Derrimon Trading Company Limited

Financial Statements

31 December 2019

McKENLEY
& ASSOCIATES
CHARTERED ACCOUNTANTS
"Continuous Improvement and Innovation are our Duties......"

Derrimon Trading Company Limited
Index
31 December 2019

McKENLEY
& ASSOCIATES
CHARTERED ACCOUNTANTS

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Independent Auditor's Report

To the Members of
Derrimon Trading Company Limited

Report on the Audit of the Financial Statements

Our Opinion

In our opinion, the consolidated financial statements and 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 2019, and of its consolidated and stand-alone financial performance and its consolidated and stand-alone cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Jamaican Companies Act (the Act).

What we have audited

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

- The Group and Company statements of comprehensive income for the year ended 31 December 2019.
- The Group and Company statements of financial position as at 31 December 2019.
- The Group and Company statements of changes in equity for the year ended 31 December 2019.
- The Group and Company statements of cash flows for the year ended 31 December 2019.
- 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 these standards are further described in the *Auditor's Responsibilities for the audit of the consolidated and stand-alone financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the 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.

Independent Auditor's Report

To the Members of
Derrimon Trading Company Limited

Our Audit Approach

Audit scope

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

Our 2019 audit was planned and executed having regard to the fact that the operations of the Group remain largely unchanged from the prior year, except the 100% acquisition of a subsidiary on 6 September 2018.

Our Group audit approach

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.

The entities of the Group are all located in Jamaica. These entities maintain their own accounting records and report to the Group through the completion of consolidation packages. One company is audited by other independent accountants and it has adjusted its year end to report as at 31 December 2019, the effective year end of the Group. Based on the financial significance of the individual entities and our professional judgment, all the companies were selected for full scope audit procedures to achieve appropriate coverage on the consolidated 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 for the year ended 31 December 2019. Key audit matters are selected from the matters communicated with the Audit Committee members (those charged with Governance) but are not intended to represent all matters that were discussed with them. These matters are addressed in the context of our audit of the financial statements as a whole, and forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that the key audit matters to be communicated in our report relate, to the Group financial statements, as noted below:

Independent Auditor's Report

To the Members of
Derrimon Trading Company Limited

Key Audit Matters (continued)

Borrowings

Refer to notes 2 (s) and 29 to the financial statements for management's disclosures of related accounting policies, judgments and estimates relating to borrowings. As at 31 December 2019, long and short-term borrowings inclusive of preference shares and overdraft facilities, and excluding long term lease liabilities represented $.2.39 Billion (2018 - $1.67 Billion) or 41% (2018 – 41%) of the total assets 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 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. Management has also restructured a significant portion of its short term to long term debt. 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 the risk profile of the Parent Company.

We 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 bank accounts. We confirmed the balances, reviewed the maturity schedule for repayment, tested the interest calculations and determined that the total borrowings represented obligations by the Company and Group. We did not identify any negative correspondence from any financial institutions that indicated that the Company and the Group were in breach of its stipulated covenants or loan repayment terms. We tested the effectiveness of controls over the timely repayment of loans and other credit facilities and noted that they are compliant with the various agreements.

We 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 has satisfied the concerns by providing us with evidence which supports the continued restructuring of a significant portion of its bullet payment short term debt to long-term syndicated facilities.

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. 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.

Independent Auditor's Report

To the Members of
Derrimon Trading Company Limited

Key Audit Matters (continued)

Allowance for expected credit loss

Refer to the financial statements for management's disclosures of related to *notes 2 (o) and note 18* accounting policies, judgments and estimates relating to allowance for expected credit loss (ECL).

As described in Note2 (l) the Company applies a simplified approach in calculating Expected Credit Losses (ECL) as it relates to its trade receivable balances. As a result of this approach, the Company does not track changes in the credit risks associated with its individual receivable balances but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. Based on IFRS 9, "Financial Instruments", the Company has established a provision matrix for the Company and Group that is based on its historical credit loss experience, past and current economic circumstances which adjusted for forward looking factors specific to the debtors.

The process of developing an ECL model requires management to use estimates and judgments which are by their nature inherently subjective.

In undertaking our audit work relating to the ECL model, we performed the following:

- We obtained a deeper understanding of the Company's and Group implementation process for determining the impact of the adoption of the ECL model
- We evaluated the techniques and methodologies used by the Company and Group to estimate the ECLs of the overall receivable balances. We assessed their assumptions to ensure alignment and compliance with the requirements of IFRS 9.
- We assessed the reasonableness of the methods and associated assumptions used by validating the completeness of the inputs used to derive the computed loss rates relating to the ECL for trade receivables.
- We evaluated the ECL computed impairment provision against the total balances over 90 days, along with known potential bad debt situations by certain customers to determine whether the ECL calculated figure was reasonable.

  We are satisfied that the ECL impairment provision of $32 million that represents 3.3% of the trade receivable balance of the Company is fairly stated as at 31 December 2019.

Other Information

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

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

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

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

Key Audit Matters (continued)

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 misstatements, 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, Company or to cease operations, or has no realistic alternative but to do so.

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

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

The objectives of our audit are to obtain reasonable assurance about whether the consolidated and stand-alone financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of reliability but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on 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 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 to express 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.
- 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 a fair presentation.
- 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 and 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 auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- 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 the Board of Directors of the Group regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditor's Report

To the Members of
Derrimon Trading Company Limited

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

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

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

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 auditor's report is Wilfred McKenley.

McKenley & Associates

Chartered Accountants

27 February 2020
Kingston, Jamaica

Derrimon Trading Company Limited
Group Statement of Comprehensive Income
Year ended 31 December 2019

	Note	2019 $'000	2018 $'000
Revenue			
Trading income	2(h)	12,649,017	9,303,460
Less cost of sales		10,370,183	7,612,427
Gross profit		2,278,834	1,691,033
Other income	5	37,767	66,248
		2,316,601	1,757,281
Less operating expenses:			
Administrative	6	(1,279,414)	(1,069,495)
Selling & distribution	6	(408,265)	(233,718)
		(1,687,679)	(1,303,213)
Operating profit before finance costs		628,922	454,068
Finance income		15,408	-
Finance costs	6	(298,604)	(172,223)
Profit before taxation		345,726	281,845
Taxation	11	(43,018)	(4,632)
Net profit being total comprehensive income		302,708	277,213
Net Profit Attributable to:			
Shareholders of the company		290,744	249,120
Non-controlling interests		11,964	28,093
		302,708	277,213
		$	$
Earnings per share	14	0.106	0.091

