Consolidated Profit before tax $306.948M

Consolidated Statements of Derrimon Trading Company Limited

Report to Stockholders
Nine (9) months ended September 30, 2023

The Board of Directors is pleased to report the unaudited results of the Company for the Nine (9) months period ended September 30, 2023, and to report on the performance of the Group.

Group Highlights of Q3 and 9 Months Performance - 2023

	Current Quarter			Year to Date		
	September 30, 2023 $'000	September 30, 2022 $'000	Change	September 30, 2023 $'000	September 30, 2022 $'000	% Change
Revenue	4,594,161	4,944,489	-7.09%	14,094,405	13,808,878	2.07%
Gross Profit	1,030,297	1,122,063	-8.18%	3,198,082	3,018,419	5.95%
EBITDA	295,790	400,071	-26.07%	1,219,635	1,133,728	7.58%
Net Profit	75,398	196,123	-61.56%	274,718	482,187	-43.03%
Net Profit attributable to shareholders	65,373	191,013	-65.78%	237,869	461,751	-48.49%
Earnings Per Share	$0.014	$0.042	-66.67%	$0.052	$0.102	-49.02%

The nine (9) months consolidated results for Derrimon Trading Company Limited saw revenue of $14.09 billion which is $285.53 million more than the $13.81 billion reported for the corresponding nine (9) months period in 2022. The improved performance being reported is the result of our growth strategy being achieved throughout our companies and business segments. Both subsidiary companies Caribbean Flavours and Fragrances Limited (CFF) and Woodcats International Limited achieved record quarterly revenue performance and continue to grow into new market segments. Arosa, Spicy Hill, and Marnock all contributed positively to the nine months revenue albeit below our budget for the period. We continue to see growth in our new Select Grocers in Clarendon and remain optimistic that the programmes that we are introducing will yield the desired result. The distribution business continues to see growth in our proprietary brand portfolio and is rapidly gaining market acceptance.

The Group reported gross profit of $3.20 billion which represents an increase of $179.66 million (5.95%) above the $3.02 billion reported for the comparative period last year. Our gross margins improved from 21.86% to 22.69% due to a mix of our purchasing strategies as well as the broadening of our own proprietary brands during the period.

Consolidated operating expenses for the nine (9) months was $2.42 billion representing an increase of $126.98 million (5.53%) over the $2.30 billion reported for the comparative period last year. The increased expenses reflect the new Select Grocers, and the full integration of increased cost in all the business. During the period, our general insurance cost for both the local and international business increased by just over 45% and we have seen similar cost in the areas of security, as well as the carrying cost impact from the restructuring of our distribution business. Additionally, we experienced higher depreciation charges as well as higher lease cost related to IFRS 16.

The Group's operating profit for the reporting period was $954.76 million, an increase of $162.61 million (20.53%). However, our finance costs increased by $380.90 million (142.70%) to $647.82 million as the Group refinanced some of its debt. Additionally, finance costs from our prior acquisitions are now being fully reflected during this period. In addition, the accounting for leases as per IFRS16 negatively impact finance cost given that interest on lease liabilities and rights of use are captured. Higher levels of depreciation also occurred due to increased assets associated with the new Select Grocers store in May Pen.

The Group profit before tax for this reporting period was $306.95 million, a decrease of $218.29 million (41.56%) from the $525.23 million reported for the comparative period and was negatively impacted by increases in administrative, finance and depreciation costs. The Group has devised and has implemented new strategies in order to offset some of these increases and cushion some of the impact on profitability.

Consolidated net profit decreased by $207.47 million (43.03%) to $274.72 million and Net profit attributable to shareholders declined by 48.49% to $237.87 million with the Group recording an earnings per share of $0.052 relative to the $0.102.

The Group total assets grew by 12.66% to $15.77 billion compared to the $13.99 billion reported for similar period in 2022. Total liabilities increased from $7.75 billion to $9.12 billion while equity attributable to shareholders moved from $6.01 billion to $6.37 billion.

Core Activity

Revenue grew by $537.79 million or 6.56% from $8.75 billion to $9.32 billion which was driven by the inclusion of our new Select Grocers and growth in our proprietary brands for the reporting period. Our new contract to distribute the Nestle portfolio has limited us to servicing a specific channel which would have reduced some revenue potential. Despite this, the growth experienced in our own proprietary brands, Delect, Refresh and Gentle, have reduced the negative impact on the revenue earned for the period.

Gross profit for the nine (9) months period was $1.89 billion which represents a $103.23 million (5.79%) increase above the $1.78 billion reported for the corresponding period last year. The improved gross profit, despite the reduction of the Nestle portfolio, has been positively influenced by higher margins from our owned house brands as well as the improved performance from our retail business. Our strategy and focus will continue to be the growing of our different business lines in the distribution space while building out our proprietary brands.

Operating Expenses for the nine (9) months period was $1.56 billion which is $57.94 million (3.87%) above the $1.50 billion reported for the comparative period last year. The major factors for this increase were general insurance, security costs, higher operational cost, higher depreciation charges and other increased costs. Finance charges for the core activities for the nine (9) months period was $606.13 million compared to $254.68 million, a 138% increase over the prior period. This was due to the company refinancing certain loans along with the financing cost for prior acquisitions being reflected in the period. Additionally, the full adoption of IFRS 16 for all leases would have impacted the results.

Pre-tax profit moved for the nine (9) months period from $101.04 million to a pre-tax loss of $123.37 million. Net loss for the nine (9) months period was $123.37 million compared to the net profit of $81.58 million for similar period last year.

