Derrimon Trading Company Limited

Consolidated Financial Statements
31 December 2020

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INDEPENDENT AUDITORS' REPORT

To the Members of
Derrimon Trading Company Limited

Report on the audit of the consolidated and stand-alone financial statements

Our opinion

In our opinion, the consolidated financial statements and the stand-alone financial statements give a true and fair view of the consolidated financial position of Derrimon Trading Company Limited (the Company) and its subsidiaries (together 'the Group') and the stand-alone financial position of the Company as at 31 December 2020, and of their consolidated and stand-alone financial performance and their consolidated and stand-alone cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with the requirements of the Jamaican Companies Act.

What we have audited

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

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the company statement of financial position as at 31 December 2020;
- the company statement of comprehensive income for the year then ended;
- the company statement of changes in equity for the year then ended;
- the company statement of cash flows for the year then ended; and
- the notes to the financial statements, which 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 those standards are further described in the Auditors' 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.

Report on the audit of the consolidated and stand-alone financial statements

Independence

We are independent of the Group in accordance with 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.

Other matter

The financial statements of Derrimon Trading Company Limited for the year ended 31 December 2019, were audited by another firm of Auditors whom expressed an unmodified opinion on those financial statements on the 27 February 2020.

Our audit approach

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and stand-alone financial statements. In particular, we considered where management made subjective judgements; 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, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Our 2020 audit was planned and executed having regard to the fact that the operations of the Group remain largely unchanged from the prior year.

The Group's businesses are organised into three primary segments being Distribution, Wholesale & Retail and Other operations. These entities maintain their own accounting records and report to the Group through the completion of consolidation packages.

In establishing the overall group audit strategy and plan, we determined the type of work that was needed to be performed at the components by the group engagement team and component auditors.

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INDEPENDENT AUDITORS' REPORT (Continued)

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Report on the audit of the consolidated and stand-alone financial statements

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and stand-alone financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and stand-alone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment Refer to notes 2(b) and 6 of the consolidated and stand-alone financial statements for disclosures of related accounting policies, judgements and estimates. As at 31 December 2020, the Group had recorded goodwill of $182 million, representing approximately 2.4% of the Group's total assets. We focused on this area as the annual, impairment assessment requires management's judgement and estimation, particularly in relation to the estimation of future cash flows from the businesses, taking into consideration the key assumption being the revenue growth and discount rate in the Group's impairment model.	With the assistance of internal experts, we performed the following procedures, amongst others, over management's goodwill impairment assessment as follows: • Evaluated management's future cash flow forecasts, and the process by which they were prepared, including testing the underlying calculations and comparing them to the latest financial forecast. • Compared previous forecasts to actual results to assess the performance of the business and the accuracy of forecasting. Challenged management's key assumptions for revenue growth and discount rate. In order to do this, we: • evaluated these assumptions with reference to valuations of similar companies. • compared the key assumptions to externally derived data where possible, including market expectations of investment return and projected economic growth. • Evaluated the revenue growth and discount rate used in management's cash flow projections. The results of our procedures indicated that the assumptions used by management for assessing goodwill impairment are considered.

INDEPENDENT AUDITORS' REPORT (Continued)

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Report on the audit of the consolidated and stand-alone financial statements

Key audit matter	How the matter was addressed in our audit
Borrowings Refer to notes 2 (o), 18 and 20 to the financial statements for management's disclosures of related accounting policies, judgments and estimates relating to borrowings. As at 31 December 2020, long and short-term borrowings inclusive of preference shares, excluding long term lease liabilities represented \$3.4 billion (2019 - \$2.39 billion) or 70% (2019 – 67%) of the total equity and debts of the Group. The Group continues to be highly leveraged.	The Parent Company remains highly leveraged as management continues to strategically use debt financing as the principal pillar to implement structured growth projects within the Group. During the year, management implemented strategies to improve its gross margins, thereby improving its cash flows and its ability to meet its financial obligations as they fall due. The Parent Company continues to examine its financing options within the context of its debt management strategy and review its choices based on the present improving market conditions as well as it's risk profile. Our audit procedures included: - • Reviewed the loan agreements and repayment schedules. We 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 various bank accounts. • Confirmed the balances, reviewed the maturity schedule for repayment, tested the interest calculations and determined that the total borrowings represented obligations by the Company and the Group. • 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 had robust discussions with senior management regarding the growth and expansion strategy using debt as the principal means of growth and expansion and the ultimate strategy to reduce debt capital over the long term. 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 and Group being unable to meet its obligations as they fall due. Management is mindful of this inherent liquidity risk. However, management is confident that their strategic growth and expansion plan will continue to perform based on historical performance and anticipated future positive trends, due to the encouraging economic factors being experienced in the marketplace despite the Covid-19 pandemic. Management is of the opinion that adequate 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. 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. 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. As a Company initiative to reduce its high leverage ratio, in January 2021 the company issued additional shares to the market through an Additional Public Offering (APO) whereby it raised \$4.076 billion dollars. A part of the proceeds will be utilized to retire \$650 million of short-term debt which was raised to assist with the deposit on a strategic acquisition and an additional J\$1.2 billion is being channelled to liquidate medium/long term debt which will result in a reduction in the debt/equity ratio from 70:30 to 27:73.

INDEPENDENT AUDITORS' REPORT (Continued)

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Report on the audit of the consolidated and stand-alone financial statements

Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the consolidated and stand-alone financial statements and our auditors' report thereon), which is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated and stand-alone financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and stand-alone financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and stand-alone financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of management and those charged with governance for the consolidated and stand-alone financial statements

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

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

Those charged with governance are responsible for overseeing the Group and Company's financial reporting process.

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INDEPENDENT AUDITORS' REPORT (Continued)

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Report on the audit of the consolidated and stand-alone financial statements

Auditors' responsibilities for the audit of the consolidated and stand-alone financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and stand-alone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 ISAs 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 and stand-alone financial statements.

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 and stand-alone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate 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 and Company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- 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 or Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and stand-alone 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 auditors' report. However, future events or conditions may cause the Group or Company to cease to continue as a going concern.

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INDEPENDENT AUDITORS' REPORT (Continued)

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Report on the audit of the consolidated and stand-alone financial statements

Auditors' responsibilities for the audit of the consolidated and stand-alone financial statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated and stand-alone financial statements, including the disclosures, and whether the consolidated and stand-alone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

- We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and stand-alone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure 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.

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INDEPENDENT AUDITORS' REPORT (Continued)

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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 and stand-alone 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 auditors' report is Wayne Strachan.

Baker Tilly

Chartered Accountants
Kingston, Jamaica
1 March 2021

Derrimon Trading Company Limited

Consolidated Statement of Financial Position
As at 31 December 2020

	Note	2020	2019
		$'000	$'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	537,785	483,476
Intangible assets	6	438,643	438,643
Investments	8	163,695	142,979
Right-of-use assets	9	1,487,435	1,039,077
Deferred tax assets	10	9,859	-
		2,637,417	2,104,175
Current assets			
Inventories	11	2,186,560	1,992,174
Receivables	12	1,874,810	1,033,069
Taxation recoverable		-	6,019
Cash and cash equivalents	13	717,027	647,247
		4,778,397	3,678,509
TOTAL ASSETS		7,415,814	5,782,684
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	140,044	140,044
Capital reserves	15	94,638	94,638
Investment reserve	16	614	614
Retained earnings		1,190,406	943,372
		1,425,702	1,178,668
Non-controlling interest	17	178,235	154,844
		1,603,937	1,333,512
Non-current liabilities			
Long term loans	18	2,166,389	1,731,003
Lease liabilities	9	1,437,367	1,000,272
Deferred tax liabilities	10	-	4,214
		3,603,756	2,735,489
Current liabilities			
Payables	19	718,109	976,846
Short term loans	20	1,056,013	536,316
Current portion of long term loans	18	179,231	122,448
Current portion of lease liabilities	9	165,538	70,601
Taxation		33,132	7,472
Bank overdraft	21	56,098	-
		2,208,121	1,713,683
TOTAL EQUITY AND LIABILITIES		7,415,814	5,782,684

Approved for issue by the Board of Directors on 1 March 2021 and signed on its behalf by:

Derrick Cotterell, Director

Earl Richards, Director

Derrimon Trading Company Limited

Consolidated Statement of Comprehensive Income
Year ended 31 December 2020

	Note	2020	2019
		$'000	**$'000**
Revenue	22	12,777,464	12,649,017
Cost of sales		(10,294,801)	(10,370,183)
Gross profit		2,482,663	2,278,834
Unrealised gains on investments valued at fair value through profit or loss			
Other operating income	23	97,856	37,767
Operating and administrative expenses	24	(1,424,862)	(1,279,414)
Selling and distribution expenses		(418,625)	(408,265)
Operating profit	25	739,679	628,922
Finance costs, net	27	(384,490)	(283,196)
Profit before taxation		355,189	345,726
Taxation	28	(44,100)	(43,018)
Profit after taxation, being total comprehensive income		311,089	302,708
Net profit attributable to:			
Stockholders of the Company		279,834	290,744
Non-controlling interest		31,255	11,964
		311,089	302,708
Earnings per ordinary stock unit attributable to shareholders of the company	30	$0.102	$0.106

Derrimon Trading Company Limited

Consolidated Statement of Changes in Equity
Year ended 31 December 2020

	Number of Shares	Share Capital	Equity Attributable to Shareholders of the Company			Non-controlling Interest	Total Equity
			Capital Reserves	Retained Earnings	Investment Reserve		
	‘000	$’000	$’000	$’000	$’000	$’000	$’000
Balance at 1 January 2019	2,733,361	140,044	94,638	820,343	614	162,597	1,218,236
Dividends (Note 32)	-	-	-	(27,334)	-	-	(27,334)
Dividends paid by subsidiary to non-controlling interest (Note 17)	-	-	-	-	-	(8,538)	(8,538)
Movement during the year	-	-	-	(140,381)	-	(11,179)	(151,560)
Total comprehensive income	-	-	-	290,744	-	11,964	302,708
Balance at 31 December 2019	2,733,361	140,044	94,638	943,372	614	154,844	1,333,512
Dividends (Note 32)	-	-	-	(32,800)	-	-	(32,800)
Dividends paid by subsidiary to non-controlling interest (Note 17)	-	-	-	-	-	(7,864)	(7,864)
Total comprehensive income	-	-	-	279,834	-	31,255	311,089
Balance at 31 December 2020	2,733,361	140,044	94,638	1,190,406	614	178,235	1,603,937