Derrimon Trading Company Limited
Group Statement of Financial Position
31 December 2019

	Note	2019 $'000	2018 $'000
Non-current assets:			
Property, plant and equipment	15	483,476	457,651
Right of use assets	15	1,039,077	-
Goodwill	16	182,120	163,940
Investments		-	180,411
Intangible assets	16	256,523	233,478
Current assets:			
Inventories	17	1,992,174	1,280,787
Receivables	18	1,033,069	1,166,946
Investments	20	280,599	170,132
Taxation recoverable		6,019	5,999
Cash and cash equivalents	21	509,627	388,751
		3,821,488	3,012,615
Current liabilities:			
Payables	22	976,846	1,149,544
Short term loans	23	536,316	736,416
Current portion of borrowings	25	122,448	69,636
Current portion of lease liability	25	70,601	-
Taxation payable		7,472	8,525
		1,713,683	1,964,121
Net current assets		2,107,805	1,048,494
		4,069,001	2,083,974
Shareholder's equity			
Share capital	27	140,044	140,044
Capital reserves	12	94,638	94,638
Investment revaluation reserve	13	614	614
Retained earnings		934,834	820,343
		1,170,130	1,055,639
Non-controlling interests	24	163,382	162,597
		1,333,512	1,218,236
Non-current liabilities:			
Borrowings	25	1,731,003	862,658
Lease liability	25	1,000,272	-
Deferred tax liability		4,214	3,080
Total equity and non-current liabilities		4,069,001	2,083,974

Approved for issue by the Board of Directors on 27 February 2020 and signed on its behalf by:

Derrick Cotterell
Director

Earl Richards
Director

Derrimon Trading Company Limited
Group Statement of Changes in Equity
Year ended 31 December 2019

	Attributable to the Company's Shareholders				Non-controlling Interests	Total Equity
	Share Capital	Capital Reserves	Retained Earnings	Investment Revaluation Reserve		
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2018	140,044	133,053	590,357	614	171,107	1,035,175
Net profit for 2018, being total comprehensive income	-	-	249,120	-	28,093	277,213
Dividend payment	-	-	(19,132)	-	-	(19,132)
Movement during the year	-	(38,415)	-	-	(36,603)	(75,018)
Balance: 31 December 2018	140,044	94,638	820,343	614	162,597	1,218,236
Net profit for 2019, being total comprehensive income	-	-	290,744	-	11,964	302,708
Dividend payment	-	-	(27,334)	-	-	(27,334)
Dividends paid by subsidiary to non-controlling interest			(8,538)	-	-	(8,538)
Movement during the year	-	-	(140,381)	-	(11,179)	(151,560)
Balance: 31 December 2019	140,044	94,638	934,834	614	163,382	1,333,512

Derrimon Trading Company Limited
Group Statement of Cash Flows
Year ended 31 December 2019

	Note	2019 $'000	* 2018 $'000
Cash flows from operating activities:			
Net profit before taxation		345,726	281,845
Taxation paid		(43,018)	(4,632)
Changes in non-cash working capital components:			
Depreciation	15	67,088	83,655
Depreciation- right of use	15	96,618	-
Gain on disposal of fixed assets		(176)	(669)
Foreign exchange loss		1,134	–
Non cash adjustments		(11,034)	(60,615)
Inventories		(711,387)	(446,601)
Short-term loans		(200,100)	-
Receivables		133,877	(158,353)
Investments		(110,468)	-
Taxation recoverable		(20)	-
Payables		(172,698)	330,348
Related party balance		1,316	-
Taxation payable		(1,054)	1,680
Net cash (used in)/ provided by operating activities		(604,196)	26,658
Cash flows from Investment activities:			
Proceeds from sale of fixed assets		428	1,650
Right of use	15	(1,135,694)	-
Purchase of fixed assets	15	(84,943)	(159,676)
Intangible asset		(41,223)	-
Investments		29,935	(355,000)
Net cash used in investment activities		(1,231,497)	(513,026)
Financing activities:			
Loans received during the year		1,017,970	817,456
Lease liability		1,074,016	-
Repayment of loans		(99,956)	(191,806)
Dividends paid		(27,334)	(19,132)
Dividends paid by subsidiary to non-controlling interest		(8,538)	-
Exchange loss on foreign cash balances		(723)	-
Deferred tax liability		1,134	3,080
Net cash used in financing activities		1,956,569	609,598
Net increase in cash and cash equivalents		120,876	123,230
Net cash balances at the beginning of the year		388,751	265,521
Net cash and cash equivalents at the end of year		509,627	388,751

Represented by:

	Note	2019 $'000	* 2018 $'000
Cash on hand		307,729	51,303
Cash and cash equivalents	21	201,898	337,448
		509,627	388,751

*Reclassified for comparative purposes.

Derrimon Trading Company Limited
Company Statement of Comprehensive Income
Year ended 31 December 2019

	Note	2019 $'000	2018 $'000
Revenue			
Trading income	2(h)	11,637,878	8,759,236
Less cost of sales		9,608,914	7,244,705
Gross profit		2,028,964	1,514,531
Other income	5	26,864	44,406
		2,055,828	1,558,937
Less operating expenses:			
Administrative	6	(1,098,451)	(964,031)
Selling & distribution	6	(404,861)	(228,106)
		(1,503,312)	(1,192,137)
Operating profit before finance costs		552,516	366,800
Finance costs	6	(297,576)	(170,376)
Profit before taxation		254,940	196,424
Taxation	11	(27,538)	-
Net profit		227,402	196,424
Other comprehensive income, net of taxes		-	-
Total comprehensive income		227,402	196,424
		$	$
Earnings per share	14	0.083	0.072

Derrimon Trading Company Limited
Company Statement of Financial Position
31 December 2019