Total Assets from core activities was at $11.84 billion, which represents an increase of $332.40 million or 2.88% above the $11.51 billion reported for the similar period last year. Cash and bank balances increased by $109.32 million or 197.50% from $55.35 million to $164.67 million during the reporting period.

Total liabilities increased from $6.12 billion or 5% to $6.43 billion during the reporting period.

Market Performance

	September 30, 2023	September 30, 2022	December 30, 2022
DTL Stock Price	$2.02	$2.24	$2.14
Junior Market Index	3,984.23	4,229.54	3,986.44
JSE Manufacturing and Distribution Index	101.58	99.47	97.42
Market Capitalization	$9.16 Billion	$10.15 Billion	$9.70 Billion

The overall equities market has continued to observe lower market performance in 2023 which stems from reduced trading volumes and value during the period. This comes at a time when interest rates remain at 'high' levels which has seen capital move to less riskier assets such as fixed income. As a result, numerous securities have hit new 52-week lows and traded at levels not seen in five years with some stocks trading below their listing prices. One Great Studio Company Limited has been the only initial public offering (IPO) in 2023 with 138 Student Living Limited's additional public offering (APO) not hitting their desired targets.

DTL's closed the quarter at $2.02 which is 6% lower than the $2.14 at the start of the year, which is commendable considering the market conditions. As a result, our market capitalization stood at $9.16 Billion. The Junior Market Index marginally declined while the Manufacturing & Distribution Index improved 3.37% in the first nine months. It should be noted that of the 48 Junior Market companies, 31 were down year-to-date with a similar number of securities down on the Main Market.

Outlook and Risks

Some of the key risks the Derrimon Group is exposed to include:

Commodity and Supply Chain Risk – The Group is impacted by delays experienced by our suppliers and fluctuations in commodity prices for raw materials used in different operations. The Group imports key inputs and other inventory items used in its operations from many geographies, but mainly from the Caribbean relating to items sold by different businesses. While the Group can enter relevant arrangements with suppliers and build up on inventory, it cannot control geopolitical events or government actions which can disrupt the ability of a supplier to send goods to the final destination. This also extends to commodities such as lumber where the key supply comes from a select set of countries and prices can increase rapidly due to greater demand than supply.

Interest Rate Risk – The Group is exposed to the potential increase in the interest rate charged on loans by our different financing partners on existing loans and the cost of new financing. The Group's maturities on different facilities are staggered over several years with sufficient coverage on possible increase in financing costs. The rise in interest rates requires the Group to be more deliberate about any new projects and their required funding needs. We are presently engaging institutions and have subsequently refinanced one higher repriced debt in October with more attractive terms. We will continue to renegotiate given the present market environment.

The company has spent significant sums over the last year on building out the Delect product line and welcome our shareholders to try our affordable range of products. Developing our proprietary line of products will be key to maintaining greater margins in our business while building Derrimon's presence across the island. We intend to grow earnings back to record levels while being cognizant of the economic and operating environment we exist in.

We hosted our annual general meeting (AGM) on September 27, 2023 at the Terra Nova Hotel where we saw many more shareholders compared to the prior years. We exhibited Woodcats International's new offerings, allowed shareholders to sample different meals prepared with our Delect line of products, tasting of Arosa and reinforced our commitment to communicate with our shareholder about our plans.

We would like to congratulate Group Chief Financial Officer Ian Kelly on his award of Order of Distinction in the Rank of Commander for contribution to social and community service fostering national development on October 16, 2023. We also recognize director Howard Mitchell who was inducted into the Private Sector Organisation of Jamaica's Hall of Fame on October 25 as the 29th inductee.

As we turn 24 years old on December 21 and gear up for our 25th anniversary next year, we would like to recognize the efforts of our employees who have made the company what it is today. We have spent the last ten years on the JSE building a platform from Jamaica and look forward to growing our presence through exports in the coming years. We thank them for their commitment and dedication over the years and look forward to building a greater entity. We also thank our shareholders, customers and other stakeholders for their support as we continue to expand our business and bring greater value to all parties.

Derrick Cotterell

Chairman/Chief Executive Officer

Consolidated Profit before tax $306.948M

Unaudited Financial Statements **Page**

	Notes	Group Unaudited Consolidated Three months ended September 30 2023 $'000	Group Unaudited Consolidated Three months ended September 30 2022 $'000	Group Unaudited Consolidated Nine months ended September 30 2023 $'000	Group Unaudited Consolidated Nine months ended September 30 2022 $'000	Group Audited year ended December 31 2022 $'000
Revenue						
Trading Income	**3h**	4,594,161	4,944,489	14,094,405	13,808,878	18,420,256
Less cost of sales		3,563,864	3,822,426	10,896,323	10,790,459	13,780,755
Gross Profit		1,030,297	1,122,063	3,198,082	3,018,419	4,639,501
Unrealised losses on investment valued at fair value through profit or loss						3,960
Other operating income		45,998	38,698	180,753	70,823	237,368
		1,076,295	1,160,761	3,378,835	3,089,242	4,880,829
Less operating expenses:						
Administrative		612,102	723,503	1,938,871	1,899,052	2,995,241
Selling & distribution		185,062	149,230	485,201	398,037	689,131
		797,164	872,733	2,424,072	2,297,089	3,684,372
Operating profits/ (loss) before finance charges		279,131	288,028	954,763	792,153	1,196,457
Less : finance cost		(201,287)	(91,905)	(647,815)	(266,920)	(463,579)
Profit before taxation		77,844	196,123	306,948	525,233	732,878
Taxation (Estimated)	**4**	2,446	-	32,230	43,046	108,417
Net Profit		75,398	196,123	274,718	482,187	624,461
Net Profit Attributable to:		-	-	-	-	
Shareholders of the company		65,373	191,013	237,869	461,751	579,979
Non-controlling interest		10,025	5,110	36,849	20,436	37,650
Total comprehensive income		75,398	196,123	274,718	482,187	617,629
* Earnings per stock unit	**5**	0.014	0.042	0.052	0.102	0.094