Derrimon Trading Company Limited

Consolidated Statement of Cash Flows
Year ended 31 December 2020

	2020	2019
	$'000	$'000
CASH RESOURCES WERE PROVIDED BY/(USED IN):		
Operating Activities		
Profit before taxation	355,189	345,726
Adjustments for:		
Amortization of right-of-use assets	188,254	96,618
Depreciation	48,312	67,088
Fair value gain on financial assets	(2,647)	-
Gain on disposal of plant and equipment	-	(176)
Non cash adjustment	-	(11,034)
Interest income	(31,043)	-
Lease interest expense	113,358	78,560
Interest expense	236,891	204,636
Expected credit loss allowance	37,799	29,335
Loss on foreign exchange	34,241	-
	980,354	810,753
Changes in operating assets and liabilities:		
(Increase)/decrease in receivables	(879,540)	104,542
Decrease in payables	(276,137)	(172,698)
Decrease in related parties	-	1,316
Increase in inventories	(194,386)	(711,387)
Cash (used in)/provided by operating activities	(369,709)	32,526
Taxes paid	(26,494)	(42,547)
Interest paid	(219,491)	(204,636)
Lease interest paid	(113,358)	(78,560)
Interest received	31,043	-
Net cash used in operating activities	(698,009)	(293,217)
Investing Activities		
Purchase of investments	(18,069)	29,935
Purchase of property, plant and equipment	(102,621)	(84,943)
Purchase of intangible assets	-	(41,223)
Proceeds from disposal of plant and equipment	-	428
Net cash used in investing activities	(120,690)	(95,803)
Financing Activities		
Lease principal payments	(94,014)	(61,679)
Long term loans, net	492,169	918,014
Dividends paid	(32,800)	(27,334)
Dividends paid by subsidiary to non-controlling interest	(7,864)	(8,538)
Short term loans, net	519,697	(200,100)
Net cash provided by financing activities	877,188	620,363
Net increase in cash and cash equivalents	58,489	231,343
Effect of exchange losses on cash and cash equivalents	(44,807)	-
Cash and cash equivalents at beginning of year	647,247	415,904
CASH AND CASH EQUIVALENTS AT END OF YEAR	660,929	647,247
Represented by:		
Cash at bank and in hand	559,232	509,627
Short term deposits	157,795	137,620
Bank overdraft	(56,098)	-
	660,929	647,247

Derrimon Trading Company Limited

Company Statement of Financial Position
As at 31 December 2020

	Note	2020	2019
		$'000	$'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	426,725	385,375
Intangible assets	6	33,220	33,220
Investment in subsidiaries and joint venture	7	942,541	942,541
Investments	8	4,744	4,956
Right-of-use assets	9	1,302,032	945,179
Deferred tax assets	10	18,891	5
		2,728,153	2,311,276
Current assets			
Inventories	11	1,975,934	1,750,852
Receivables	12	1,691,442	845,234
Taxation recoverable		-	1,347
Cash and cash equivalents	13	504,159	517,920
		4,171,535	3,115,353
TOTAL ASSETS		6,899,688	5,426,629
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	140,044	140,044
Capital reserves	15	94,638	94,638
Investment reserve	16	614	614
Retained earnings		1,140,826	947,982
		1,376,122	1,183,278
Non-current liabilities			
Long term loans	18	2,162,588	1,711,454
Lease liabilities	9	1,256,180	908,116
		3,418,768	2,619,570
Current liabilities			
Payables	19	649,903	902,850
Short term loans	20	1,056,013	535,000
Current portion of long term loans	18	166,847	119,629
Current portion of lease liabilities	9	153,174	66,302
Taxation		22,763	-
Bank overdraft	21	56,098	-
		2,104,798	1,623,781
TOTAL EQUITY AND LIABILITIES		6,899,688	5,426,629

Approved for issue by the Board of Directors on 1 March 2021 and signed on its behalf by:

Derrick Cotterell Director

Earl Richards Director

Derrimon Trading Company Limited

Company Statement of Comprehensive Income
Year ended 31 December 2020

	Note	2020 $'000	2019 $'000
Revenue	22	11,650,661	11,637,878
Cost of sales		(9,483,271)	(9,608,914)
Gross profit		2,167,390	2,028,964
Unrealised losses on investments valued at fair value through profit or loss		(213)	-
Other operating income	23	99,097	26,864
Operating and administrative expenses	24	(1,206,285)	(1,098,451)
Selling and distribution expenses		(410,182)	(404,861)
Operating profit	25	649,807	552,516
Finance costs, net	27	(399,440)	(297,576)
Profit before taxation		250,367	254,940
Taxation	28	(24,723)	(27,538)
Profit after taxation, being total comprehensive income		225,644	227,402
Earnings per ordinary stock unit attributable to shareholders of the company	30	$0.083	$0.083

Derrimon Trading Company Limited

Company Statement of Changes in Equity
Year ended 31 December 2020

	Number of Shares	Share Capital	Investment Reserve	Capital Reserves	Retained Earnings	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2019	2,733,361	140,044	614	94,638	747,914	983,210
Dividends (Note 32)	-	-	-	-	(27,334)	(27,334)
Total comprehensive income	-	-	-	-	227,402	227,402
Balance at 31 December 2019	2,733,361	140,044	614	94,638	947,982	1,183,278
Dividends (Note 32)	-	-	-	-	(32,800)	(32,800)
Total comprehensive income	-	-	-	-	225,644	225,644
Balance at 31 December 2020	2,733,361	140,044	614	94,638	1,140,826	1,376,122

Derrimon Trading Company Limited

Company Statement of Cash Flows
Year ended 31 December 2020

	2020 $'000	2019 $'000
CASH RESOURCES WERE PROVIDED BY/(USED IN):		
Operating Activities		
Profit before taxation	250,367	254,940
Adjustments for:		
Depreciation	32,244	51,967
Amortisation of right-of-use assets	182,854	90,918
Fair value loss on investments valued at fair value through profit or loss	213	-
Non cash adjustment	-	(8,051)
Interest income	(29,833)	-
Lease interest rate	87,091	78,559
Loan interest expenses	248,057	219,017
Impairment allowances	35,690	29,335
Loss on foreign exchange	64,292	-
	870,975	716,685
Changes in operating assets and liabilities:		
(Increase)/decrease in receivables	(881,898)	79,411
Decrease in payables	(270,347)	(187,697)
Increase in inventory	(225,082)	(639,563)
Cash used in operating activities	(506,352)	(31,164)
Taxes paid	(19,500)	(28,891)
Lease interest paid	(87,091)	(78,559)
Loan interest paid	(230,657)	(219,484)
Interest received	29,833	-
Net cash used in operating activities	(813,767)	(358,098)
Investing Activity		
Purchase of property, plant and equipment	(73,594)	(49,091)
Net cash used in investing activity	(73,594)	(49,091)
Financing Activities		
Long term loan, net	498,352	906,219
Dividends paid	(32,800)	(27,334)
Lease principal payments	(169,063)	(61,679)
Short-term loans, net	521,013	(201,416)
Net cash provided by financing activities	817,502	615,790
Net (decrease)/increase in cash and cash equivalents	(69,859)	208,601
Cash and cash equivalents at beginning of year	517,920	309,319
CASH AND CASH EQUIVALENTS AT END OF YEAR	448,061	517,920
Represented by:		
Cash at Bank and cash in hand	481,868	491,546
Short term deposits	22,291	26,374
Bank overdraft	(56,098)	-
	448,061	517,920

Derrimon Trading Company Limited

Notes to the Financial Statements
31 December 2020

1. Identification and principal activities

Derrimon Trading Company Limited ("the Company") was incorporated in 1998 and is domiciled in Jamaica. The Company is listed on the Junior Market of the Jamaica Stock Exchange (JSE). The Company's registered office is located at 233-235 Marcus Garvey Drive, Kingston 11.

The principal activities of the Company include the wholesale and bulk distribution of household and food items inclusive of meat products, chilled and ambient beverages and the retailing of those and other food items and meat products through the operation of a chain of outlets and supermarkets. The Company's subsidiaries are involved in manufacturing of flavours and fragrances along with wooden pallets.

These financial statements present the results of operations and financial positions of the Company and its subsidiaries, which are referred to as "the Group"; the subsidiaries are as follows:

Subsidiaries	Principal Activities	% Ownership by Company at 31 December 2020	% Ownership by Company at 31 December 2019
CFFL	Manufacture of Flavours and Fragrances	62.02%	62.02%
Select Grocers	Operation of Supermarket	60%	60%
Woodcats International Limited	Manufacturers of wooden pallets	100%	100%

DTCL as at December 31, 2020, owns 62.02% of the shares of CFFL, the same percentage as the prior year.

DTCL continues to hold 60% in the joint operation 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.

DTCL continues to hold 100% of the shares of Woodcats International Limited, a manufacturer of wooden pallets, making it a wholly-owned subsidiary.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied for all the years presented. Where necessary, prior year comparatives have been restated and reclassified to conform to current year presentation.

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and their interpretations adopted by the International Accounting Standards Board and have been prepared under the historical cost convention, as modified by the valuation of certain items. They are also prepared in accordance with the provisions of the Jamaican Companies Act.

The financial statements comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes.

The preparation of financial statements in compliance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and contingent liabilities at the end of the reporting period and the total comprehensive income during the reporting period. The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and underlying assumptions are reviewed on an ongoing basis and any adjustments that may be necessary would be reflected in the year in which actual results are known. The areas involving a higher degree of judgement in complexity or areas where assumptions or estimates are significant to the financial statements are discussed in note 4.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Standards and amendments to published standards effective in the current year that are relevant to the Group's operations

The following standards have been adopted by the Group for the first time which have been issued and are effective for mandatory adoption for the financial year beginning on or after 1 January 2020:

Definition of a Business – Amendments to IFRS 3 (effective for Business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020). The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

Definition of Material (Amendments to IAS 1 and IAS 8) The amendments clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards. The amendment further clarifies that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses material in the context of the financial statements as a whole. The standard also states that the meaning of 'primary users of general-purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

Derrimon Trading Company Limited

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2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Standards and amendments to published standards effective in the current year that are relevant to the Group's operations (continued)

Revised Conceptual Framework for Financial Reporting (effective for annual periods beginning on or after 1 January 2020). The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. These new standards include increasing the prominence of stewardship in the objective of financial reporting. It also includes changes in reinstating prudence as a component of neutrality. Further key changes include defining a reporting entity, which may be a legal entity, or a portion of an entity and revising the definitions of an asset and a liability as well as removing the probability threshold for recognition and adding guidance on de-recognition

The standard further includes changes to adding guidance on different measurement basis and stating that profit of loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements

The standard clarifies that no changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Standards and amendments to published standards effective in the current year that are relevant to the Group's operations (continued)

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) Reporting (effective for annual periods beginning on or after 1 January 2020). The changes in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

- modify specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform;
- are mandatory for all hedging relationships that are directly affected by the interest rate benchmark reform;
- are not intended to provide relief from any other consequences arising from interest rate benchmark reform (if a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the amendments, discontinuation of hedge accounting is required); and
- require specific disclosures about the extent to which the entities' hedging relationships are affected by the amendments.