	Note	2019 $'000	2018 $'000
ASSETS			
Non-current assets:			
Property, plant and equipment	15	385,375	380,199
Right of use assets	15	945,179	-
Goodwill	16	33,220	33,220
Deferred tax asset		5	-
Investment in subsidiaries and joint venture	10	942,541	*942,073
Current assets:			
Inventories	17	1,750,852	1,111,289
Investment	20	31,330	*15,736
Receivables	18	845,234	953,980
Taxation recoverable		1,347	-
Cash and cash equivalents	21	491,546	298,539
		3,120,309	2,363,808
Current liabilities:			
Payables	22	902,850	1,090,545
Short term loans	23	535,000	736,416
Current portion of borrowings	25	119,629	67,105
Current portion of lease liability	25	66,302	-
		1,623,781	1,894,066
Net current assets		1,496,528	469,742
Total assets less current liabilities		3,802,848	1,840,970
EQUITY			
Share capital	27	140,044	140,044
Capital reserves	12	94,638	94,638
Investment revaluation reserve	13	614	614
Retained earnings		947,982	747,914
		1,183,278	983,210
Non-current liability:			
Borrowings	25	1,711,454	857,760
Lease liability	25	908,116	-
Total equity and non-current liabilities		3,802,848	1,840,970

* Reclassified for comparative purposes

Approved for issue by the Board of Directors on 27 February 2020 signed on its behalf by:

Derrick F. Cotterell
Director

Earl A. Richards
Director

Derrimon Trading Company Limited

Company Statement of Changes in Equity

Year ended 31 December 2019

	Share Capital $'000	Retained Earnings $'000	Investment Revaluation Reserve $'000	Capital Reserves $'000	Total $'000
Balance at 31 December 2016	140,044	366,307	614	57,503	564,468
Net profit for 2017	-	204,315	-	-	204,315
Realised gains on disposal of shares	-	-	-	39,103	39,103
Increase in capital reserve	-	-	-	36,446	36,446
Balance at 31 December 2017	140,044	570,622	614	133,052	844,332
Net profit for 2018	-	196,424	-	-	196,424
Dividends	-	(19,132)	-	-	(19,132)
Decrease in capital reserve	-	-	-	(38,414)	(38,414)
Net profit for 2019	-	227,402	-	-	227,402
Dividends	-	(27,334)	-	-	(27,334)
Balance at 31 December 2019	140,044	947,982	614	94,638	1,183,278

Derrimon Trading Company Limited

Company Statement of Cash Flows

Year ended 31 December 2019

	Note	2019 $'000	* 2018 $'000
Cash flows from operating activities:			
Profit before taxation		254,940	196,424
Items not affecting cash resources:			
Finance costs paid	6	297,576	170,376
Taxation paid		(27,538)	-
Depreciation	15	51,967	49,498
Depreciation – right of use	15	90,918	-
Non-cash adjustments		(8,051)	(74,313)
Deferred tax		-	-
Gain on sale of fixed assets		-	(669)
Operating income before changes in operating assets and liabilities		659,812	341,316
Changes in non-cash working capital components:			
Inventories		(639,563)	(400,694)
Taxation recoverable		(1,348)	-
Receivables		108,746	(281,190)
Current portion – long term loans		-	-
Short term -loans		(201,416)	-
Payables		(187,697)	457,690
Taxation payable		-	-
		(921,278)	(224,194)
Cash (used in)/generated by operations		(261,466)	117,122
Finance costs		(297,576)	(170,376)
		(559,042)	(53,254)
Net cash used in operating activities			
Investment activities:			
Investments		(16,061)	(394,727)
Proceeds from sale of property, plant and equipment			1,650
Finance lease – right of use	15	(1,036,097)	-
Purchase of property, plant and equipment	15	(49,091)	(59,120)
Net cash used in investment activities		(1,101,249)	(452,197)
Financing activities:			
Loans received during the year		998,169	817,456
Repayment of loans		(91,950)	(189,422)
Finance lease		974,418	-
Deferred tax asset		(5)	-
Dividends paid		(27,334)	(19,133)
Net cash provided by financing activities		1,853,298	608,901
Net increase in cash and cash equivalents		193,007	103,450
Net cash balances at the beginning of the year		298,539	195,089
Net cash and cash equivalents at the end of year		491,546	298,539

Represented by:

	Note	2019 $'000	* 2018 $'000
Cash on hand	21	304,916	298,539
Cash and cash equivalents	26	186,630	-
		491,546	298,539

*certain 2018 figures reclassified for comparative purposes.

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 along with wooden pallets.

Derrimon Trading Company Limited together with its subsidiaries is referred to as the "Group".

Effective December 17, 2013, the Company's shares were listed on the Junior Market of the Jamaica Stock Exchange (JSE).

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.

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.

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:

Derrimon Trading Company Limited

Notes to the Financial Statements

31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of presentation (continued)

- 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.

Derrimon Trading Company Limited

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Judgments and estimates (continued)

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.

Derrimon Trading Company Limited
Notes to the Financial Statements
31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Judgments and estimates (continued)

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

Judgmen*t* – 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.

Derrimon Trading Company Limited

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Judgments and estimates (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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Judgments and estimates (continued)

Impairment of assets (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 replace IAS 17– *Leases* and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases unless the lease term is 12-months or less or the underlying assets 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards, amendments and interpretations to published standards effective in the current year (continued)

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 December 31, 2019.

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* of $1.14B (Company $1.04B) in the statement of financial position. And, *depreciation expense on right-of-use* assets of $96.6M (Company $90.9M) in the statement of profit or loss and other comprehensive income.

Expense, classified as *Rent*, totalling $144.2M (Company $134.8M) was replaced with *interest expense* and *principal repayment* on the *Lease Liability* of $79.3M (Company $73.1M) and $64.9M (Company $61.7M) respectively.

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.

Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted by the Company.

The following new standards, amendments, and interpretations have been issued and may impact the financial statements but are not effective for the fiscal year ended 31 December 2019 and accordingly, have not been applied in preparing these financial statements. These included:

Amendments to IAS 28, 'Investments in associates and joint ventures', effective for annual periods beginning on or after 1 January 2019. These amendments clarify the accounting policy choice available for electing to measure the investments at fair value through profit or loss in accordance

Management is currently assessing the likely future impact of this amendment on its financial statements.

Derrimon Trading Company Limited
Notes to the Financial Statements
31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 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) and Woodcats International Company Limited as follows:

Entity	Principal Activity	% Ownership by Company at 31 December 2019	% Ownership by Company at 31 December 2018
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, 2019, owns 62.02% of the shares of CFFL, the same percentage as the prior year.

DTCL continues to hold 60% holding 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.

On September 6, 2018, DTCL acquired 100% of the shares of Woodcats International Limited, a manufacturer of wooden pallets, making it a wholly-owned subsidiary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY (CONTINUED)

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY (CONTINUED)

(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:

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

Wholesale (Trading outlets and supermarkets); and

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

In 2018, the ambient beverages division was added to the distribution segment as the Company entered into an agreement with SM Jahleel and Company Limited to distribute its beverage products. The pallets and by-products of wood were added to the other operations segment as a result of the 100% acquisition of Woodcats International Limited, resulting in the company becoming a part of the Group.