Derrimon Trading Company Limited
Company Statement of Profit and Loss & Comprehensive Income
Nine Months Ended September 30, 2023

	Notes	Company Unaudited Derrimon Three months ended September 30 2023 $'000	Company Unaudited Derrimon Three months ended September 30 2022 $'000	Company Unaudited Derrimon Nine months ended September 30 2023 $'000	Company Unaudited Derrimon Nine months ended September 30 2022 $'000	Company Audited year ended December 31 2022 $'000
Revenue						
Trading Income	3h	2,995,328	2,932,979	9,324,832	8,751,041	11,528,582
Less cost of sales		2,419,467	2,308,349	7,438,760	6,968,197	8,701,494
Gross Profit		575,861	624,630	1,886,072	1,782,844	2,827,088
		575,861				
Unrealised lossess on InvestmentOther Income						-
Other Income		27,446	47,186	152,543	70,780	219,141
		603,307	671,816	2,038,615	1,853,624	3,046,229
Less operating expenses:						
Administrative		321,566	323,404	1,079,849	1,099,869	1,812,154
Selling & distribution		177,970	149,230	475,999	398,037	539,796
		499,536	472,634	1,555,848	1,497,906	2,351,950
Operating profits/ (loss) before finance charges		103,771	199,182	482,767	355,718	694,279
Less : finance cost		(173,337)	(175,970)	(606,134)	(254,680)	(427,648)
Profit before taxation		(69,566)	23,212	(123,367)	101,038	266,631
Taxation (Estimated)	4	-	-	-	19,457	38,575
Net Profit		(69,566)	23,212	(123,367)	81,581	228,056
Total comprehensive income		(69,566)	23,212	(123,367)	81,581	228,056
* Earnings per stock unit	5	(0.016)	0.005	(0.028)	0.018	0.059

*** Restated for comparative purposes**

Derrimon Trading Company Limited
Statement of Financial Position
Nine Months ended September 30, 2023

	Notes	Company Unaudited Derrimon Nine Months September 30 2023 $'000	Company Unaudited Derrimon Nine Months September 30 2022 $'000	Group Unaudited Consolidated Nine months ended September 30 2023 $'000	Group Unaudited Consolidated Nine months ended September 30 2022 $'000	Company Audited year ended December 31 2022 $'000	Group Audited year ended December 31 2022 $'000
ASSETS							
Non-current assets:							
Fixed Assets		2,194,641	2,112,374	3,565,682	3,397,501	2,259,047	3,747,102
Right of use assets		1,355,451	921,191	2,154,942	1,615,579	1,514,893	2,222,269
Deferred tax asset			-	51,868	-	46,027	51,868
Intangible assets		181,220	33,220	1,835,359	1,648,203	181,220	1,835,359
Investment in Subsidiary and joint venture		2,981,674	3,892,541	-	-	2,981,674	-
Investment		231,353	459,100	373,111	326,842	107,729	233,479
		6,944,339	7,418,426	7,980,962	6,988,125	7,090,590	8,090,077
Current assets:							
Receivables and prepayments		1,620,912	2,297,240	2,393,935	2,812,135	1,589,414	2,176,047
Inventories		2,789,331	1,741,040	4,507,360	3,258,492	2,539,829	4,153,064
Investment			-	99,001	800,942	-	-
Cash & bank		164,665	55,350	290,440	131,520	575,973	901,884
Tax recoverable		-			3,617	-	4,486
Due from related parties		325,208		495,092		1,008,663	47,437.00
		4,900,116	4,093,630	7,785,828	7,006,706	5,713,879	7,282,918
TOTAL ASSETS		11,844,455	11,512,056	15,766,790	13,994,831	12,804,469	15,372,995
EQUITY AND LIABILITY							
Capital and reserves							
Share capital		3,863,849	3,863,849	3,863,849	3,863,849	3,863,849	3,863,849
Retained earnings		1,459,831	1,436,726	2,408,196	2,052,099	1,583,200	2,170,327
Investment revaluation reserve		614	614	614	614	614	614
Capital Reserve		94,638	94,638	94,638	94,638	94,638	94,638
Foreign exchange reserves		-	-	3,222	1,885		3,222
		5,418,932	5,395,827	6,370,519	6,013,085	5,542,301	6,132,650
Non-controlling interest		-	-	278,080	231,269	-	241,231
		5,418,932	5,395,827	6,648,599	6,244,354	5,542,301	6,373,881
Non Current Liability:							
Borrowings		2,100,242	3,351,847	3,465,654	3,389,707	2,250,374	2,281,697
Lease liability		1,379,623	841,606	2,421,011	1,030,244	1,560,872	2,278,577
Due to related party		235,619	20,860		-	145,372	131,788
Deferred tax liability		-	-	-	5,090	-	-
		3,715,484	4,214,313	5,886,665	4,425,041	3,956,618	4,692,062
Current Liability:							
Payables		1,922,677	1,329,813	2,396,197	2,753,333	2,341,951	3,153,002
Short term loans		105,215	280,000	115,619	280,000	296,200	296,200
Current portion of long term loan		306,741	84,000	310,991	84,000	319,292	326,105
Current portion of lease Liability		105,216	171,000	110,190	171,000	187,933	228,691
Taxation payable		-	19,549	28,339	19,549	57,469	162,863
Bank overdraft		270,190	17,554	270,190	17,554	102,705	140,191
		2,710,039	1,901,916	3,231,526	3,325,436	3,305,550	4,307,052
Total equity and non-current liabilities		11,844,455	11,512,056	15,766,790	13,994,831	12,804,469	15,372,995