The amendments did not result in any material effect on the Group's financial statements.

Derrimon Trading Company Limited

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Standards and amendments to published standards that are not yet effective and have not been early adopted by the Group

Reference to the Conceptual Framework – Amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022). In March 2018, the IASB issued the 2018 Conceptual Framework and most references to the Framework included in IFRSs were updated to the 2018 Framework at that time. However, paragraph 11 of IFRS 3 Business Combinations, which continued to refer to the 1989 Framework, was not updated as this could have caused conflicts for entities applying IFRS 3. IASB identified three possible amendments to IFRS 3 that would update IFRS 3 without significantly changing its requirements. The changes in Reference to the Conceptual Framework (Amendments to IFRS 3):

- update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework;
- add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and
- add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

IFRS 17, 'Insurance Contracts', (effective for annual periods beginning on or after 1 January 2021). In May 2017, the IASB issued IFRS 17 which replaces the current guidance in IFRS 4. Under IFRS 17, insurance liabilities are to be measured at a current fulfilment value. The standard also provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Standards and amendments to published standards that are not yet effective and have not been early adopted by the Group (continued)

The amendments in Classification of Liabilities as Current or Non-current - Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2023) affect only the presentation of liabilities in the statement of financial position - not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. They:

- clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16) (effective for annual periods beginning on or after 1 January 2022) amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37), (effective for annual periods beginning on or after 1 January 2022) specifies that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

Derrimon Trading Company Limited

Notes to the Financial Statements
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2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Standards and amendments to published standards that are not yet effective and have not been early adopted by the Group (continued)

Annual Improvements to IFRS Standards 2018–2020 are effective for annual reporting periods beginning on or after 1 January 2022. The IASB issued its Annual Improvements to IFRSs 2015-2017 cycle amending a number of standards:

- IFRS 1 'First-time Adoption of International Financial Reporting Standards' - Subsidiary as a first-time adopter. The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.
- IFRS 9 'Financial Instruments' - Fees in the '10 per cent' test for derecognition of financial liabilities. The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
- IFRS 16 'Leases' - Lease incentives. The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- IAS 41 'Agriculture' - Taxation in fair value measurements. The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13.

Derrimon Trading Company Limited

Notes to the Financial Statements
31 December 2020

2. Summary of significant accounting policies (continued)

(b) Business combination and goodwill

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 bargain purchase, is recognized in profit or loss immediately.

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

Non-controlling interests
Equity in the Company 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 Company. 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.

2. Summary of significant accounting policies (continued)

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the company and its subsidiaries as at 31 December 2020. A subsidiary is an entity controlled by the company. Control is achieved when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the group controls an investee, if and only if, the group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring its accounting policy in line with the group's accounting policy. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the group are eliminated in full on consolidation.

Changes in ownership interests in subsidiaries 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.

Disposal of subsidiaries
When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2. Summary of significant accounting policies (continued)

(d) Going concern

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

Management has assessed that the Company and Group have the ability to continue as a going concern and has prepared the financial statements on the going concern basis. The basis of preparation presumes that the company will be able to realize its assets and discharge its liabilities in the normal course of business.

(e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee that makes strategic decisions.

The Company has identified the following segments:

Distribution (Household products, chilled and ambient beverages, detergents and bulk foods);

Wholesale (Trading outlets and supermarkets); and

Other Operations (Manufacturers of Flavours and Fragrances, pallets and by products of wood)

Derrimon Trading Company Limited

Notes to the Financial Statements
31 December 2020

2. Summary of significant accounting policies (continued)

(f) Property, plant and equipment

(i) Owned assets:
Items of plant and equipment are stated at cost or deemed cost 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 materials, direct labour and related costs to put the asset into service.

The cost of replacing part of an item of plant and equipment is recognized in the carrying amount of an item if it is probable that the future economic benefits embodied within the part will flow to the business and its cost can be measured reliably. The costs of day-to-day servicing of plant and equipment are recognized in profit or loss as incurred.

(ii) Depreciation
Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see below). Depreciation is calculated on a reducing balance basis at rates to write off the carrying value of the assets over their period of expected useful lives. The annual depreciation rates are as follows:

Buildings	2.5%
Leasehold improvements	2.5%
Machinery and equipment	10%
Furniture, fittings and fixtures	20%
Motor vehicles	20%
Computer	33.33%
Right-of-use	Straight-line over the period of the lease term

Gains and losses on disposal are determined by comparing proceeds with the carrying amount and are included in the statement of comprehensive income.

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

Derrimon Trading Company Limited

Notes to the Financial Statements
31 December 2020

2. Summary of significant accounting policies (continued)

(g) Financial Instruments

Classification
The Group and Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The group and company reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition
Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group and Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Measurement
At initial recognition, the Group and Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2. Summary of significant accounting policies (continued)

(g) Financial Instruments (continued)

Debt instruments
Subsequent measurement of debt instruments depends on the group's and company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group and company classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Impairment
The Group and Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

2. Summary of significant accounting policies (continued)

(h) Intangible assets

Items of intangible assets represent purchased computer software not integral to computer hardware, with finite useful lives that are acquired separately and are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful life of three years.

(i) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which they are separately identifiable cash flows (cash-generating units).

(j) Inventories

Inventories are stated at the lower of cost and net realizable value, cost being determined on a first in first out basis. Net realizable value is the estimate of the selling price in the ordinary course of the business, less selling expenses.

(k) Receivables

Trade and other receivables are carried at anticipated realizable value. An allowance for expected credit loss (ECL) 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. The carrying amount of the asset is reduced through the use of this ECL allowance, and the amount of the loss is recognized in *Bad Debt expense* in the statement of profit or loss. When 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 to bad debt expense in the statement of profit or loss.

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

(l) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand and bank overdraft.

(m) Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Derrimon Trading Company Limited

Notes to the Financial Statements
31 December 2020

2. Summary of significant accounting policies (continued)

(n) Dividends

Dividends on ordinary shares are recognized in shareholder's equity in the period in which they become legally payable. Interim dividends are due when declared and approved by the directors while shareholders approve final dividends at the Annual General Meeting. Dividends for the year that are declared after the reporting date are disclosed in the subsequent events note.

(o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(p) Payables

Payables, including provisions, are stated at their nominal value. A provision is recognised in the statement of financial position when the group has a present legal or constructive obligation as a result of a past event, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money, and where appropriate, the risks specific to the liability.

2. Summary of significant accounting policies (continued)

(q) 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 embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(r) Fair value of financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. Financial assets carried on the statement of financial position include cash and cash equivalents and receivables. Financial liabilities consist of payables, long term loans, directors' loans, short term loans and due to related companies.

Generally financial instruments are recognized on the statement of financial position when the group becomes a party to the contractual provisions of the instruments. The particular recognition methods adopted are disclosed in the respective accounting policies associated with each items.

(s) Related party transactions

Related parties:

A party is related to the group, if:

(i) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the group (this includes parents, subsidiaries and fellow subsidiaries); has an interest in the group that gives it significant influence over the group; or has joint control over the group;
(ii) the party is an associate of the group;
(iii) the party is a joint venture in which the group is a venturer;
(iv) the party is a member of the key management personnel of the group or its parent;
(v) the party is a close member of the family of any individual referred to in (i) or (iv);
(vi) the party is the group that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
(vii) the party is a post-employment benefit plan for the benefit of employees of the group, or of any company that is a related party of the group.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

2. Summary of significant accounting policies (continued)

(t) Revenue recognition

Revenue is recognized when the company satisfies a performance obligation by transferring the promised goods to the customer in an amount that reflects the consideration the company expects to be entitled to in exchange for those goods.

The promised goods are transferred *when* or *as* the customer obtain control.

Revenue is recognized when the customer obtains control of the goods as described below:

i. **Sales**
The performance obligation, satisfied at a point-in-time, to transfer products to customers. Revenue is recognized when the products are delivered to the customers, and the customers take control of the products, and the company has a present right to payment as evidence by an invoice or the right to invoiced

ii. **Dividend income**
Dividends are recognized when declared, and the right to receive payment is established.

iii. **Other operating income**
Includes gains and losses on disposal of assets, rental income received from investment properties and miscellaneous inflows. Income is recognized on the accrual basis.

Interest income is recognised as it accrues unless collectability is in doubt. Interest income is calculated is in doubt. Interest income is calculated by applying the effective interest rate the gross carrying amount of financial assets.

2. Summary of significant accounting policies (continued)

(u) Taxation

Taxation on the profit or loss for the year comprises current and deferred tax. Current and deferred taxes are recognized as income tax expense or benefit in the statement of comprehensive income except, where they relate to items recorded in shareholders' equity, they are also charged or credited to shareholders' equity.

(i) Current taxation

Current tax is the expected taxation payable on the taxable income for the year, using tax rates enacted at the statement of financial position date, and any adjustment to tax payable and tax losses in respect of previous years.

(ii) Deferred income taxes

Deferred tax liabilities are recognized for temporary differences between the carrying amounts of assets and liabilities and their amounts as measured for tax purposes, which will result in taxable amounts in future periods. Deferred tax assets are recognized for temporary differences which will result in deductible amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realized or the liability will be settled based on enacted rates.

Current and deferred tax assets and liabilities are offset when the legal right of offset exists.

(v) Foreign currency translation

Foreign currency transactions are accounted for at the exchange rate prevailing at the dates of the transactions. Monetary assets and liabilities that are denominated in foreign currencies are translated into Jamaican dollars at the exchange rate prevailing at the statement of financial position date; that is, in the case of each currency, the Bank of Jamaica weighted average buying and selling rates at that date. Gains or losses arising from fluctuations in the exchange rates are reflected in the statement of comprehensive income.