(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.

Derrimon Trading Company Limited

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Impairment of assets (continued

Cash generating units (CGU)

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

Management's policy is to principally write down Goodwill when the Company's cash generation capacity is unlikely to generate profits in an adverse economic environment.

Recording impairments and reversals of impairments

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

(f) Foreign currency translation

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Related parties' disclosure

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

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

(i) A person or close member of that person's family is related to the Company if that person:
- Has control or joint control over the Company;
- Has significant influence over the Company; or
- Is a member of the key management personnel of the Company or a parent of the Company.

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

A related party transaction involves the transfer of resources, services or obligations between a reporting company and a related party, regardless of whether there is a consideration or not.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) 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.

Derrimon Trading Company Limited

Notes to the Financial Statements

31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED

(i) 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.

Current annual rates of depreciation are:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Property, plant and equipment (continued)

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.

(k) 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.

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.

Derrimon Trading Company Limited
Notes to the Financial Statements
31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 on research activities are expensed as incurred.

Expenditure on 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Research and development expenditure

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

(m) 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.

Investments in equity instruments

The Company made an irrevocable election to present in other comprehensive income subsequent changes in the fair value of its investments in equity instruments which are not *held for trading*. Dividends from these investments are recognized in profit or loss.

Derrimon Trading Company Limited
Notes to the Financial Statements
31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

All financial liabilities are measured at amortized cost using the effective interest method with gains and losses recognized in net income in the period that the liability is derecognized. The financial liability is derecognized when the contractual obligations are discharged, cancelled or expire.

The Company does not carry any financial instruments classified as Fair Value Through Profit or Loss (FVTPL).

(m) Financial instruments (continued)

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.

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

(n) 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.

(o) 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

Derrimon Trading Company Limited

Notes to the Financial Statements

31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Trade and other receivables (continued)

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.

The Company's exposure to credit risk is disclosed in Note 29 (b).

(p) 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 Decembver 16, 2023.

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

Derrimon Trading Company Limited
Notes to the Financial Statements
31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Income tax (continued)

Deferred taxation (continued)

(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 subsidiary, Woodcats International, is not listed on the Junior Market of the JSE and is subject to payment of full income tax.

(q) Employee benefits

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

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

(r) Trade and other payables

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

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

The Company's exposure to liquidity and cash flows risks are disclosed in Note 29 (c)

(s) 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.

Derrimon Trading Company Limited

Notes to the Financial Statements

31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Borrowing; borrowing cost and interest (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.

(u) 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.

(v) 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.

(w) Provisions, contingent liabilities and contingent assets

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

The expense relating to any provision is charged to the statement of profit or loss net of any reimbursement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Investments

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

(x) Finance income and costs

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

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

(y) Non-controlling interests

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

(z) Comparative information

Where necessary, comparative figures have been reclassified and or restated to conform to changes in the current year.

Derrimon Trading Company Limited
Notes to the Financial Statements
31 December 2019

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 and ambient beverages.

On September 3, 2018, the beverage division was added during the year as the Company was appointed as the exclusive distributor of SM Jahleel and Company Limited, a Trinidadian entity, to distribute its range of soft drinks and juices in the Jamaican marketplace.

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

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

(iii) Other operations – manufacturer of flavours and fragrances and wooden pallets.

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.

Derrimon Trading Company Limited
Notes to the Financial Statements
31 December 2019

3. SEGMENTAL FINANCIAL INFORMATION (CONTINUED)

The Group

	2019			
	Distribution	Wholesale & Retail	Other Operations	Total
	$'000	$'000	$'000	$'000
Revenue from external customers	6,459,327	5,178,551	1,011,139	12,649,017
Depreciation	14,410	37,558	15,120	67,088
Depreciation – *right of use*	17,761	73,157	5,700	96,618
Current liabilities	367,780	1,256,001	89,902	1,713,683
Current Assets	1,301,529	1,818,780	701,179	3,821,488

The Group

	2018			
	Distribution	Wholesale & Retail	Other Operations	Total
	$'000	$'000	$'000	$'000
Revenue from external customers	3,832,689	4,926,547	544,224	9,303,460
Depreciation	24,741	34,234	34,157	83,655
Current liabilities	1,320,576	563,173	77,842	1,961,591
Current Assets	1,812,234	769,030	431,349	3,012,613

The Company

	2019		
	Distribution	Wholesale & Retail	Total
	$'000	$'000	$'000
Revenue from external customers	6,459,327	5,178,551	11,637,878
Depreciation	14,410	37,558	51,968
Depreciation- *right of use*	17,761	73,157	90,918
Current liabilities	367,780	1,256,001	1,623,781
Current Assets	1,301,529	1,818,780	3,120,309

The Company

	2018		
	Distribution	Wholesale & Retail	Total
	$'000	$'000	$'000
Revenue from external customers	3,832,689	4,926,547	8,759,236
Depreciation	24,471	24,757	49,498
Current liabilities	1,381,128	563,173	1,944,301
Current Assets	1,812,233	769,030	2,581,263

Management provides individual segment accounting on a weekly and monthly basis to the CEO.

Derrimon Trading Company Limited
Notes to the Financial Statements
31 December 2019

4. FUNCTIONAL AND PRESENTATION CURRENCY

The Group's functional and presentation currency is the Jamaica dollar (J$)

5. OTHER INCOME

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Interest income	-	1	-	1
Advertising space	7,179	-	7,179	-
Rental from warehouse space	640	31,294	640	31,294
Other income: insurance proceeds, bad debts recovered and dividends	29,948	34,953	19,045	13,111
	37,767	66,248	26,864	44,406

6. EXPENSES BY NATURE

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Direct costs				
Cost of inventories recognized as an expense	10,370,1 83	7,612,427	9,608,914	7,244,705