Approved for issue by the Board of Directors on November 14, 2023 by:

Derrick Cotterell
Chairman

Ian Kelly
Director

Derrimon Trading Limited
Group Statement of change in Shareholders' Equity
September Months Ended September 30, 2023

	Number of Shares	Share Capital	Foreign Exchange Reserves	Retained Earnings	Investment Revaluation Reserve	Capital Reserves	Non-controlling interest	Total
		Attributable to the Company's Shareholders						
		$'000	$'000	$'000		$'000	$'000	$'000
Balance at 31 December 2021	4,533,361	3,863,849	1,885	1,590,348	614	94,638	210,833	5,762,167
Total comprehensive income		-	-	461,751.00		-	20,436	482,187
Balance at September 30, 2022	4,533,361	3,863,849	1,885	2,052,099	614	94,638	231,269	6,244,354

	Number of Shares	Share Capital	Foreign Exchange Reserves	Retained Earnings	Investment Revaluation Reserve	Capital Reserves	Non-controlling interest	Total
		$'000	$000	$'000		$'000	$'000	$'000
Balance at 31 December 2022	4,533,361	3,863,849	3,222	2,170,327	614	94,638	241,231	6,373,881
Total comprehensive income		-		237,869	-	-	36,849	274,718
Balance at September 30, 2023	4,533,361	3,863,849	3,222	2,408,196	614	94,638	278,080	6,648,599

Derrimon Trading Limited
Company Statement of change in Shareholders' Equity
Nine Months Ended September 30, 2023

	Number of Shares	Share Capital	Retained Earnings	Investment Revaluation Reserve	Capital Reserves	Total
	000	$'000	$'000	$'000	$'000	$'000
Balance at 31 December 2021	4,533,361	3,863,849	1,355,144	614	94,638	5,314,245
Total comprehensive income	-	-	81,581	-		81,581
Non-controlling interest	-					-
Issue of shares	-	-	-	-		-
Balance at September 30, 2022	4,533,361	3,863,849	1,436,725	614	94,638	5,395,826

	Number of Shares	Share Capital	Retained Earnings	Investment Revaluation Reserve	Capital Reserves	Total
	000	$'000	$'000	$'000	$'000	$'000
Balance at 31 December 2022	4,533,361	3,863,849	1,583,200	614	94,638	5,542,299
Total comprehensive income		-	(123,367)	-	-	(123,367)
Non-controlling interest						-
Issue of shares	-	-				-
Balance at September 30, 2023	4,533,361	3,863,849	1,459,833	614	94,638	5,418,932

Derrimon Trading Limited
Group Statement of Cash flows
Nine Months Ended September 30,2023

	Note	9 Months ended September 30,2023	9 Months ended September 30, 2022
		$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net profit before taxation		306,948	525,233
Taxation paid		(166,754)	(43,046)
Changes in non-cash working capital components:-			
Depreciation		197,545	165,900
Depreciation-right of use		67,327	175,675
Deferred tax		-	-
Inventory		(354,296)	(577,916)
Tax recoverable		4,486	1,075
Receivables		(217,888)	(1,226,442)
Taxation payable		-	(43,995)
Payables		(756,805)	1,359,421
Decrease in related parties		(579,443)	(191,823)
Net funds provided by/(used in) operating activities		(1,498,880)	144,082
Cash flows from Investment activities:			
Investment		(238,633)	(830,511)
Acquisition of property, plant and equipment		(16,125)	(1,209,429)
Net cash used in investment activities		(254,758)	(2,039,940)
Financing activities:			
Net loans received/paid		988,262	1,709,851
Lease liability		23,933	(774,091)
Net cash used financing activities		1,012,195	935,760
Net (decrease)/ increase in cash balances		(741,443)	(960,098)
Net cash balance at beginning of period		761,693	1,074,064
Net cash balance at end of period		20,250	113,966
Represented by:			
Cash & cash equivalents		290,440	131,520
Bank overdraft		(270,190)	(17,554)
Net cash and cash equivalents at end of period		20,250	113,966

Derrimon Trading Limited
Company Statement of Cash flows
Nine Months Ended September 30,2023

