital Reserves</u> | <u>Total</u> |
|--------------------------------------|----------------------|--------------------------|---|-------------------------|--------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 31 December 2018 | 140,044 | 747,914 | 614 | 94,638 | 983,210 |
| Total comprehensive income | - | 116,587 | - | - | 116,587 |
| Non-controlling interest | | | | | - |
| Ordinary dividends | | - | | | - |
| Balance at September 30, 2019 | 140,044 | 864,501 | 614 | 94,638 | 1,099,797 |

Derrimon Trading Limited
Group Statement of Cash flows
Nine Months Ended September 30,2019

| | Note | 9 Months ended September 30,2019 \$'000 | 9 Months ended September 30, 2018 \$'000 |
|---|------|---|--|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net profit | | 203,548 | 153,844 |
| Adjustments for: | | | |
| Deferred Tax | | (3,080) | - |
| Depreciation | | 30,699 | 38,900 |
| Finance cost | | 159,375 | 111,365 |
| | | 390,542 | 304,109 |
| Changes in non-cash working capital components:- | | | |
| Decrease/(Increase): | | | |
| Receivables & prepayments | | (270,156) | (166,253) |
| Inventory | | (41,151) | (301,230) |
| Related Company | | - | - |
| Taxation recoverable | | 5,999 | (727) |
| Short term Investment | | - | (54,420) |
| Prepayments | | - | - |
| Payables | | (346,131) | 133,885 |
| | | (651,439) | (388,745) |
| Finance cost | | (159,375) | (111,365) |
| Net funds provided by/(used in) operating activities | | (420,272) | (196,001) |
| CASH FLOWS FROM INVESTING ACTIVITY: | | | |
| Interest income | | - | - |
| Investments in Subsidiary | | 20,133 | (358,203) |
| Investments | | (73,021) | - |
| Realised gains on disposal of shares in subsidiary | | - | - |
| Purchase of fixed assets | | (49,499) | (94,763) |
| Purchase cost of goodwill | | - | - |
| Net cash used in investment activities | | (102,387) | (452,966) |
| Financing activities: | | | |
| Loans received during the period | | 1,234,346 | 1,087,757 |
| Repayment of loans | | (608,450) | (481,898) |
| Interest expense | | - | - |
| Dividends paid | | - | (19,134) |
| Net cash provided by financing activities | | 625,896 | 586,725 |
| Net (decrease)/ increase in cash balances | | 103,237 | (62,242) |
| Net cash balance at beginning of period | | 380,226 | 247,572 |
| Net cash balance at end of period | | 483,463 | 185,330 |
| Represented by: | | | |
| Cash & cash equivalents | | 483,463 | 185,330 |
| Bank overdraft | | - | - |
| Net cash and cash equivalents at end of period | | 483,463 | 185,330 |

Derrimon Trading Limited
Company Statement of Cash flows
Nine Months Ended September 30,2019

| | Note | 9 Months ended September 30,2019 \$'000 | 9 Months ended September 30,2018 \$'000 |
|---|------|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net profit | | 116,587 | 110,242 |
| Adjustments for: | | | |
| Depreciation | | 30,075 | 36,170 |
| Share of profit of associated company | | - | - |
| Capital reserves | | - | |
| Investment revaluation | | - | |
| Interest income | | - | |
| Finance costs | | 157,134 | 116394 |
| | | 303,796 | 262,806 |
| Changes in non-cash working capital components:- | | | |
| Decrease/(Increase): | | | |
| Receivables | | (226,959) | (152,911) |
| Prepayments | | | |
| Inventory | | 14,716 | (254,630) |
| Related Company | | - | - |
| Increase/(Decrease): | | | |
| Payables | | (339,592) | 132,895 |
| | | (551,835) | (274,646) |
| Cash generated by/ (used in) operations | | (248,039) | (11,840) |
| Finance costs | | (157,134) | (116,394) |
| Net funds provided by/(used in) operating activities | | (405,173) | (128,234) |
| CASH FLOWS FROM INVESTING ACTIVITY: | | | |
| Investments | | (14,874) | 9,793 |
| Investments in associate | | (6,353) | (358,203) |
| Goodwill | | | - |
| Realised gain on disposal of shares | | | |
| Acquisition of property, plant and equipment | | (26,665) | (84,717) |
| Net cash used in investment activities | - | (47,892) | (433,127) |
| Financing activities: | | | |
| Loans received during the period | | 1,199,709 | 1,035,371 |
| Dividends paid | | | (19,134) |
| Loans repayments | | (608,440) | (453,293) |
| Net cash provided by financing activities | | 591,269 | 562,944 |
| Net (decrease)/ increase in cash balances | | 138,204 | 1,583 |
| Net cash balance at beginning of period | | 298,539 | 159,191 |
| Net cash balance at end of period | | 436,743 | 160,774 |
| Represented by: | | | |
| Cash & cash equivalents | | 436,743 | 160,774 |
| Bank overdraft | | - | - |
| Net cash and cash equivalents at end of period | | 436,743 | 160,774 |