2. Summary of significant accounting policies (continued)

(w) Right-of-use assets and lease liabilities

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

(i) Leases of low value assets; and
(ii) Leases with a duration of 12 months or less.

IFRS 16 was adopted 1 January 2019 without restatement of comparative figures. The following policies apply subsequent to the date of initial application, 1 January 2019.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

(i) amounts expected to be payable under any residual value guarantee;
(ii) the exercise price of any purchase option granted in favour of the group if it is reasonable certain to assess that option;
(iii) any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

To determine the incremental borrowing rate, the Group:

(i) since it does not have recent third-party financing, uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases, and
(ii) makes adjustments specific to the lease, e.g. term, currency and security.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

(i) lease payments made at or before commencement of the lease;
(ii) initial direct costs incurred; and
(iii) the amount of any provision recognised where the company is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

2. Summary of significant accounting policies (continued)

(w) Right-of-use assets and lease liabilities (continued)

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets are assets valued as US$5,000 or less when new. The group has no short-term leases or leases for low valued assets at this time.)

Extension and termination options
Extension and termination options are included in a number of property and equipment leases across the group. These are used to maximise operational flexibility in terms of managing the assets used in the group's operations. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

When the group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy.
- in all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate.

2. Summary of significant accounting policies (continued)

(w) Right-of-use assets and lease liabilities (continued)

- applicable on the modification date, with the right-of-use asset being adjusted by the same amount.
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

For contracts that both convey a right to the group to use an identified asset and require services to be provided to the group by the lessor, the group has elected to account for the entire contract as a lease, i.e. it does not allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

3. Financial risk management

The group's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the group's financial performance.

The group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is ultimately responsible for the establishment and oversight of the group's risk management framework. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk and investment of excess liquidity.

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.

(a) Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as outstanding receivables from credit sales.

Risk management

Management has established a credit policy under which each new customer is analysed individually for credit worthiness before the group's standard payment and delivery terms and conditions are offered.

If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, management assesses the credit quality of the customer, considering its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The compliance with credit limits by customers is regularly monitored by management.

3. Financial risk management (continued)

(a) Credit risk (continued)

Management determines concentrations of credit risk by monitoring the credit-worthiness rating of existing customers and through a monthly review of the trade receivables ageing analysis. In monitoring the customers' credit risk, customers are grouped according to their credit characteristics. Customers that are graded as "high risk" are placed on a restricted customer list, and future credit sales are made only with approval.

Security
The group and the company does not hold any collateral as security.

Impairment of financial assets
The group and the company has one type of financial asset that is subject to the expected credit loss model:

- trade receivables

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables
The group and the company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and ageing.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2019 or 31 December 2020 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group and the company has identified the GDP, inflation and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Derrimon Trading Company Limited

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31 December 2020

3. Financial risk management (continued)

(a) Credit risk (continued)

On that basis, the loss allowance as at 31 December 2020 and 31 December 2019 was determined as follows for trade receivables:

The Group

31 December 2020	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
	$'000	$'000	$'000	$'000	$'000
Expected loss rate	5%	9%	11%	13%	8%
Gross carrying amount – trade receivables	332,236	339,773	115,312	108,605	895,926
Loss allowance	16,612	30,580	12,684	13,902	73,778

31 December 2019	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
	$'000	$'000	$'000	$'000	$'000
Expected loss rate	1%	4%	7%	9%	5%
Gross carrying amount – trade receivables	466,629	330,000	67,652	102,571	966,852
Loss allowance	4,666	14,517	4,397	9,232	32,812

The Company

31 December 2020	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
	$'000	$'000	$'000	$'000	$'000
Expected loss rate	3%	11%	13%	15%	9%
Gross carrying amount – trade receivables	276,066	301,171	92,429	86,947	756,613
Loss allowance	8,282	33,661	11,554	13,042	66,539

31 December 2019	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
	$'000	$'000	$'000	$'000	$'000
Expected loss rate	2%	6%	8.33%	10%	4%
Gross carrying amount – trade receivables	561,418	110,498	63,224	92,594	827,734
Loss allowance	11,228	6,630	5,264	9,259	32,381

Derrimon Trading Company Limited

Notes to the Financial Statements
31 December 2020

3. Financial risk management (continued)

(a) Credit risk (continued)

The closing loss allowances for trade receivables as at 31 December 2020 reconcile to the opening loss allowances as follows:

The Group

	Trade receivables 2020 $'000	Trade receivables 2019 $'000
Opening loss allowance	32,812	33,233
Increase in loss allowance recognised in profit or loss during the year	37,799	29,335
Bad debts written off/(recovered) during the year	3,167	(29,756)
Closing balance at end of year	73,778	32,812

The Company

	Trade receivables 2020 $'000	Trade receivables 2019 $'000
Opening loss allowance	32,380	32,380
Increase in loss allowance recognised in profit or loss during the year	35,690	29,355
Bad debts recovered during the year	(1,531)	(29,355)
Closing balance at end of year	66,539	32,380

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group and company, and a failure to make contractual payments for a period of greater than 90 days past due.

3. Financial risk management (continued)

(a) Credit risk (continued)

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

As at 31 December 2020 trade receivables had lifetime expected credit losses of $Nil (2019: Nil).

Net impairment losses on financial assets recognised in profit or loss
During the year, the following losses were recognised in profit or loss in relation to impaired financial assets:

The Group

	2020	2019
	$'000	$'000
Impairment losses		
- movement in loss allowance for trade receivables	37,799	29,335
Net impairment losses on financial assets	37,799	29,335

The Company

	2020	2019
	$'000	$'000
Impairment losses		
- movement in loss allowance for trade receivables	35,690	29,335
Net impairment losses on financial assets	35,690	29,335

3. Financial risk management (continued)

(a) Credit risk (continued)

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	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Supermarket chains	156,096	174,489	156,096	174,489
Wholesale and retail distributors	498,750	655,532	498,750	600,164
Government entities	9,748	18,069	9,748	18,069
Manufactures	135,884	77,600	-	-
Other	29,318	34,236	29,318	28,086
	829,796	959,926	693,912	820,808
Overseas	66,130	6,926	62,701	6,926
Total (note 12)	895,926	966,852	756,613	827,734

Overseas customers mainly relate to customers in the United States and the United Kingdom and represent approximately 7% (2019-0.72%) 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 Group's exposure to credit risk or the manner in which it manages and measures the risk.

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3. Financial risk management (continued)

(b) **Liquidity risk (continued)**

Liquidity risk is the risk that the group is unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Liquidity risk management process

The group's liquidity management process includes:

(i) Monitoring future cash flows and liquidity on a daily basis;
(ii) Maintaining marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
(iii) Maintaining a committed line of credit;
(iv) Optimising cash returns on investment.

Undiscounted cash flows of financial liabilities

The maturity profile of the group's financial liabilities at year end on contractual undiscounted payments was as follows:

The Group:

	1 to 3 months	3 to 12 months	1 to 5 Years	Contractual cashflows	Carrying amount
			2020		
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Lease liabilities	65,751	728,557	1,723,247	2,517,555	1,602,905
Long term loans	81,698	244,748	2,337,536	2,663,982	2,345,620
Payables	718,109	-	-	718,109	718,109
Short-term loans	874,009	217,232	-	1,091,241	1,056,013
Bank overdraft	56,098	-	-	56,098	56,098
	1,795,665	1,190,537	4,060,783	7,046,985	5,778,745
			2019		
Lease liabilities	34,400	380,980	901,594	1,316,974	1,070,873
Long term loans	30,230	90,690	2,714,860	2,835,780	1,853,451
Payables	976,846	-	-	976,846	976,846
Short-term loans	538,476	-	-	538,476	536,316
	1,579,952	471,670	3,616,454	5,668,076	4,437,486

Assets available to meet all of the liabilities and to cover financial liabilities include Cash at bank and in hand and guarantee from the ultimate parent company.

Derrimon Trading Company Limited

Notes to the Financial Statements
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3. Financial risk management (continued)

(b) Liquidity risk (continued)

Undiscounted cash flows of financial liabilities (continued)
The maturity profile of the company's financial liabilities at year end on contractual undiscounted payments was as follows:

The Company:

	1 to 3 months	3 to 12 months	1 to 5 Years	Contractual cashflows	Carrying amount
			2020		
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Lease liabilities	59,034	708,408	1,434,517	2,201,959	1,409,354
Long term loans	79,771	239,878	2,325,771	2,645,420	2,329,435
Payables	649,903	-	-	649,903	649,903
Short-term loans	874,009	217,232	-	1,091,241	1,056,013
Bank overdraft	56,098	-	-	56,098	56,098
	1,718,815	1,165,518	3,760,288	6,644,621	5,500,803
			2019		
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Lease liabilities	28,040	85,746	1,084,012	1,197,798	974,418
Long term loans	29,907	89,722	2,685,872	2,805,501	1,831,083
Payables	902,850	-	-	902,850	902,850
Short-term loans	537,040	-	-	537,040	535,000
	1,497,837	175,468	3,769,884	5,443,189	4,243,351

Assets available to meet all of the liabilities and to cover financial liabilities include Cash at bank and in hand and guarantee from the ultimate parent company.

(c) 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 mainly arise from changes in and foreign currency exchange rates (see 3c(i)) and interest rates (see 3c(ii)). The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Market risk exposures are measured using sensitivity analysis. There has been no significant change in exposure to market risks or the manner in which it manages and measures the risk.

3. Financial risk management (continued)

(c) Market risk (continued)

(i) Currency risk

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

The Group is exposed to foreign exchange risk arising from exposure primarily to the US dollar and Euro. Foreign exchange risk arises primarily from transactions for purchases, sales and investments. The Statement of Financial Position for the Group as at 31 December 2020 includes net foreign assets/(liabilities) of US$838,814 and €17,613 (2019: (US$1,870,000) and €17,022) in respect of such transactions.

The following table demonstrates the sensitivity to fluctuations in the exchange rates of the currencies held by the company before tax, with all other variables held constant.

	Change in exchange rate	2020	2019
		$'000	$'000
Revaluation	6% (2019 - (5%)	(7,085)	12,400
Devaluation	2% (2019 - (5%)	2,362	(12,400)

(ii) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of 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 earns interest on its long term investments at a fixed rate with durations of between 2 and over 5 years for repricing.

The Group earns interest on its short term deposits disclosed in Note 23. As these deposits have a short term to maturity and are constantly reinvested at current market rates, they are not significantly exposed to interest rate risk.