	Note	9 Months ended September 30,2023 $'000	9 Months ended September 30,2022 $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net profit before taxation		(123,367)	101,038
Taxation paid		(57,469)	19,457
Changes in non-cash working capital components:-			
Depreciation		88,345	149,639
Depreciation-right of use		159,442	140,192
Deferred tax			-
Inventory		(249,502)	(218,873)
Tax recoverable		-	1,075
Receivables		(31,498)	(1,218,751)
Taxation payable		-	(19,549)
Payables		(419,274)	537,985
Related parties		773,702	190,963
Net funds provided by/(used in) operating activities		140,379	(316,824)
CASH FLOWS FROM INVESTING ACTIVITY:			
Investments		(123,624)	(1,960,522)
Acquisition of property, plant and equipment		(23,939)	(204,459)
Net cash used in investment activities	-	(147,563)	(2,164,981)
Financing activities:			
Net loans received /paid		(353,670)	1,870,250
Lease liability		(263,966)	(199,110)
Deferred tax liability		46,027	(2,369)
Net cash provided by financing activities		(571,609)	1,668,771
Net (decrease)/ increase in cash balances		(578,793)	(813,034)
Net cash balance at beginning of period		473,268	850,830
Net cash balance at end of period		(105,525)	37,796

Represented by:		
Cash & cash equivalents	164,665	55,350
Bank overdraft	(270,190)	(17,554)
Net cash and cash equivalents at end of period	(105,525)	37,796

Notes to the Unaudited Financial Statements

Nine (9) Months Ended September 30, 2023

1. IDENTIFICATION AND PRINCIPAL ACTIVITIES

Derrimon Trading Company Limited ("the Company") is a company limited by shares, incorporated and domiciled in Jamaica. The Company registered office is located at 233-235 Marcus Garvey Drive, Kingston 11. The Company was incorporated in 1998.

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, wooden pallets manufacturing, meats processing, spices and soup manufacturing and food retail business in New York. Derrimon Trading Company Limited together with its subsidiaries is referred to as the "Group".

The Company maintained the entity's trading name, Sampars Cash & Carry as well as its operating Outlets: Sampars Outlet Washington Boulevard at 8-10 Brome Close, Kingston 20; Sampars Outlet West Street at 60 ½ West Street, Kingston; Sampars Outlet Mandeville at 26 Hargreaves Avenue Mandeville; Sampars Old Harbour at 3 Ascott Drive, Old Harbour, St. Catherine, Sampars St. Ann's Bay at 3 Harbour Street, St. Ann's Bay, St. Ann, and Sampars Cross Roads, 1-3 Retirement Road, Kingston 5, Select Grocers at Shop # 15, Upper Manor Park Plaza, Constant Spring Road, Kingston 8, Select Grocers at Mellium Mall, Curatoe Hill, May Pen, Clarendon, Marnock LLC operating as FoodSavers New York and Good Foods for Less at 402-412 E83rd Street, Brooklyn New York. The recent acquisition of Spicy Hill Farms limited and Arosa Limited with manufacturing and storage facilities at 235 arcus Garvey Drive and Drax Hall, St. Ann are also reflected in our operations.

Effective December 17, 2013, the Company's shares were listed on the Junior Market of the Jamaica Stock Exchange (JSE). The Company closed a successful Additional Public Offering which was closed on January 26, 2021 and shares listed on the Junior Marker on the Jamaica Stock Exchange on February 23, 2021.

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, unless otherwise stated. These unaudited interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretation Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost conventions. The accounting policies used in the preparations of these interim financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2021.

Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") using the accounting policies described herein.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Basis of presentation

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

- Financial instruments at fair value through other comprehensive income; and
- Revaluation of certain property, plant and equipment

Revenues and expenses

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

Judgments and Estimates

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

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

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

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

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

Operating segments information

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

Financial assets

Judgment – Financial assets are classified and subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss based on a) the company's business model for managing the financial assets and b) the contractual cash flow characteristic of the financial assets. Judgment is required in determining the business model and its objective.

Revenue from contract with customers

Judgment – is required in a) identifying performance obligations and determining the timing of the satisfaction of the performance obligations and b) the transaction price and the amount allocated to the performance obligations.

Estimation – if the consideration promised in a contract includes a variable amount, the company is required to estimate the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to the customer.

Leases

Estimation – The initial measurement of the Lease Liability is based on an estimate of the present value of the lease payments outstanding, discounted using the Company's incremental borrowing rate. Also, the cost of the right-of-use asset comprises an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Consolidation

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

Joint arrangement

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

Investment property

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

Related parties and related party transactions

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

Receivables

Estimation – Management's estimate of allowance on accounts receivable is based on an analysis of the Aged Receivables and measurement of the Expected Credit Losses. The Company measure expected credit losses by applying an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Income and other taxes

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingencies

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

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

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

Inventories

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

Impairment of assets

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Others

Estimation – Other estimates include determining the useful lives of Property, Plant and Equipment for depreciation; in accounting for and measuring payables and accruals and in measuring fair values of financial instruments.

Standards, amendments and interpretations to published standards effective in the current year.

The following new standards, amendments and interpretations have been issued and adopted, and, accordingly, have been applied in preparing the financial statements.

Leases (IFRS 16)

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

Annual Improvements 2015-2017

In December 2017, the IASB issued amendments to four standards, including IFRS 3 – Business Combinations, IFRS 11 Joint Arrangements, IAS 12 – Income Taxes and IAS 23 – Borrowing Costs.

The amendment to IFRS 3 clarifies how a company re-measures its previously held interest in a joint operation when it obtains control of a business. The amendments to IAS 12 clarify that all income tax consequences of dividends should be recognized in profit or loss, regardless of how the tax arises. The amendment to IAS 23 clarifies that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity generally borrows when calculating the capitalization rate on general borrowings.

Effects of Changes in Accounting Policies

The Company and Group adopted IFRS 16: Leases, effective January 1, 2019. This resulted in material changes to the financial statements as at March 31, 2020.