Notes to the Unaudited Financial Statements

Nine (9) Months Ended September 30, 2019

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 knowledge of current events and action, actual results could differ from those estimates

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

2. BASIS OF PREPARATION (continued)

Critical Accounting Estimates and Judgements in Applying Accounting Policies.

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

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

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 subsidiaries have been prepared to align with the Group's reporting date.

The results of the Company's two (2) subsidiaries, Caribbean Flavours and Fragrances Limited (CFFL) and Woodcats International Company Limited have been included in these consolidated financial statements for the nine (9) months ended 30 September 2019. The year-end of CFFL was changed from 30 June to 31 December to coincide with that of the Parent Company.

Income or loss and each component of Other Comprehensive (OCI) 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 subsidiaries, CFFL and Woodcats International Company Limited as follows:

| <u>Entity</u> | <u>Principal Activity</u> | % Ownership by Company at 30 September 2019 | % Ownership by Company at 31 December 2018 |
|---------------------------------------|--|--|---|
| CFFL | Manufacture of Flavours and Fragrances the Group at 31 December 2018 | 62.02% | 62.02% |
| Select Grocers | Operation of Supermarket | 60% | 60% |
| Woodcats International Limited | Manufacturers of wooden pallets | 100% | 100% |

DCTL as at September 30, 2019, owns 62.02% of the shares of CFFL, the same percentage as the prior year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DCTL continues to hold 60% holding in the joint arrangement with Select Grocers and accounts for this entity by incorporating 60% of its assets, liabilities, revenue and expenses into the financial statements of the Parent Company.

On September 6, 2018, Derrimon Trading Company Limited acquired 100% of the shares of Woodcats International Limited, a manufacturer of wooden pallets, making it a subsidiary of the Company.

(a) 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 that has 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.

(b) 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.

(c) Business combination (continued)

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) 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) strategic business units which offer differentiated volume and price to its customers.

The primary operating segments (reportable business units) are:

- **Distribution** (Household products, chilled and ambient beverages, detergents and bulk foods);
- **Wholesale** (Trading outlets and supermarkets); and
- **Other Operations** (Manufacturer of Flavours and Fragrances, pallets and by products of wood)

During the year, the beverage and ambient beverages division was added to the distribution segment because the Company entered into an agreement with SM Jaleel and Company Limited to distribute its beverage products. The pallets and by products of wood, were added to the other operations segment as a result of the 100% acquisition of Woodcats International Limited, resulting in the company becoming a part of the Group

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

A segment is a distinguishable component of the Company that is engaged either in providing products (business segment), or in providing products within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments.

The business segments are distribution and the operation of a retail chain of outlets trading as Sampars Cash and Carry, Sampars Outlets and Sampars Supermarket and Select Grocers.