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Administrative expenses				
Directors fees	,1,275	1,170	780	360
Insurance	46,716	52,399	40,897	48,557
Foreign exchange loss	474	-	-	-
Motor vehicle expenses	20,101	12,790	8,990	10,824
Professional services	61,367	68,103	52,748	62,508
Office expenses	49,713	22,165	41,597	18,473
Lease: *short term value*	3,082	-	-	-
Repairs and maintenance	40,491	29,334	35,343	26,557
Rental of equipment and office (see lease liability note)	-	139,995	-	125,180
Staff costs, including director's salary (note 7)	713,586	469,630	619,237	419,814
Security	39,003	32,367	37,366	30,057
Utilities	113,733	107,520	108,329	104,996
Depreciation	59,059	56,682	51,967	49,498
Depreciation *for right of use* assets	96,510	-	90,918	-
Travelling and accommodation	21,413	16,059	10,274	6,229
Other, including minimum business tax	12,891	61,281	-	60,978
	1,279,41	1,069,495	1,098,451	964,031

Derrimon Trading Company Limited

Notes to the Financial Statements

31 December 2019

6. EXPENSES BY NATURE (CONTINUED)

	The Group		The Company	
Selling and distribution	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Advertising and promotion	57,109	77,860	54,221	76,170
Commission	22,697	13,905	22,697	13,905
Bad debts written off	29,335	12,042	29,335	11,556
Trucking and delivery	260,363	129,911	259,847	126,475
Warehousing	38,760	-	38,760	-
	408,265	233,718	404,861	228,106

	The Group		The Company	
Finance costs	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Long term loans: Interest (including preference dividend, credit line and bank charges)	220,044	*172,223	219,017	170,376
Lease liability interest expense	78,560	-	78,559	-
	298,604	172,223	297,576	170,376

* reclassified for comparative purposes

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

7. STAFF COSTS

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Salaries and wages	543,445	501,975	460,412	383,155
Staff welfare	98,493	29,968	87,177	23,598
Contract services and other	71,648	39,547	71,648	13,061
	713,586	571,490	619,237	419,814

The average number of persons employed full-time by the Group during the year was 522 (2018 – 415), and part-time was 30 (2018- 62).

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Derrimon Trading Company Limited
Notes to the Financial Statements
31 December 2019

8. 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.

Select Grocers: Summarized financial information as at 31 December 2019.

	2019	2018
	$'000	**$'000**
Dividends received from joint operation	Nil	Nil
Current assets	163,225	113,626
Cash and cash equivalents included in current assets	23,838	8,278
Non-current assets	325,644	143,544
Current liabilities	86,891	84,360
Current financial liabilities, *excluding trade and other payables and provision*, included in current liabilities	-	-
Non-current liabilities	202,329	6,000
Revenue	619,968	564,697
Depreciation and amortization	14,450	14,254
Interest income	-	-
Interest expense (including lease expense)	(28,034)	(1,049)
Income tax expense or income	-	-
Profit or loss from continuing operations	32,840	24,218
Post-tax profit or loss from continuing operations	32,840	24,218
Other comprehensive income	-	-
Total comprehensive income	32,840	24,218

Derrimon Trading Company Limited

Notes to the Financial Statements

31 December 2019

9. INVESTMENT IN SUBSIDIARIES

As at December 31, 2019, 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, 2019

	2019	2018
	$'000	$'000
Dividends received from subsidiary	12,432	11,959
Current assets	463,587	453,273
Cash and cash equivalents included in current assets	11,546	65,632
Non-current assets	99,634	21,196
Current liabilities	50,880	40,866
Current financial liabilities, *excluding trade and other payables and provision*, included in current liabilities	6,200	2,531
Non-current liabilities	82,163	4,898
Revenue	462,462	674,298
Depreciation and amortization (including *rights of use)*	12,068	7,185
Interest income	15,408	25,381
Interest expense (including lease liability)	(520)	(1,152)
Income tax expense	(5,307)	(2,204)
Profit or loss from continuing operations	36,807	118,085
Post-tax profit from continuing operations	31,500	115,881
Other comprehensive income	-	-
Total comprehensive income	31,500	115,881

Derrimon Trading Company Limited
Notes to the Financial Statements
31 December 2019

10. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Woodcats International Limited: Summarized financial information as at December 31, 2019

	2019 $'000	2018 $'000
Dividends received from subsidiary	-	-
Current assets	202,430	186,628
Cash and cash equivalents included in current assets	6,535	26,610
Non-current assets	127,526	56,256
Current liabilities	39,024	35,428
Current financial liabilities, *excluding trade and other payables and provision*, included in current liabilities	919	-
Non-current liabilities	33,760	30,880
Revenue	548,677	462,990
Depreciation and amortization	8,753	4,893
Interest income	1	-
Interest expense	(508)	(6,236)
Income tax expense	(10,174)	(10,737)
Profit or loss from continuing operations	53,979	53,936
Post-tax profit or loss from continuing operations	43,805	43,198
Other comprehensive income	-	-
Total comprehensive income	43,805	43,198

	The Company	
Investment in Subsidiaries and Joint Venture	2019 $'000	2018 $'000
Caribbean Flavours & Fragrances	438,722	438,722
Woodcats International	355,000	355,000
Long-term Investment	148,819	148,351
Balance at the end of the year	942,541	942,073

Derrimon Trading Company Limited
Notes to the Financial Statements
31 December 2019

11. 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 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.

Derrimon Trading Company Limited
Notes to the Financial Statements
31 December 2019

11. INCOME TAX (CONTINUED)

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Current tax expenses:				
Current tax expense @ 25%	99,700	65,619	78,546	52,677
Remission of income tax @ 50% (2018-100%)	(44,560)	(50,657)	(39,253)	(50,657)
	52,940	14,962	39,253	2,020
Deferred tax expense/(benefit):				
Origination and reversal of temporary and other differences	(9,922)	(10,330)	(11,715)	(2,020)
Total income tax expense for the year	43,018	4,632	27,538	-

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Reconciliation of expected and actual tax expense:				
Profit before taxation	345,725	281,845	254,940	196,424
Adjustments to income taxes resulting from:				
Computed "expected" tax expense @ 25%	86,431	70,461	63,735	49,106
Difference between profit for financial statements and tax reporting purposes on: -				
Depreciation and capital adjustments	(15,819)	(12,332)	(11,715)	(16,901)
Net effect of other charges for tax purposes	20,788	1,924	14,770	18,452
Employers tax credit	(3,822)	(4,764)	-	-
Adjustment for the effect of remission of tax	(44,560)	(50,657)	(39,252)	(50,657)
Reconciled tax charge to profit and loss	43,018	4,632	27,538	-

Derrimon Trading Company Limited
Notes to the Financial Statements
31 December 2019

12. CAPITAL RESERVE

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Balance: 31 December	94,638	94,638	94,638	94,638

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Represented by:				
2011: Surplus on revaluation of fixed assets:	94,638	38,420	94,638	38,420
Realized gains on disposal of shares	-	689	-	689
2012: Surplus on revaluation of fixed assets:	-	55,529	-	55,529
	94,638	94,638	94,638	94,638

13. INVESTMENT RESERVE

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Closing balance: 31 December 2019	614	614	614	614

14. EARNINGS PER SHARE

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 2,733,360,670 (2018- 2,733,360,670).