The change in accounting policy was made in accordance with the transitional provisions of IFRS 16. These provisions required the Company and Group to recognize right-of-use assets and Lease Liability in the statement of financial position. And, depreciation expense on right-of-use in the statement of profit or loss and other comprehensive income.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition, the Company and Group applied the practical expedient of continuing with contracts that were previously identified as leases applying IAS 17 Leases and IFRIC 4 Determining whether an Arrangement contains a Lease and not to apply leases to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

IFRS 16: Leases, will be applied retrospectively with the cumulative effect of initial application recognized in the opening balance of retained earnings, comparative information will not be restated.

(a) Basis of Consolidation

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

These consolidated financial statements include the accounts of Derrimon Trading Company Limited (DTCL) and the entities it controls. An entity is controlled when the Company has the ability to direct the relevant activities of the entity, has exposure or rights to variable returns from its involvement with the entity, and is able to use its power over the entity to affect its returns from the entity. Income or loss and each component of other comprehensive income (OCI) are attributed to the shareholders of the Company and the non-controlling interests.

The consolidated financial statements include the financial statements of the Company and its holdings in Select Grocers and its subsidiaries, Caribbean Flavours and Fragrances Limited (CFFL), Woodcats International Company Limited, Spicy Hill Farms Limited and Arosa Limited as follows:

Entity	**Principal Activity**	**% Ownership by Company at 30 September 2023**	**% Ownership by Company at 31 December 2022**
CFFL	Manufacture of Flavours and Fragrances	65.02%	65.02%
Select Grocers	Operation of Supermarket	60%	60%
Woodcats International Limited	Manufacturers of wooden pallets	100%	100%
Marnock Retail LLC	Operations of Supermarket	100%	100%
Marnock LLC	Operation of Wholesale	80%	80%
Spicy Hill Limited	Manufacture of Spices	100%	0%
Arosa Limited	Meat processing and wine processing	100%	0%

Derrimon Trading Company Limited (DTCL) as at September 30, 2023 owns 65.02% of the shares of CFFL, the same 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.

On January 8, 2021, DTCL acquired 100% of the shares of Marnock Retail LLC, a supermarket domiciled in the United States of America, making it a wholly-owned subsidiary.

On January 8, 2021, DTCL acquired 80% of the shares of Marnock LLC, a wholesale operator domiciled in the United States of America.

On January 10, 2022, DTCL acquired 100% of the shares of Spicy Hill Farms Limited, a manufacturer of spices making it a wholly-owned subsidiary.

On April 1, 2022, DTCL acquired 100% of the shares of Arosa Limited, a manufacturer of meats and distributor of wines and cheese making it a wholly-owned subsidiary.

(b) Joint operation

A joint operation is an arrangement in which two or more parties contractually agree to the sharing of control and decisions about relevant activities require the unanimous consent of the parties sharing control. In a joint operation, the parties that have joint control have rights to the assets and obligations for the liabilities.

The Company records its interest in the joint operation’s assets, liabilities, revenues and expenses in the Group accounts.

(c) Business combination

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

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

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

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

(d) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. The operating results are regularly reviewed by the entity's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

The Company has identified the following segments:

1. Distribution (Household products, chilled and ambient beverages, detergents and bulk foods);
2. Retail (Trading outlets and supermarkets); and
3. Other Operations (Manufacturer of flavours and fragrances, pallets and by products of wood)
4. Manufacturing and processing of meats and distribution of wines and cheese
5. Manufacturing of soups and spices.

The pallets and by-products of wood were added to the other operations segment as a result of the 100% acquisition of Woodcats International Limited in 2018, the purchase of Marnock LLC trading as FoodSavers New York and Good Foods For Less in January 2021, Spicy Hill Farms Limited and Arosa Limited in 2022 resulting in these companies becoming a part of the Group.

(e) Impairment of assets

The carrying amounts of property, plant and equipment, right-of-use assets, investment property, and intangible assets with finite useful lives are reviewed at the end of each reporting period to determine whether there are any indicators of impairment. Indicators of impairment may include a significant decline in asset market value, material adverse changes in the external operating environment which affect how the asset is used or is expected to be used, obsolescence, or physical damage of the asset.

If any such indicators exist, then the recoverable amount of the asset is estimated. Goodwill and intangible assets with indefinite useful lives and intangible assets not yet available for use are not amortized but are tested for impairment at least annually or whenever there is an indicator that the asset may be impaired.

(f) 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. Interest income
The performance obligation, satisfied over time, the company simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs. Revenue is recognized when earned.

iii. Dividend income
The performance obligation, satisfied at a point-in-time, the company simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs. Revenue is recognized when declared, and the right to receive payment is established.

iv. Other operating income
Includes gains and losses on disposal of assets, rental income received from investment properties and miscellaneous inflows. The performance obligation, satisfied at a point-in-time, the company simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs. Revenue is recognized when received from customers.

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

Right-of-use assets are measured at cost, less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability.

Depreciation is calculated on a straight-line basis at such rates that will write off the carrying value of the assets over the period of their expected useful lives or lease term.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Current annual rates of depreciation are:

Buildings	2.5%
Leasehold improvement	2.5%
Machinery and equipment	10.0%
Furniture, fittings and fixtures	20.0%
Motor vehicles	20.0%
Computer	33.33%
Right-of-use	Straight-line over the period of the lease term

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

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognized in other income in the statement of other comprehensive income. Repairs and maintenance expenditure are included in the statement of comprehensive income during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that the future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company.