The Group incurs interest on its borrowings disclosed in Note 26. 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 stockholders' equity. The Group analyses 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.

3. Financial Risk Management (continued)

(d) Capital management

The Group defines capital as equity and total borrowings. The Group manages its capital, of $4.8 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.

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 specific hurdle 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 based on 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. The management of the Company remains deliberate in the way it funds its growth strategy and given the present economic environment and the general reduction in the cost of capital in the market; management continues to adjust major debts from a bullet repayment structure to that of amortization and lengthening of tenors.

	The Group		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Total borrowings (excluding lease liabilities)	3,401,633	2,389,767	3,385,448	2,366,083
Equity and total borrowing	4,827,335	3,568,435	4,761,570	3,549,361
Gearing ratio	70%	67%	71%	67%

Derrimon Trading Company Limited

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3. Financial Risk Management (continued)

(e) Fair value estimates

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market (such as a recognized stock exchange) exists as it is the best evidence of the fair value of a financial instrument.

The amount included in the financial statements for cash at bank and in hand, receivables, payables, short term loans and bank overdraft reflect their approximate fair values because of the short-term maturity of these instruments.

The fair value of long-term loans approximate amortised costs.

The fair values of directors' account and due to related companies could not be reasonably assessed as there are no set repayment terms.

4. Critical accounting estimates and judgments in applying accounting policies

The group and company makes estimates, assumptions and judgements that affect the reported amounts of, and disclosures relating to, assets, liabilities, income and expenses reported in these financial statements. Amounts and disclosures based on these estimates assumptions and judgements may be different from actual outcomes, and these differences may be reported in the financial statements of the next financial year. Estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and are continually evaluated.

(i) Impairment of financial assets
The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The group and company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group and company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the Credit risk note.

(ii) Income taxes
Estimates and judgements are required in determining the provision for income taxes. The tax liability or asset arising from certain transactions or events may be uncertain in the ordinary course of business. In cases of such uncertainty, the group and company recognises liabilities for possible additional taxes based on its judgement. Where, on the basis of a subsequent determination, the final tax outcome in relation to such matters is different from the amount that was initially recognised, the difference will impact the current and deferred income tax provisions in the period in which such determination is made.

(iii) 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 and 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.

(iv) Recognition and measurement of intangible assets
The recognition and measurement of intangible assets, other than goodwill, in a business combination, involve the utilization of valuation techniques. These intangibles may be market related, consumer related, contract based or technology based. For significant amounts of intangibles arising from a business combination, the group and company has utilized independent professional advisors to assist management in determining the recognition and measurement of these assets.

4. Critical accounting estimates and judgments in applying accounting policies (continued)

(v) Valuation of financial instruments

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the group and company determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premium used in estimating discount rates.

Considerable judgment is required in interpreting market data to arrive at estimates of fair values. Consequently, the estimates arrived at may be significantly different from the actual price of the instrument in an arm’s length transaction.

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5. Property, plant and equipment

The Group:

	Land & Building	Leasehold Improvement	Furniture & Equipment	Motor Vehicles	Computer	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost -						
1 January 2019	65,432	195,304	314,058	107,646	23,059	705,499
Additions	-	22,194	33,288	17,596	11,865	84,943
Disposals	-	-	-	(1,500)		(1,500)
31 December 2019	65,432	217,498	347,346	123,742	34,924	788,942
Additions	701	39,023	49,297	2,460	11,140	102,621
31 December 2020	66,133	256,521	396,643	126,202	46,064	891,563
Depreciation -						
1 January 2019	11,330	10,158	155,109	52,623	18,055	247,275
Charge for the year	1,010	4,642	42,591	17,009	1,836	67,088
Relieved on disposals	-	-	(7,649)	(1,248)	-	(8,897)
31 December 2019	12,340	14,800	190,051	68,384	19,891	305,466
Charge for the year	1,002	5,643	24,874	14,906	1,887	48,312
31 December 2020	13,342	20,443	214,925	83,290	21,778	353,778
Net book value -						
31 December 2020	52,791	236,078	181,718	42,912	24,286	537,785
31 December 2019	53,092	202,698	157,295	55,358	15,033	483,476

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5. Property, plant and equipment

The Company:

	Land and Building	Leasehold Improvements	Furniture & Fixtures	Motor Vehicles	Computer	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost -						
1 January 2019	62,019	128,125	296,506	78,248	17,971	582,869
Adjustments prior year	-	(531)	(1,612)	786	(69)	(1,426)
Additions	-	20,007	13,222	3,995	11,867	49,091
31 December 2019	62,019	147,601	308,116	83,029	29,769	630,534
Additions	701	32,387	27,159	2,459	10,888	73,594
31 December 2020	62,720	179,988	335,275	85,488	40,657	704,128
Depreciation -						
1 January 2019	8,952	6,771	131,027	41,273	14,467	202,490
Adjustments prior year	172	(2,797)	(5,116)	(2,147)	590	(9,298)
Charge for the year	1,010	3,590	36,900	8,788	1,679	51,967
31 December 2019	10,134	7,564	162,811	47,914	16,736	245,159
Charge for the year	1,002	4,302	17,725	7,515	1,700	32,244
31 December 2020	11,136	11,866	180,536	55,429	18,436	277,403
Net book value -						
31 December 2020	51,584	168,122	154,739	30,059	22,221	426,725
31 December 2019	51,885	140,037	145,305	35,115	13,033	385,375

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6. Intangible assets

	Group			Company		
	Goodwill	Brand	Total	Goodwill	Brand	Total
	$	$	$	$	$	$
Cost -						
1 January 2019	33,220	942,541	975,761	33,220	-	33,220
Addition, Business acquisition	148,900	256,523	405,423	-	-	-
Other adjustments	-	(942,541)	(942,541)	-	-	-
31 December 2019 and 31 December 2020	182,120	256,523	438,643	33,220	-	33,220

The Group continued to use the name, *Sampars Cash and Carry* to brand six (6) of its retail outlets and the name, Select Grocers, for its supermarket. The business acquisitions of Caribbean Flavours and Fragrances Limited and Woodcats International limited provided intangible assets in the form of *technical formulae* and *special customer relationships*; and *general goodwill*, respectively.

These intangibles are assessed to have indefinite useful lives and their useful lives are dependent on the useful life of the cash-generating unit (CGU) to which they are allocated.

Impairment tests for goodwill

The Group determines whether goodwill is impaired at least 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 goodwill is allocated. The recoverable amount is usually determined by reference to the value in use. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose an appropriate discount rate in order to calculate the present value of those future cash flows.

For the current period, after review, analysis and assessment, management is of the opinion, that there is no impairment in the total value of intangibles, including goodwill, as the *recoverable amounts* are higher than the *carrying amounts*.

Derrimon Trading Company Limited

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7. Investment in subsidiaries and joint venture

Investment in Subsidiaries and Joint Venture	The Company 2020	The Company 2019
	$'000	$'000
Caribbean Flavours & Fragrances Limited	438,722	438,722
Woodcats International Limited	355,000	355,000
Long-term Investment	148,819	148,819
Balance at the end of the year	942,541	942,541

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. There was no change in the strategic direction, management or operation of this entity during the year.

Select Grocers: Summarized financial information as at 31 December 2020.

	2020	2019
Dividends received from joint operation	-	-
Current assets	186,327	163,225
Cash and cash equivalents included in current assets	16,940	23,838
Non-current assets	294,001	325,644
Current liabilities	97,135	86,891
Current financial liabilities, excluding trade and other payables and provision, included in current liabilities	27,246	-
Non-current liabilities	164,549	202,329
Revenue	683,745	619,968
Depreciation and amortization	36,567	14,450
Interest expense (including lease expense)	(27,957)	(28,034)
Profit or loss from continuing operations	29,562	32,840
Post-tax profit or loss from continuing operations	29,562	32,840
Total comprehensive income	29,562	32,840

Derrimon Trading Company Limited

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7. Investment in subsidiaries and joint venture (continued)

As at December 31, 2020, the Company has holdings of 62.02% and 100% of the issued shares of Caribbean Flavours and Fragrances Limited (CFFL) and Woodcats International Limited (WIL) respectively.

CFFL: Summarized financial information as at December 31, 2020

	2020	2019
	$'000	$'000
Dividends received from subsidiary	14,616	12,432
Current assets	529,080	463,587
Cash and cash equivalents included in current assets	295,426	225,653
Non-current assets	105,936	99,634
Current liabilities	57,957	50,880
Current financial liabilities, excluding trade and other payables and provision, included in current liabilities	6,725	6,200
Non-current liabilities	87,062	82,163
Revenue	593,753	462,462
Depreciation and amortization (including rights of use)	13,969	12,068
Interest income	1,206	1,579
Interest expense (including lease liabilities)	(6,778)	(6,701)
Income tax expense	(14,213)	(5,307)
Profit or loss from continuing operations	96,512	36,807
Post-tax profit from continuing operations	82,299	31,500
Total comprehensive income	82,299	31,500

Derrimon Trading Company Limited

Notes to the Financial Statements
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7. Investment in subsidiaries and joint venture (continued)

Woodcats International Limited: Summarized financial information as at December 31, 2020

	2019	2019
	$'000	$'000
Current assets	255,831	202,430
Cash and cash equivalents included in current assets	20,133	6,535
Non-current assets	190,526	127,526
Current liabilities	46,437	39,024
Current financial liabilities, excluding trade and other payables and provision, included in current liabilities	11,382	4,114
Non-current liabilities	124,982	33,760
Revenue	533,049	548,677
Depreciation and amortization	11,114	8,753
Interest income	4	163
Interest expense	(9,529)	(508)
Income tax expense	(5,164)	(10,174)
Profit or loss from continuing operations	22,929	53,979
Post-tax profit or loss from continuing operations	17,765	43,805
Total comprehensive income	17,765	43,805

8. Investments

	The Group		The Company	
	2020	2019	2020	2019
	$’000	$’000	$’000	$’000
Equity investments fair valued through profit or loss	4,744	4,956	4,744	4,956
Scotia Investments Jamaica Limited	158,951	138,023	-	-
	163,695	142,979	4,744	4,956

Derrimon Trading Company Limited

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9. Right-of-use assets and related lease obligations

(i) Amounts recognized in the Statement of Financial Position

The Statement of Financial Position shows the following amounts relating to leases: -
Right-of-use asset