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Net profit attributable to shareholders	290,744	249,120	227,402	196,424
The weighted average number of ordinary shares in issue	2,733,361	2,733,361	2,733,361	2,733,361
Basic earnings per ordinary share	0.106	0.091	0.083	0.072

Derrimon Trading Company Limited

Notes to the Financial Statements

31 December 2019

15. PROPERTY, PLANT AND EQUIPMENT

2019
The Group

	Furniture. & Equipment	Computer	Motor Vehicles	Building	Land	Leasehold Improvements	Total	Buildings Right of Use
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost or valuation								
1 January 2019	314,058	23,058	107,646	49,499	15,933	195,304	705,498	-
Additions	33,288	11,866	17,596	-	-	22,194	84,944	1,135,695
Disposals	-	-	(1,500)	-	-	-	(1,500)	-
31 December 2019	347,346	34,924	123,742	49,499	15,933	217,498	788,942	1,135,695
Acc. Depreciation								
1 January 2019	155,109	18,055	52,623	7,917	3,413	10,158	247,275	-
Charge for year	42,591	1,836	17,009	1,010	-	4,642	67,088	96,618
Disposals	-	-	(1,248)	-	-	-	(1,248)	-
	(7,649)	-	-	-	-	-	(7,649)	-
31 December 2019	190,051	19,891	68,384	8,927	3,413	14,800	305,466	96,618
Netbook value								
31 December 2019	157,295	15,033	55,358	40,572	12,520	202,698	483,476	1,039,077

2018
The Group

	Furniture. & Equipment	Computer	Motor Vehicles	Building	Land	Leasehold Improvements	Total	Buildings Right of Use
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost or valuation								
1 January 2018	248,545	20,440	62,082	49,499	15,933	160,453	556,952	-
Additions	68,673	2,618	53,534	-	-	34,851	159,676	-
Disposals	(3,160)	-	(7,970)	-	-		(11,131)	-
31 December 2018	314,058	23,058	107,646	49,499	15,933	195,304	705,497	-
Acc. Depreciation								
1 January 2018	98,825	16,461	39,504	7,917	3,413	3,825	169,945	-
Charge for year	57,710	1,594	18,018	-	-	6,333	83,655	-
Disposals	(1,426)	-	(4,899)	-	-	-	(6,325)	-
31 December 2018	155,109	18,055	52,623	7,917	3,413	10,158	247,275	-
Netbook value								
31 December 2018	158,878	5,003	54,523	41,582	12,520	185,146	457,651	-

Derrimon Trading Company Limited

Notes to the Financial Statements

31 December 2019

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2019
The Company

	Furniture. & Equipment	Computer	Motor Vehicles	Building	Land	Leasehold Improvements	Total	Buildings Right of Use
	$'000	$'000	$'000	$'000	$''000	$'000	$'000	$'000
Cost or valuation								
1 January 2019	296,506	17,971	78,248	49,499	12,520	128,125	582,869	1,036,097
Adjustment- prior year	(1,612)	(69)	786	-	-	(531)	(1,426)	-
Additions	13,222	11,867	3,995	-	-	20,007	49,091	-
31 December 2019	308,116	29,769	83,029	49,499	12,520	147,601	630,533	1,036,097
Acc. Depreciation								
1 January 2019	131,027	14,467	41,273	8,952	-	6,771	202,490	-
Charge for year	36,900	1,679	8,788	1,010	-	3,590	51,967	90,918
Adjustment- prior year	(5,116)	589	(2,147)	172		(2,797)	(9,299)	-
31 December 2019	162,811	16,735	47,914	10,134	-	7,564	245,158	90,918
Netbook value								
31 December 2019	146,305	13,034	35,115	39,365	12,520	140,037	385,375	945,179

2018
The Company

	Furniture. & Equipment	Computer	Motor Vehicles	Building	Land	Leasehold Improvements	Total	Buildings Right of Use
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost or valuation								
1 January 2018	274,234	15,415	51,107	49,499	12,520	126,040	528,815	-
Additions	22,269	2,556	32,211	-	-	2,085	59,120	-
Disposals	-	-	(5,070)	-	-	-	(5,070)	-
31 December 2018	296,506	17,971	78,248	49,499	12,520	128,125	582,868	-
Acc. Depreciation								
1 January 2018	95,599	13,329	36,803	7,917	-	3,613	157,261	-
Charge for year	35,428	1,318	8,560	1,035	-	3,158	49,498	-
Disposals	-	-	(4,089)	-	-	-	(4,089)	-
31 December 2018	131,027	14,647	41,273	8,952	-	6,771	202,670	-
Netbook value								
31 December 2018	165,479	3,324	36,974	40,547	12,520	121,354	380,199	-

Derrimon Trading Company Limited
Notes to the Financial Statements
31 December 2019

16. INTANGIBLE ASSETS

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.

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

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*.

	The Group 2019 $'000		The Company 2019 $'000	
	Intangibles	Goodwill	Intangibles	Goodwill
January 1, 2019	942,541	33,220	-	33,220
-Addition, Business acquisition	256,523	148,899	-	-
-Impairment	-	-	-	-
-Other adjustments	(942,541)	-	-	-
December 31, 2019	256,523	182,120	-	33,220

	The Group 2018 $'000		The Company 2018 $'000	
	Intangibles	Goodwill	Intangibles	Goodwill
January 1, 2018	256,523	33,220	-	33,220
-Addition, Business acquisition	-	130,720	-	-
-Impairment	-	-	-	-
-Other adjustments	(23,045)	-	-	-
December 31, 2018	233,478	163,940	-	33,220

Derrimon Trading Company Limited
Notes to the Financial Statements
31 December 2019

17. INVENTORIES

	The Group		The Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Sampars wholesale outlets and Select Grocers; grocery and household items	636,764	401,967	636,764	401,967
Wholesale bulk commodity food items	1,114,087	709,322	1,114,087	709,322
Subsidiaries: flavours and fragrances and pallet inventories	241,323	169,498	-	-
	1,992,174	1,280,787	1,750,852	1,111,289

18. RECEIVABLES AND PREPAYMENTS

	The Group		The Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Receivables				
Trade receivables	966,852	920,602	827,734	745,082
Provision for bad debts	(32,812)	(33,233)	(32,381)	(32,380)
	934,040	887,369	795,353	712,702
Staff advances	10,992	6,911	9,462	4,242
Other receivables	88,037	272,666	40,419	237,036
	1,033,069	1,166,946	845,234	953,980

The following are the trade receivables ageing as of 31 December 2019 and 2018.