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

Right-of-use assets are initial measurement at the present value of the lease payments outstanding, discounted using the Company's incremental borrowing rate and include an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

(h) Leases (right-of-use assets)
A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. This is reassessed if the terms and conditions of the contract are changed.

Lessee
At January 1, 2019, the Company recognizes a right-of-use asset and a lease liability.
Initial measurement of the right-of-use asset is at cost, cost being the present value of the lease payments that are not paid at that date, discounted using the Company's incremental borrowing rate; plus an estimate of costs to be incurred on retiring the asset, i.e., asset retirement obligations required by the terms and conditions of the lease. The cost is remeasured if the terms of the lease changes.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company has elected to not to apply the right-of-use asset and lease liability to:

(a) short-term leases, less than 12-months; and
(b) leases for which the underlying asset is of low value, i.e., printers, laptop computers, small furniture and selected properties.

These will be charged as lease expense in the statement of profit or loss.

(l) Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of identifiable assets acquired and liabilities assumed.

Goodwill is tested annually for impairment. Goodwill is impaired, when the cash-generating unit (CGU) to which the goodwill is allocated, carrying value is higher than the recoverable value of the unit. Impairment of goodwill is not reversed.

Other intangibles – brand name, formula, customer and supplier relationships and technological expertise.

Other intangible represents the identified asset embedded in excess of the cost of an acquisition over the fair value of the Company's share of identifiable assets acquired and liabilities assumed.

Other intangible is tested annually for impairment. Other intangible is impaired when the cash-generating unit (CGU) to which the other intangible applies, carrying value is higher than the recoverable value of the unit. Impairment of other intangible is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized, and only to the extent of the original impairment loss

Research and development expenditure

Expenditures in relation to research activities are expensed as incurred.

Expenditure in relation to development activities is recognized as an asset if, and only if, the Company can demonstrate all of the following; otherwise, it is expensed as incurred:

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale.

(b) its intention to complete the intangible asset and use or sell it.

(c) its ability to use or sell the intangible asset.

(d) how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.

(e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

(f) its ability to reliably measure the expenditure attributable to the intangible asset during its development.

(j) Financial instruments

A financial instrument is any contract that gives rise to a receipt or payment in cash or its equivalents, and a financial asset of one party and a financial liability or equity instrument of another party. Financial assets and financial liabilities are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of a financial instrument. All financial instruments are measured at fair value on initial recognition. Subsequent measurement of these assets and liabilities is based on fair value or amortized cost using the effective interest method.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities, other than financial assets and financial liabilities classified as Fair Value Through Profit or Loss (FVTPL), are added to or deducted from the fair value on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in net income.

Classification and Subsequent Measurement

Financial assets

The Company classifies financial assets according to its business model for managing the financial assets and the contractual terms of the cash flows. All the financial assets are classified in the measurement category amortized cost because the financial assets are held within a business model with the objective to hold financial assets to collect contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets are measured at amortized cost using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Credit risk and expected credit loss

The Company is only expose to credit risk on its trade receivables, and as such does not provide for any lifetime expected credit loss (LECL). It applies the practical experience of not adjusting the promised consideration receivable because the period is less than 12-months.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Asset/Liability	Classification	Measurement
Receivables	Amortized cost	Amortized cost
Investments	Amortized cost	Amortized cost
Investments in equity	Amortized cost	Fair value
Cash and cash equivalents	Amortized cost	Amortized cost
Related party receivables	Amortized cost	Amortized cost
Bank overdraft	Amortized cost	Amortized cost
Payables	Amortized cost	Amortized cost
Short-term loan	Amortized cost	Amortized cost
Long-term borrowing	Amortized cost	Amortized cost

(k) Inventories

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

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

(l) Trade and other 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Income tax
The income tax expense for the year comprises current and deferred tax. Income tax expense is recognized in net income, except to the extent that it relates to items recognized either in other comprehensive income or directly in equity.

Current taxation
Current tax charge is the expected tax payable on the taxable income for the year, using tax rates in effect at the reporting date plus any over or under provision of tax in respect of previous years.

Deferred taxation
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 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.

At December 31, 2018, deferred tax was accounted for because DTCL 100% tax free remission status expired December 16, 2018. DTCL will be subject to 50% income tax on its taxable profits from December 17, 2018 to December 16, 2023. The recent Additional Public Offering which increased the Company's capital beyond the allowable $500 million threshold means that the taxation payable is now 100%. The company is awaiting a response from Tax Administration Department to our request to continue with the 50% for the next three (3) years.

The other subsidiaries of the Group that are subject to income tax are as follows:

(i) CFFL, is also listed on the Junior Market of the JSE and effective October 3,2018, its 100% tax free status expired, and it is now subject to income tax at 50% on its taxable profits for the next five (5) years to October 2, 2023; and

(ii) The other subsidiaries, Woodcats International, Marnock LLC, Marnock Retail, Spicy Hill Farms Limited and Arosa Limited are not listed on the Junior Market of the JSE and are subject to payment of full income tax.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of these assets. Capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(o) Share capital, dividends and distributions

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

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

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

(p) Earnings per share

Basic earnings per share ("EPS") are calculated by dividing the net income attributable to the shareholders by the weighted average number of ordinary shares outstanding during the reporting period. The Calculation of earnings per ordinary share is based on the Group and Company net profit attributable to shareholders divided by the weighted average number of ordinary shares of 4,533,360,670 (2021 – 2,853,360,670). New shares were issued and listed on the Junior Market of the Jamaica Stock Exchange on February 23, 2021 given the successful Additional Public Offer.