	The Group		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Balance as at beginning of the year	1,039,077	-	945,17	-
Additions	629,24	1,135,695	540,81	1,036,097
Disposals	(6,3	-	(6,	-
Remeasurement based on variable lease	13,7	-	5,	-
Amortisation	(188,254	(96,618)	(182,85	(90,918)
Balance as at end of year	1,487,435	1,039,077	1,302,032	945,179

Lease liabilities

	The Group		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Balance as at end of year	1,602,905	1,070,873	1,409,354	974,418
Current	(165,538)	(70,601)	(153,174)	(66,302)
Non-current	1,437,367	1,000,272	1,256,180	908,116

(ii) Amounts recognized in the Statement of Comprehensive Income

The Statement of Comprehensive Income shows the following amounts relating to leases:

	The Group 2020	The Company 2020
	$'000	$'000
Amortisation charge of right-of-use assets (included in administrative expenses)	188,254	182,854
Interest expense (included in finance cost)	113,358	87,091
Lease liability payment concession	(30,204)	(30,204)
Effect of foreign exchange	64,292	64,292

	The Group 2019	The Company 2019
	$'000	$'000
Amortisation charge of right-of-use assets (included in administrative expenses)	96,618	90,918
Interest expense (included in finance cost)	84,741	78,559

Derrimon Trading Company Limited

Notes to the Financial Statements
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9. Right-of-use assets and related lease obligations (continued)

(iii) Amounts recognized in the Statement of Cash Flows

	The Group 2020 $'000	The Company 2020 $'000	The Group 2019 $'000	The Company 2019 $'000
Total cash outflows for leases	150,391	139,057	156,997	61,679

10. Deferred tax assets/(liabilities)

Deferred tax asset is calculated in full on all temporary differences under the liability method using the applicable tax rate.

Deferred tax assets recognised on the Statement of Financial Position are as follows:

	The Group		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Deferred tax assets/(liabilities)	9,859	(4,214)	18,891	5

The movement on the net deferred tax assets/(liabilities) balance is as follows:

	The Group		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Net (liabilities)/assets at the beginning of year	(4,214)	(2,900)	5	-
Deferred tax credited/(charged) to profit and loss (Note 28)	14,073	(1,314)	18,886	5
Net assets/(liabilities) at the end of year	9,859	(4,214)	18,891	5

Derrimon Trading Company Limited

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10. Deferred tax assets/(liabilities) (continued)

Deferred tax assets/(liabilities) is attributable to the following items:

	The Group		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Deferred tax assets/(liabilities):				
Property, plant and equipment	(18,764)	(4,214)	(12,289)	5
Interest receivable	(44)	-	-	-
Right of use asset, net of lease obligations	28,068	-	26,830	-
Interest payable	4,350	-	4,350	-
Unrealised foreign exchange gain	(3,751)	-	-	-
Net deferred tax assets/(liabilities) at end of year	9,859	(4,214)	18,891	5

The amounts shown in the Statement of Financial Position include the following:

	The Group		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Deferred tax assets/(liabilities) to be recovered:				
- after more than 12 months	9,859	(4,214)	18,891	5
- within 12 months	-	-	-	-
	9,859	(4,214)	18,891	5

Derrimon Trading Company Limited

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11. Inventories

	The Group		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Sampars wholesale outlets and Select Grocers; grocery and household items	899,543	636,764	899,543	636,764
Wholesale bulk commodity food items	1,076,391	1,114,088	1,076,391	1,114,088
Subsidiaries: flavours and fragrances and pallet inventories	210,626	241,322	-	-
	2,186,560	1,992,174	1,975,934	1,750,852

For year ended 31 December 2020, inventories valuing $23,904,000 (2019: $29,335,000) were written off to the statements of comprehensive income for the Group and $1,604,000 (2019: $3,339,000) for the Company.

12. Receivables

	The Group		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Trade	895,926	966,852	756,613	827,734
Other	134,251	99,029	82,957	49,881
Deposit on business acquisition	918,411	-	918,411	-
	1,948,588	1,065,881	1,757,981	877,615
Less: Provision for expected credit loss	(73,778)	(32,812)	(66,539)	(32,381)
	1,874,810	1,033,069	1,691,442	845,234

Deposit represents amount paid to acquire a Supermarket located in Brooklyn, New York. Derrimon Trading Company Limited will own controlling stake in Marnock LLC, a domestic corporation formed under the law of the State of New York, to operate the business.

The transaction was consummated in January 2021. See Note 35.

13. Cash and cash equivalents

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Cash at bank and in hand				
Cash at bank	370,321	307,729	359,975	304,916
Cash in hand	188,911	201,898	121,893	186,630
	559,232	509,627	481,868	491,546
Short term deposits				
Mayberry Investments Limited	385	6,865	385	6,865
Scotia Investment Funds	56,261	35,162	-	-
Jamaica Money Market Brokers Limited	25,648	21,531	-	-
NCB Capital Markets Limited	55,448	51,189	1,853	1,636
Mayberry Structured: Corporate Paper	20,053	22,873	20,053	17,873
	157,795	137,620	22,291	26,374
	717,027	647,247	504,159	517,920

The weighted average effective interest rate on Jamaican dollar and US dollar short term deposits was 1.1% (2019 – 2%) and 0.098% (2019 – 1%) respectively. These represent call deposits which are repayable on demand.

14. Share capital

	2020	**2019**
	No. of shares	**No. of shares**
Authorised-		
Ordinary shares of no par value	2,733,360,670	2,733,360,670
	$'000	**$'000**
Issued and fully paid:		
Ordinary shares of no par value	140,044	140,044

Derrimon Trading Company Limited

Notes to the Financial Statements
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15. Capital reserves

	The Group		The Company	
	2020	2019	2020	2019
Balance at the beginning and end of the year	94,638	94,638	94,638	94,638

16. Investment reserve

	The Group		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Balance at the beginning and end of the year	614	614	614	614

17. Non-controlling interest

	The Group	
	2020	2019
	$'000	$'0000
Balance at beginning of the year	154,844	162,597
Share of profit for the year	31,255	11,964
Dividends paid by subsidiary	(7,864)	(8,538)
Other movement during the year	-	(11,179)
Balance at end of the year	178,235	154,844

Derrimon Trading Company Limited

Notes to the Financial Statements
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18. Long term loans

		The Group		The Company	
		2020	2019	2020	2019
		$'000	$'000	$'000	$'000
Mayberry Investments Limited	(a)	38,213	92,380	38,213	92,380
Mayberry Investments Limited	(b)	191,952	122,169	191,952	122,169
Bank of Nova Scotia Jamaica Limited	(c)	3,613	3,565	3,613	3,565
National Commercial Bank Jamaica Limited	(d)	1,289	1,489	1,289	1,489
First Global Bank Limited	(e)	-	1,414	-	1,414
First Global Bank Limited	(f)	1,062	1,685	1,062	1,685
First Global Bank Limited	(g)	255,250	272,903	255,250	272,903
Sagicor Bank Jamaica Limited	(h	212,537	227,264	212,537	227,264
Sagicor Bank Jamaica Limited	(i)	89,599	98,160	89,599	98,160
Sagicor Bank Jamaica Limited	(j)	19,127	20,271	19,127	20,271
Sagicor Bank Jamaica Limited	(k)	318,896	338,470	318,896	338,470
National Commercial Bank Jamaica Limited	(l)	-	133	-	133
JN Bank Limited	(m)	4,552	5,256	4,552	5,256
JN Bank Limited	(n)	3,515	4,018	3,515	4,018
JN Bank Limited	(o)	5,440	6,214	5,440	6,214
JMMB Bank (Jamaica) Limited	(p)	214,390	285,694	214,390	285,692
9% Redeemable Preference Shares	(q)	350,000	350,000	350,000	350,000
Jamaica Money Market Bank Limited	(r)	120,000	-	120,000	-
Barita Investments Limited	(s)	500,000	-	500,000	-
First Global Bank Limited	(t)	2,077	4,833	-	-
Bank of Nova Scotia Jamaica Limited	(u)	6,614	7,537	-	-
Bank of Nova Scotia Jamaica Limited	(v)	3,094	4,421	-	-
Bank of Nova Scotia Jamaica Limited	(w)	4,400	5,575	-	-
		2,345,620	1,853,451	2,329,435	1,831,083
Less: Current portion		(179,231)	(122,448)	(166,847)	(119,629)
		2,166,389	1,731,003	2,162,588	1,711,454

(a) This loan, which was received September 2019, is a Revolving Line of Credit, which is denominated in Jamaican dollars was received September 2019, attracts interest at 7.5% per annum and is repayable in March 2021. The loan is secured by the following:

(i) Promissory Note and loan agreement for a Revolving Line of Credit of $100M.
(ii) First legal charge over certain securities.

(b) This loan, which is denominated in Jamaican dollars, represents a margin facility and attracts interest at 12.5% per annum. The margin facility is secured against securities, credit balances, commodities or contracts relating thereto and all other property belonging to the company in which it may have an interest.

18. Long term loans (continued)

(c) The original loan of $10M was received in October 2016 is unsecured, attracts interest at 8.49% per annum and was repayable over 72 equal monthly instalments.

(d) This loan, which is denominated in Jamaican dollars, was received in July 2016, attracts interest at 9.4% per annum and is repayable over 72 equal monthly instalments.

(e) This loan, which is denominated in Jamaican dollars, was received in September 2015, attracted interest at 10% per annum and was repayable over 60 equal monthly instalments. This loan was repaid during the year.

(f) This loan, which is received in June 2016, attracts interest at 10% per annuum and is repayable over 60 equal monthly instalments. The loan is secured by Bill of Sale over a 2017 Isuzu FRR Motor Truck. Assignment of comprehensive insurance over the full insurable value.

(g) This term loan facility, which was obtained to refinance existing loans, was received in October 2019, attracts interest at 7.25% per annum and is repayable over 108 equal monthly instalments.

The loan is secured by the following:
Facility agreement between Derrimon Trading Company Limited, Sagicor Bank Jamaica Limited, First Global Bank Limited for a total of $550M supporting by the following:
   (i) Pari Passu agreement between Derrimon Trading Limited and jointly with Sagicor Bank Jamaica Limited, First Global Bank Limited.
   (ii) Debenture of the company's fixed and floating assets.
   (iii) Demand mortgages over certain residential properties located at Ziadie Gardens St. Andrew, Volume 1489-Folio 647 and Volume 1489 Folio 648.

(h) This term loan facility which was obtained to refinanced existing loan was received in July 2018, attracts interest at 7.25% per annum and is repayable over 96 equal monthly instalments.