The Group
Past due but not impaired

Year	0-60 days $'000	60-90 days $'000	Over 90 days $'000	Total $'000
2019	796,629	67,652	102,571	966,852
2018	778,740	52,479	89,384	920,602

The Company
Past due but not impaired

Year	0-30 days $'000	31-59 days $'000	60-90 days $'000	Over 90 days $'000	Total $'000
2019	561,418	110,498	63,224	92,594	827,734
2018	556,443	110,853	35,608	42,178	745,081

18. RECEIVABLES AND PREPAYMENTS (CONTINUED)

Movement in provision for bad debts against trade receivables:

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
01 January 2019	33,233	31,180	32,380	30,748
Amounts provided for during the year	(421)	2,053	-	1,632
31 December 2019	32,812	33,233	32,380	32,380

During the year, the Company wrote off $ 29,334,673 (2018- $12,256,143) to profit or loss after repeated attempts were made to collect long outstanding amounts. Management has deemed the current receivable balance to be collectable, as all doubtful amounts were written off during the year.

19. RELATED PARTIES AND RELATED PARTIES TRANSACTIONS

Related party balances consist of the following:

(a) Due from related parties

	The Group and the Company	
Convenience Store:	2019 $'000	2018 $'000
Opening balance:	8,166	7,308
Purchases during the year	10,089	12,965
Amounts repaid based on invoices	(5,775)	(12,107)
Balance at the end of the year	12,480	8,166

The Convenience Store is an entity owned by a director. The balance is included in receivables on the Statement of Financial Position.

(b) Key management personnel

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

Derrimon Trading Company Limited

Notes to the Financial Statements

31 December 2019

19. RELATED PARTIES AND RELATED PARTIES TRANSACTIONS (CONTINUED)

(c) Transactions with related parties

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Remuneration paid to directors	85,445	61,482	48,927	36,687
Management fees received from subsidiary	-	(5,500)	-	(5,500)
Professional fees paid to a director for legal services	3,126	3,192	3,126	3,192
Fees paid to directors	1,275	1,170	780	360

Due to/(from) CFFL

	2019	2018
	$'000	$'000
Credit risk exposures are as follows:		
Opening balance:	-	-
Amounts loaned during the year	56,572	289,060
Amounts repaid during the year	(56,572)	(289,060)
Balance at the end of the year	-	-

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

20. INVESTMENTS

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Bonds	4,956	4,956	4,956	4,956
Bonds – (US$)	6,865	-	6,865	-
Scotia Investment Funds	173,185	-	-	-
Jamaica Money Market Brokers Limited (US$)	21,531	106,639	-	-
NCB Capital Markets (US $)	51,189	49,393	1,636	1,636
Mayberry Structured: Corporate Paper (MSCP)	22,873	9,144	17,873	9,144
	280,599	170,132	31,330	15,736

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

Derrimon Trading Company Limited
Notes to the Financial Statements
31 December 2019

21. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Foreign currency accounts	48,872	25,133	41,306	12,811
Cash in hand and Jamaican dollar accounts	460,755	363,618	450,240	285,728
	509,627	388,751	491,546	298,539

The weighted average effective interest rate on Jamaican dollar and US dollar short term deposits was 1.1% (2018 – 2%) and 0.098% (2018 – 1%) respectively. These represent call deposits which are repayable on demand.

22. PAYABLES

	The Group		The Company	
	2019 $ $'000	2018 $ $'000	2019 $ $'000	2018 $ $'000
Local payables and accruals	762,848	975,339	700,135	953,013
Foreign trade payables	194,851	140,733	189,841	120,121
Staff related payables	6,951	19,577	5,339	7,579
Statutory liabilities	12,196	13,895	7,535	9,832
	976,846	1,149,544	902,850	1,090,545

23. SHORT TERM LOANS

	The Group		The Company	
	2019 $ $'000	2018 $ $'000	2019 $ $'000	2018 $ $'000
Credit lines with various financial institutions	536,316	736,416	535,000	736,416

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

Derrimon Trading Company Limited
Notes to the Financial Statements
31 December 2019

24. NON –CONTROLLING INTEREST

	The Group	
	2019 $ $'000	2018 $ $'000
Non- controlling interest in CFFL subsidiary	163,382	162,597

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

Summarized statement of financial position included in the consolidated Group results:

	The Group	
	2019 $ $'000	2018 $ $'000
Current -		
Assets	463,587	453,273
Liabilities-	50,880	45,601
Non- current net assets	99,634	21,196
Net asset	512,341	428,868

Summarised comprehensive income included in the consolidated Group results:

	The Group	
	2019 $ $'000	2018 $ $'000
Revenue	462,462	674,298
Cost of sales	(323,302)	(432,190)
Profit before tax	36,807	118,085
Dividends paid to non-controlling interest	8,538	8,538

Derrimon Trading Company Limited
Notes to the Financial Statements
31 December 2019

24. NON –CONTROLLING INTEREST (CONTINUED)

Summarised cash flows included in the consolidated Group results:

	The Group	
	2019 $'000	2018 $'000
Cash generated from operations	33,501	46,912
Net cash generated from operating activities-		
Net cash used in investing activities	(148,619)	(25,160)
Net cash (used in)/provided by financing activities	61,032	(23,948)
Net (decrease)/increase in cash and cash equivalents	(54,086)	(2,196)
Cash and cash equivalents at the beginning of the year	65,632	67,828
Cash and cash equivalents at the end of the year	11,546	65,632