Segmental Financial Information

| | <u>The Group</u> <u>2019</u> | | | <u>Total</u> <u>\$'000</u> |
|---------------------------------|--------------------------------------|---|--|-------------------------------|
| | <u>Distribution</u> <u>\$'000</u> | <u>Sampars Outlets</u> <u>\$'000</u> | <u>Other Operations</u> <u>\$'000</u> | |
| Revenue from external customers | 5,322,321 | 3,365,438 | 843,002 | 9,530,761 |
| Depreciation | 20,085 | 9,990 | 624 | 30,699 |
| Current Liabilities | 1,071,873 | 315,046 | 52,460 | 1,439,379 |
| Current Assets | 2,094,639 | 650,226 | 740,791 | 3,485,656 |

| | <u>The Company</u> <u>2019</u> | | <u>Total</u> <u>\$'000</u> |
|---------------------------------|--------------------------------------|--|-------------------------------|
| | <u>Distribution</u> <u>\$'000</u> | <u>Sampars Outlets & Select Grocers</u> <u>\$'000</u> | |
| Revenue from external customers | 5,322,321 | 3,365,438 | 8,687,759 |
| Depreciation | 20,085 | 9,990 | 30,075 |
| Current Liabilities | 1,071,873 | 315,046 | 1,386,919 |
| Current Assets | 2,094,639 | 650,226 | 2,744,865 |

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

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%

As at March 31, 2019 the Company is subject to the payment of Income Taxes at 50% of its taxable profits for the next five (5) years to October 2023.

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

2019

2018

Authorised:

7,400,000,000 ordinary shares of no par value

Issued and fully paid:

2,733,360,670 (2013 – 1,000) shares net of

transaction costs

140,044,436

140,044,436

The net profit after tax reported by CFFL for the nine (9) months ending September 30, 2019 was \$46.27 million.

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

Control of Caribbean Flavours and Fragrances Limited (CFFL)

The company held a 62.02% interest in CFFL, a manufacturer of flavours and fragrances in Jamaica. On February 12, 2017, the company obtained majority control of CFFL by acquiring an additional 26% of CFFL share capital thereby increasing its ownership interest to 62.02%.

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

| | \$'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 |

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.

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

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:

| | <u>2018</u> | <u>2017</u> |
|---|-------------|-------------|
| | \$'000 | \$'000 |
| Gross carrying amount | | |
| Balance, beginning of the year | 15,220 | 15,220 |
| Acquired through business combination | | |
| Net exchange difference | | |
| Balance, end of the year | 15,220 | 15,220 |
| Accumulated impairment | | |
| Balance, beginning of the year | 0 | 0 |
| Net exchange difference | | |
| Balance, end of the year | 0 | 0 |
| Carrying amount at the end of the year | 15,220 | 15,220 |

DERRIMON TRADING

SHAREHOLDINGS OF TOP TEN (10) STOCKHOLDERS, DIRECTORS AND SENIOR OFFICERS AS AT SEPTEMBER 30, 2019

| Top (10) Stockholders | Number of Shares Held |
|------------------------------|------------------------------|
|------------------------------|------------------------------|

| | |
|---|---------------|
| Derrick Cotterell | 1,113,797,633 |
| Mayberry Jamaica Equities Limited | 410,163,174 |
| Monique Cotterell | 400,000,000 |
| Ian C. Kelly | 157,373,169 |
| Estate of E. Cotterell (Deceased) | 100,000,000 |
| Winston Thomas | 72,351,180 |
| Sagikor Pooled Equity Fund | 58,756,920 |
| JCSD Trustee Services – Sigma Global Venture | 36,962,100 |
| Nigel Coke | 30,802,960 |
| JCSD Trustee Services Limited A/C Barita Unit Trust Capital Growth Fund | 29,296,656 |

Directors

| | |
|--------------------------|---------------|
| Derrick Cotterell | 1,113,797,633 |
| Monique Cotterell | 400,000,000 |
| Ian C. Kelly | 157,373,169 |
| Winston Thomas | 72,351,180 |
| Earl Anthony Richards | 5,000,000 |
| Alexander I. E. Williams | 500,000 |
| Paul Buchanan | 424,820 |

DERRIMON TRADING

**SHAREHOLDINGS OF TOP TEN (10) STOCKHOLDERS, DIRECTORS AND SENIOR OFFICERS AS AT
SEPTEMBER 30, 2019 (continued)**

| Senior Officers | Number of Shares Held |
|------------------------|------------------------------|
| Sheldon Simpson | 2,539,728 |
| Craig Robinson | 145,000 |