(i) This term loan facility, which was obtained to undertake the renovation of the Sampars Stores and Information Technology projects was received in October 2019, attracts interest at 7.25% per annum and is repayable over 96 equal monthly instalments.

(j) The original loan of $21M, which was received in June 2019 and used to finance the purchase of Woodcats International Limited, attracts interest at 7.25% per annum and is repayable over 120 equal monthly instalments.

(k) The original loan of $355M, which was received in April 2019 and used to refinance the bridge loan to purchase of Woodcats International Limited, attracts interest at 7.25% per annum and is repayable over 120 equal monthly instalments of $4,167,736.96.

Derrimon Trading Company Limited

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18. Long term loans (continued)

(l) This loan, which is denominated in Jamaican dollars, was received in June 2014, attracted interest at 12% per annum and was repayable over 72 equal monthly instalments. This loan was repaid during the year.

(m) This loan, which was received in July 2018 and used to purchase a Shacman Motor Trucks, attracts interest at 9.75% per annum and is repayable over 84 equal monthly instalments.

(n) This loan, which was received in July 2018 and used to purchase a Shacman Motor Truck, attracts interest at 9.75% per annum and is repayable over 84 equal monthly instalments.

(o) This loan, which was received in November 2018 and used to purchase a 2018 F3000 Shacman Panel Motor Truck, attracts interest at 9.75% per annum and is repayable over 84 equal monthly instalments. The loan is secured by promissory note of $6.94M and letter of undertaking and Lien in favour of JN Bank Limited for a Shacman Panel Truck.

(p) This term loan facility which was obtained to provide working capital was received in May 2019, is unsecured, attracts interest at 7.75% per annum and is repayable over 84 equal monthly instalments.

(q) The 9% Cumulative Redeemable Preference Shares were issued in January 2018. The note will be assessed by shareholders through Mayberry Investments Limited (Arranger). The issuer reserves the right to allot shares to Applicants in its sole and absolute discretion. The tenure is 36 months and the shares will be issued at a price of $2.00 per share at par. Interest is due quarterly and principal is due on maturity.
Interest rate shall be 9% per annum for the first 2 years and 90 days WATBY + 2.5% per annum for the third year.

(r) This term loan facility, which was obtained to provide working capital was received in September 2020, is unsecured, attracts interest at 8.25% per annum and is repayable over 84 equal monthly instalments including a moratorium for the first six months.

(s) This loan, which is Fixed rate bond placement facility was received in October 2020 is unsecured, attracts interest at 8% per annum. Interest on loan is paid monthly and principal is due upon maturity at October 1, 2025.

(t) This loan, which was received in August 2016, attracts interest of 8.35% per annum, repayable over 60 months in equal instalments and is secured by a lien on the motor vehicle.

(u) The loan, which was received in April 2019, attracts interest at 7.49% per annum and is repayable over 84 months in equal instalments of $121,146.

(v) The loan, which was received in April 2019, attracts interest at 9.00% per annum and is repayable over 60 months in equal instalments of $110,000.

18. Long term Loans (continued)

(w) The loan, which was received in April 2019, attracts interest at 7.50% per annum and is repayable over 48 months in equal instalments of $98,712.

Loans (f) & (g) are substantially secured by the following: -

(i) A Debenture from the Borrower in favour of the Agent for an on behalf of the Lenders incorporating:

(a) A fixed charge over all its property, plant and equipment; and
(b) A floating charge over all its other assets.

Notwithstanding the following, the Debenture shall not be deemed to include the following real property within its remit:

(c) Registered at Volume 1489 Folio 647 in the Registered Book of Titles; and
(d) Registered at Volume 1489 Folio 648 in the Registered Book of Titles.

(ii) An assignment of insurance policy over stock-in-trade;
(iii) An assignment of insurance policy relating business impact and consequential losses; and
(iv) Any other security required by the Lenders of either the Borrower, an Affiliate and/or other party.

Loans (h)-(j) are substantially secured by the following: -

(i) First legal mortgage over commercial property located at 8-10 Brome Close, Ziadie Gardens, Kingston 20, Saint Andrew registered at Volume 1489 Folio 647 and 648 in the name of Derrimon Trading Company Limited stamped to cover $50M and $55M.
(ii) First Demand Debenture over the fixed and floating assets present and future of Derrimon Trading Company Limited stamped to cover $777.5M and assignment of Insurance over Stock-In-Trade in the sum of $330M.
(iii) Assignment of Business Impact / Consequential Loss Insurance in the sum of $480M.
(iv) Second Demand Debenture over the fixed and floating assets present and future of Derrimon Trading Company Limited stamped to cover $435M.
(v) Third Demand Debenture over the fixed and floating assets present and future of Derrimon Trading Company Limited stamped to cover $21M.
(vi) Third Demand Debenture over the fixed and floating assets present and future of Derrimon Trading Company Limited stamped to cover $100M.

Loans (m) and (n) are substantially secured by the following: -

(i) Promissory note for the sum of $10.75M at 9.75% per annum
(ii) Letter of undertaking and Liens in favour of JN Bank Limited for a Shacman X9 Flatbed Truck Chassis # B000406 and 2018 Shacman L3000 Steel Body Truck Chassis # X003105.

19. Payables

	The Group		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Local payables and accruals	484,685	762,848	431,024	700,135
Foreign trade payables	219,607	194,851	209,872	189,841
Staff related payables	2,965	6,951	691	5,339
Statutory liabilities	10,852	12,196	8,316	7,535
	718,109	976,846	649,903	902,850

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20. Short-term loans

		The Group		The Company	
		2020	**2019**	**2020**	**2019**
		$'000	**$'000**	**$'000**	**$'000**
Sagicor Bank Jamaica Limited	(a)	200,000	-	200,000	-
Sagicor Bank Jamaica Limited	(b)	55,000	55,000	55,000	55,000
Jamaica Money Market Bank Limited	(c)	41,200	-	41,200	-
Barita Investments Limited	(d)	300,000	-	300,000	-
Barita Investments Limited	(e)	250,000	-	250,000	-
Sygnus Credit Investments Limited	(f)	184,813	480,000	184,813	480,000
National Commercial Bank Jamaica Limited	(g)	25,000	-	25,000	-
Other		-	1,316	-	-
		1,056,013	536,316	1,056,013	535,000

(a) This loan, which is an unsecured term loan facility is denominated in Jamaican dollars was received April 2020, attracts interest at 8.75% per annum and is repayable within 12 months.

(b) This loan, which is denominated in Jamaican dollars, represents a Stand-by Letter of Credit, expire upon the bank giving notice to the beneficiaries of the Instruments. The borrower is required to pay immediately in the event that the Bank is required to pay under the terms of the letters issued. Interest on loan is paid monthly and the principal is due upon maturity.

(c) This loan is a Revolving Line of Credit, which was received in May 2019 is unsecured, attracts interest at 7.75% per annum and is repayable within 12 months.

(d) This loan, which is short term loan facility is denominated in Jamaican dollars was received in November 2020 is unsecured, attracts interest at 8% per annum and was repayable within 90 days. Interest on loan is paid monthly and principal is due upon maturity.

20. Short-term loans (continued)

(e) This loan, which is short term loan facility is denominated in Jamaican dollars was received in October 2020 is unsecured, attracts interest at 8% per annum and is repayable within 90 days. Interest on loan is paid monthly and principal is due upon maturity.

(f) This loan, which is a repurchase agreement is denominated in Jamaican dollars was received in October 2020. The Repurchase agreement will be purchased at a rate of 1.75% above the sales price. Each Repurchase agreement will be for a maximum of 3 months, with the option to roll each contract every three months for a period not exceeding 12 months. The security shall include inventories owned in the warehouse under the Repurchase agreement plus 5% margin of additional inventories assigned to the purchase and replenish with new stock every three months.

(g) This loan, which is short term loan facility is denominated in Jamaican dollars was received in December 2020, attracts interest at 11.5% per annum and is repayable within 12 months. Interest on loan is paid monthly and principal is due upon maturity.

21. Bank overdraft

Bank overdraft represents cheques drawn by the company yet to be presented to bank.

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22. Revenue

Revenue represents the price of goods sold or services rendered to customers, and is stated net of discounts and allowances and General Consumption Tax.

23. Other operating income

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Advertising space	9,916	7,179	9,916	7,179
Rental from warehouse space	30	640	30	640
Interest income	31,043	1,742	29,833	-
COVID-19 lease concession	30,204	-	30,204	-
Other income: insurance proceeds, bad debts recovered and dividends	26,663	28,206	29,114	19,045
	97,856	37,767	99,097	26,864

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24. Expenses by nature

	The Group		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Amortization of right-of-use assets	188,254	96,618	182,854	90,918
Audit fee	8,275	6,628	4,418	4,200
Bank charges	5,854	-	-	-
Depreciation	48,312	67,088	32,244	51,967
Directors fees	1,630	1,275	830	780
Donations	1,174	-	-	-
Dues and subscriptions	3,138	-	-	-
Foreign exchange loss	-	474	-	-
Fines and penalties	16	-	-	-
Insurance	53,901	46,716	38,204	40,897
Lease short term value	14,700	3,082	12,783	-
Motor vehicle expense	13,593	20,101	10,019	8,990
Office expenses	40,881	49,713	39,088	41,597
Other	16,536	4,754	-	-
Professional fees	96,775	54,739	67,387	48,548
Repairs and maintenance	32,700	40,491	30,091	35,343
Staff costs (Note 26)	696,581	713,586	596,570	619,237
Security	57,785	39,003	56,066	37,366
Travelling and entertainment	18,642	21,413	16,299	10,279
Utilities	126,115	113,733	119,432	108,329
	1,424,862	1,279,414	1,206,285	1,098,451
Selling and distribution	418,625	408,265	410,182	404,861
Finance costs, net (Note 27)	384,490	283,196	399,440	297,576
Cost of sales	10,294,801	10,370,183	9,483,271	9,608,914
	12,522,778	12,341,058	11,499,178	11,409,802

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25. Operating profit

In arriving at the operating profit, the following have been charged: -

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Auditors' remuneration	8,275	6,628	4,418	4,200
Amortization of right-of-use assets	188,254	96,618	182,854	90,918
Expected credit loss	37,799	29,335	35,690	29,335
Depreciation	48,312	67,088	32,244	51,967
Directors' emoluments:				
- Fee	1,630	1,275	830	780
- Management remuneration (included in staff costs)	96,198	85,448	52,342	48,927
Staff costs (Note 26)	696,581	713,586	596,570	619,237