3. SEGMENTAL FINANCIAL INFORMATION

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

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

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

(ii) Wholesale and retail - operation of eight (8) outlets, six trading under the name Sampars and Sampars Outlet and two (2) 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.

SEGMENTAL FINANCIAL INFORMATION (CONTINUED)

(iii) Other operations – manufacturer of flavours and fragrances, wooden pallets and wholesaling retailing of Foods in New York. On September 6, 2018, the Company acquired 100% shareholding in Woodcats International Limited (WIL), a manufacture of wooden pallets and by products of wood such as mulch. The directors classified the operations of this entity under the 'other operations' segment.

(iv) On January 10. 2022, DTL acquired 100% of Spicy Hill Farms Limited and has entered the manufacturing space of the range of spices.

Segmental Financial Information

		The Group 2023		
	Distribution	Sampars Outlets	Other Operations	Total
	$'000	$'000	$'000	$'000
Revenue from external customers	3,791,105	5,533,727	4,769,573	14,094,405
				-
Depreciation	50,766	37,579	109,200	197,545
				-
Current Liabilities	2,179,374	530,665	521,487	3,231,526
				-
Current Assets	3,191,601	1,708,515	2,885,712	7,785,828

		The Company 2023	
	Distribution	Sampars Outlets & Select Grocers	Total
	$'000	$'000	$'000
Revenue from exteernal customers	3,791,105	5,533,727	9,324,832
			-
Depreciation	50,766	37,579	88,345
			-
Current Liabilities	2,179,374	530,665	2,710,039
			-
Current Assets	3,191,601	1,708,515	4,900,116

4. JOINT OPERATIONS

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.

5. INVESTMENT IN SUBSIDIARIES

As at June 30, 2022, the Company has holdings as follows:

- Caribbean Flavours and Fragrances Limited - 65.02%
- Woodcats International Limited - 100%
- Marnock LLC and Marnock Retail – 80% and 100% respectively.
- Spicy Hills Farms Limited – 100%
- Arosa Limited – 100%

6. 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:
(a) DTCL remains listed for at least 15 years and is not suspended from the JSE for any breaches of the rules of the JSE;
(b) The Subscribed Participating Voting Share Capital of DTCL does not exceed $500 million; and
(c) 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 January 2021 (December 17, 2018- December 16, 2021) - 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.

The recent Additional Public Offering which increased the Company's capital beyond the allowable $500 million threshold. As a result, the company does not qualify to claim the 50% remission of Income Tax which means that the taxation payable is at the normal 25% rate.

7. LEASE LIABILITY

Right-of-use Assets, blended principal and interest payments (rent payments) are made monthly in the amount of $24,811,000 interest is charged at 7.25%, maturing in 2039.

Principal amounts payable:

Current portion	$ 178,870,000
Long-term	$1,677,712,000
Total	$1,856,582,000

8. Earnings Per Stock Unit

Earnings per stock unit is calculated by dividing the profit for the period by the weighted average number of shares issued for the period.

Group	Quarter ended September 30, 2023 $'000	Quarter ended September 30, 2022 $'000	9 Months ended September 30, 2023 $'000	9 Months ended September 30, 2022 $'000	Year ended December 31, 2022 $'000
Net profit attributable to shareholders	65,373,013	191,013	237,869	461,751	579,979
Weighted average number of shares	4,533,360,670	4,233,360,670	4,533,360,670	4,233,360,670	4,233,360,670
Earnings Per share	0.014	0.042	0.052	0.102	0.128

DERRIMON TRADING COMPANY LIMITED

SHAREHOLDINGS OF TOP TEN (10) STOCKHOLDERS, DIRECTORS AND SENIOR OFFICERS AS AT SEPTEMBER 30, 2023

Top (10) Stockholders	Number of Shares Held	Percentage Ownership
Derrick Cotterell	1,125,531,673	24.83%
Barita Investmemt Ltd-Long A/C (Trading)	918,510,927	20.26%
Monique Cotterell	400,000,000	8.82%
Mayberry Jamaican Equities Limited	282,398,214	6.23%
Ian C. Kelly	169,107,209	3.73%
Jcsd Trustee Services Limited A/C Barita Unit Trust Capita	128,427,885	2.83%
Estate E. Cotterell (Deceased)	100,000,000	2.21%
Winston Thomas	59,801,180	1.32%
Pam - Pooled Equity Fund	59,146,745	1.30%
Atl Group Pension Fund Trustees Nom Ltd	56,349,216	1.24%

DERRIMON TRADING COMPANY LIMITED

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

SEPTEMBER 30, 2023

Directors	Number of Shares Held	Percentage Ownership
Derrick Cotterell	1,125,531,673	24.83%
Ian C. Kelly	169,107,209	3.73%
Winston Thomas	59,801,180	1.32%
Earl Anthony Richards	5,441,167	0.12%
Monique Cotterell	400,000,000	8.82%
Paul Buchanan	300,000	0.01%
Alexander Williams	500,000	0.01%
Tania Waldron-Gooden	628,879	0.01%
Stephen Philibert	0	0.00%
Howard Mitchell	790,331	0.02%

Senior Officers	Number of Shares Held	Percentage Ownership
Sheldon Simpson	2,591,358	0.06%