26. Staff costs

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Wages and salaries	502,369	501,895	423,582	424,167
Statutory contributions	47,894	41,550	42,372	36,245
Staff welfare	86,612	98,493	74,810	87,177
Contract services and other	59,706	71,648	55,806	71,648
	696,581	713,586	596,570	619,237

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27. Finance costs, net

	The Group		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Interest expense	236,891	204,636	248,057	219,017
Foreign exchange loss; net	34,241	-	64,292	-
Lease interest expense	113,358	78,560	87,091	78,559
	384,490	283,196	399,440	297,576

28. Taxation

(a) Taxation is computed on the profit for the year adjusted for taxation purposes and comprises:

	The Group		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Income tax at 25%	108,060	83,408	82,833	55,086
Income tax at 15%	2,193	-	2,193	-
Remission of income tax at 50% (2019-50%)	(52,080)	(41,704)	(41,417)	(27,543)
Deferred tax assets (Note 10)	(14,073)	1,314	(18,886)	(5)
	44,100	43,018	24,723	27,538

(b) The taxation charged in the statement of comprehensive income differs from the theoretical amount that would arise using the appropriate income tax rate:

	The Group		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Profit before taxation	355,189	345,726	250,367	254,940
Tax calculated at the appropriate rate	87,281	86,431	61,129	63,735
Adjusted for the effects of: -				
Depreciation and capital adjustments	(84)	(15,819)	-	(11,715)
Expenses not allowed for tax purposes	600	20,788	600	14,770
Employers tax credit	(223)	(3,822)	-	-
Other charges and allowances	3,363	-	-	-
Adjustment for prior year temporary differences	5,243	-	4,411	-
Adjustment for the effect of remission of tax	(52,080)	(44,560)	(41,417)	(39,252)
	44,100	43,018	24,723	27,538

28. Taxation (continued)

(c) Remission of Income Tax

Derrimon Trading Company Limited (DTCL) is listed on the Junior Market of the Jamaica Stock Exchange, effective December 17, 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, which expired December 17, 2018. DTCL is now required to account for income tax at 50% during the second five (5) years, from December 17, 2018, to December 16, 2023.

To obtain the remission of income taxes, the following conditions should be adhered to over the period:

(i) DTCL remains listed for at least 15 years and is not suspended from the JSE for any breaches of the rules of the JSE;
(ii) The Subscribed Participating Voting Share Capital of DTCL does not exceed $500 million; and
(iii)DTCL has at least 50 Participating Voting Shareholders. The financial statements have been prepared on the basis that DTCL will have the full benefit of the tax remissions. The period is as follows:

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

DTCL’s subsidiary, CFFL also benefits from tax remission effective October 2, 2013, the Company’s shares were listed on the Junior Market of the JSE. Effective October 3, 2018, the 100% remission status expired and CFFL is now subject to Income Tax at 50% for the year ended December 31, 2018. The Company is entitled to a remission of income taxes for (10) ten years in the following proportion:

-Period October 3, 2013 – October 2, 2018 - 100% of standard rate.
-Period October 3, 2018 – October 2, 2023 – 50% of standard rate.

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29. Segment 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, manufactures flavours and fragrances and wooden products. The principal divisions are:

(i) Distribution**-** distribution of Nestle household products, Sun Powder Detergents and bulk food products and chilled and ambient beverages.

(ii) Wholesale and retail - operation of seven (7) outlets, six (6) 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 – manufacturers of flavours and fragrances, wooden pallets and by products of wood.

	2020				
	Distribution	Wholesale and Retail	Other Operations	Eliminations	Group
	$’000	$’000	$’000	$’000	$’000
Revenue from external customers	6,255,513	5,395,148	1,126,803	-	12,777,464
Operating profit	276,303	373,504	104,488	(14,616)	739,679
Assets	4,855,665	2,044,023	1,081,373	(565,247)	7,415,814
Liabilities	4,467,010	1,056,556	315,543	(27,232)	5,811,877
Capital expenditure	67,076	6,518	29,027	-	102,621
Depreciation	13,084	18,764	16,464	-	48,312
Finance costs/(income), net	221,738	177,702	(14,950)	-	384,490

	2019				
	Distribution	Wholesale and Retail	Other Operations	Eliminations	Group
	$’000	$’000	$’000	$’000	$’000
Revenue from external customers	6,459,327	5,178,551	1,011,139		12,649,017
Operating profit	313,855	23[illegible]	88,838	(12,432)	628,922
Assets	3,425,565	2,001,064	902,395	(546,340)	5,782,684
Liabilities	2,705,303	1,538,[illegible]	215,045	(9,224)	4,449,172
Capital expenditure	44,372		35,852		84,943
Depreciation	14,410	[illegible]	15,120		67,088
Finance costs/(income), net	167,929	129,647	(14,380)		283,196

30. Earnings per share

Profit per stock unit ("EPS") is computed by dividing the profit attributable to stockholders of the parent of $279,834,000 (2019: $290,744,000) by the weighted average number of ordinary stock units in issue during the year, numbering 2,733,360,670 (2019: 2,733,360,670).

31. Contingent liabilities and commitments

I. In the normal course of business, the Group is subject to various claims, disputes and legal proceedings, which occur as part of the normal course of business. Provision is made for such matters when, in the opinion of management and its legal advisors, it is probable that a payment will be made by the Group and the amount can be reasonably estimated. In respect of claims asserted against the Group, which, according to the principles outlined above, have not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended or will result in exposure to the Group which is immaterial to both the financial position and financial performance.

   The Group and Company's attorneys that routinely act on behalf of the Group, by letter dated February 18, 2021, reported with regards to the Company's year ended 31 December 2020, as follows:

   - They were not aware of any outstanding judgment, settlement or claim.
   - They were not aware of any guarantees of indebtedness to others made by the Company, not publicly disclosed.
   - They hold no trust monies on behalf of the Company.
   - They are aware of one pending litigation against the company for a personal injury claim by an independent contractor.

II. Management reported that as at 31 December 2020, the Company had capital commitments of $569,000,000 (2019 - $NIL).

III. As at 31 December 2020, as far as the Board of Directors of the Company are aware, there were no significant legal claims threatened against the Company.

32. Dividends

	2020	2019
	$'000	$'000
Declared and paid at $0.012 (2019:- $0.010) cent per share	32,800	27,334
Total dividends to shareholders	32,800	27,334

33. Coronavirus (Covid-19)

The novel Coronavirus (Covid-19) outbreak was declared a global pandemic in March 2020 by the World Health Organisation. The pandemic and the measures to control its human impact have resulted in the disruption of international and local economic activities, commerce, business operations and assets prices. The government implemented a number of measures aimed at reducing the spread of the virus, including nightly curfews, home quarantine for citizens of a specific age and restrictions on the number of persons in public gathering. These restrictions have had adverse economic effects on the operations of many stakeholders.

The Management of Derrimon Trading Company Limited (the Company) introduced various measures during the early stage of the pandemic in order to minimize or mitigate any impending impact of the virus. Additionally, the Company adopted the recommended protocols and implemented new procedures geared at minimizing exposures and contact spreading. During the year, none of our employees were infected.

The Company was able to quickly respond by introducing 24 hours packaging and delivery of online packages, preparation of care packages for the Private Sector of Jamaica initiative, Charitable Organization and Foundations.

The Company continues to source commodities from various markets in different parts of the World for its Distribution business. Many of these countries have been negatively impacted by Covid-19 and despite the challenges faced and the restrictions imposed, our operations have not been significantly impacted from a supply chain perspective. We were proactive in our planning and ensured the Asian effect was incorporated resulting in aggressive ordering of some of our core commodities. Management was able to leverage its networks and business relationships to ensure that there was no impact on the business operations.

33. Coronavirus (Covid-19)

The daily restrictions by way of curfews, closure of schools, hotels and the entertainment sectors resulted in a reduction of trade in the beverage segment of our business. Year over year, we experienced a 40% reduction in revenue and the stimulation of sales through offering of deals and various pull programs negatively impacted the margins. We reacted by introducing various innovative measures during the last quarter of the financial year which resulted in the stability of the Division's revenue and profitability.

The Retail Division and Online platform operating through our supermarkets and webstore have positively impacted profitability and sales during this pandemic. Despite the closure of many schools, offices, small shops, restaurants and the catering sector, this segment of the business grew significantly and performed profitably. Our online platform peaked at a growth rate of 300% during the early stage of the pandemic and stabilized into consistent growth thereafter.

Based on management assessment, the significance of the impact of Covid-19 on our operation was mitigated as a result of all aforementioned measures which were undertaken in a timely manner, this is evidenced by the increase in the demand for our offerings during the reporting year.

Management further confirms the Company as a going concern as it is not expected to be significantly impacted in a negative way by the Covid-19 pandemic.

34. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Related party transactions and balances are recognised and disclosed below for the following:

(a) Enterprises over which a substantial interest in the voting power is owned by a key management personnel, including directors and officers and close members of families; or

(b) Enterprises over which such a person, in (a) above, is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the company.

The following was (credited)/debited to the statement of comprehensive income:

	The Group		The Company	
	2020	2019	2020	2019
	$	$	$	$
Dividend income	-	-	14,616	12,029
Directors' fees	1,630	1,275	830	780
Management remuneration	96,198	85,448	52,342	48,927

35. Subsequent event

As part of the Company's Financial Management Strategy, the Board of Directors approved an Additional Public Offer; as per its Prospectus, which was approved and registered on December 14, 2020 by the Financial Services Commission and the Jamaica Stock Exchange.

The Invitation once fully subscribed was expected to generate gross proceeds of approximately J$3.50 billion, after J$205.25 million in transaction costs would result in net proceeds of J$3.29 billion. If the option to upsize was fully exercised, the gross proceeds would further increase by a maximum of J$723.12 million resulting in a total gross proceeds of J$4.01 billion.

In January 2021, Derrimon Trading Company Limited announced that, due to excess demand, the Board of Directors exercised its option to up-size the Invitation made in its APO Prospectus. Accordingly, an additional 301,301,069 in New Ordinary Shares were made available. The offer was closed on January 26, 2021.

The Company will use the proceeds for main purposes as follows: -

- Acquisition of a Supermarket located in Brooklyn, New York.
- Construction of a Supermarket located at Millennium Mall, Curatoe Hill, Clarendon.
- Liquidation of certain long and short term debt.