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

25. BORROWINGS

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
i) 7.5% Mayberry- J$100M	92,380	-	92,380	-
ii) 8.49% Bank of Nova Scotia	21,098	5,520	3,565	5,520
iii) 9.69% National Commercial Bank (NCB)	1,489	2,371	1,489	2,371
iv) 10% First Global Bank (FGB)	1,414	2,856	1,414	2,856
v) Director's loan	-	6,000	-	6,000
vi) 9% Redeemable Preference Shares	350,000	350,000	350,000	350,000
vii) 12% National Commercial Bank	131	1,348	131	1,348
viii) Mayberry- Margin A/C	122,169	-	122,169	-
ix) 7.25% Sagicor $21M	20,271	-	20,271	-
x) 7.25% Sagicor $355M	338,470	-	338,470	-
xi) 8.35%-10% FGB Loan	6,518	10,902	1,685	3,473
xii) 7.25% Sagicor Loan	227,264	243,621	227,264	243,621
xiii) 7.25% FGB Loan	272,903	292,485	272,903	292,485
xiv) 9.5% Jamaica National (JN) Loan	5,256	5,794	5,256	5,794
xv) 9.5% JN Loan	6,214	6,882	6,214	6,882
xvi) 9.5% JN Loan	4,018	4,515	4,018	4,515
xvii) 7.75% JMMB Loan	285,696	-	285,696	-
xviii) 7.25 % Sagicor $100M	98,160	-	98,160	-
Total Borrowings	1,853,451	932,294	1,831,085	924,865
Less: current portion	(122,448)	(69,636)	(119,629)	(67,105)
	1,731,003	862,658	1,711,454	857,760
xix): Lease Liability	1,070,873	-	974,416	-
Less: current portion	(70,601)	-	(66,302)	-
	1,000,272	-	908,116	-

25. BORROWINGS (CONTINUED)

i) This represents a promissory note to be repaid at March 20, 2021

ii) The 8.49% BNS loan monthly repayment is $177,735 and the final payment is scheduled for October 2022

iii) The 9.69% is payable in monthly installments of $73,480, and the final payment is scheduled for June 2022.

iv) The 10% FGB loan is repayable by monthly installment of $148,770 and the final payment is scheduled for September 2020.

v) During the year, the director's loan was repaid.

vi) The 11.75% Redeemable Preference Shares were issued in March 2015 and was redeemed in full in March 2018. The funds raised were used to pay off credit line along with certain shareholders loans and to provide working capital support. During the year, this loan was upsized to $350 million at a reduced rate of 9%

vii) The 12% loan is payable by monthly installments of $50,693 and the final payment is scheduled for May 2020.

viii) This balance represents a margin facility held with Mayberry Investment Limited.

ix) This balance represents a demand loan associated with the refinancing of the full cost associated with the purchase of Woodcats International Limited. The loan is repayable in monthly installments of $246,542 up to 10 years.

x) This represents a demand loan, used to re-finance the bridge loan obtained from Mayberry to acquire Woodcats International Limited. The loan is repayable up to 10 years at $4,167,737 monthly.

xi) The 8.35% - 10% FGB loans were used to purchase motor vehicles and are secured by the said vehicles.

xii) The 7.25% Sagicor loan was used to liquidate bonds at higher rates of interest.

xiii) The 7.25 FCB loan was used to liquidate the 11.25% bond. This loan was re-negotiated with monthly repayments of $3,566,971 up to 8years.

xiv) The 9.5% JN loans were used to purchase motor vehicles.

xv) The 9.5% JN loans were used to purchase motor vehicles

xvi) The 9.5% JN loans were used to purchase motor vehicles

xvii) This balance is comprised of:

(a) 7.75% term loan of $258,800,000 used to refinance US Dollar credit facilities and higher interest term facilities and is re-payable at a monthly installment of $4,001,553.

(b) revolving line of credit of $41,200,000 to provide working capital support at an interest rate of 7.75% per annum.

xviii) This is an amortizing term loan used for renovation and capital expenditure for Sampars stores and information technology capital projects. The loan is repayable up to 9 years with a monthly installment of $1,521,518.

The loans are secured by registered charges over real estate and motor vehicles owned by DTCL, guarantees of certain shareholders, shares of subsidiary, investments and cash deposits.

Derrimon Trading Company Limited

Notes to the Financial Statements

31 December 2019

25. BORROWINGS (CONTINUED)

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

xix) **LEASE LIABILITY**

Right-of-use Assets, blended principal and interest payments (rent payments) are made monthly in the amount of $14,157,887 interest is charged at 7.25%, maturing in 2039.

Principal amounts payable:

-Current portion	$ 70,601,400
-Long-term	$1,000,272,106
	$1,070,873,506

Principal repayments for each of the next five years:

2020	$ 70,601,400
2021	$ 75,893,561
2022	$ 81,582,413
2023	$ 66,487,807
2024-2039	$776,232,324

26. BANK OVERDRAFT

As at 31 December 2019, the company had no bank account in an overdrawn position.

27. SHARE CAPITAL

	Number of shares	Ordinary shares $ $'000
Issued and fully paid:		
At 31 December 2019	2,733,360,670	140,044

The Board of Directors met in November 2019 and approved the payment of a dividend of $0.01 per share to shareholders on record as at 29 November 2019. The payment was made in December 2019.

Derrimon Trading Company Limited
Notes to the Financial Statements
31 December 2019

28. OPERATING PROFIT BEFORE TAXATION

The following items have been charged/(received) in arriving at operating profit before taxation:

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Auditors' remuneration	7,882	6,628	4,200	3,700
Directors' emoluments:				
Fees	1,275	1,170	780	360
Management remuneration	85,445	61,482	48,927	36,687
Bad debts written off	29,335	12,701	29,335	6,846
Management fees to Parent Company	-	(5,500)	-	(5,500)
Inventory written off during the year	3,339	-	3,339	-
Depreciation	67,088	61,575	51,967	49,498
Depreciation- right of issue	96,618	-	90,918	-
Staff costs (including management remuneration)	799,031	622,971	668,164	409,814

29. CAPITAL AND RISK MANAGEMENT

Capital Management:

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

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.

29. CAPITAL AND RISK MANAGEMENT (CONTINUED)

During 2019, the Group's strategy, which was in principle unchanged from 2018, was to maintain the gearing ratio below 100%. The gearing ratios at 31 December 2019 and 31 December 2018 were as follows:

	The Group		The Company	
	31 Dec 2019 $'000	31 Dec 2018 $'000	31 Dec 2019 $'000	31 Dec 2018 $'000
Total borrowings (excluding lease liability)	2,389,767	1,668,710	2,366,083	1,661,280
Capital and borrowings	3,565,642	2,566,980	3,577,003	2,644,491
Gearing ratio	67%	65%	66%	63%

The Company continues to use debt financing to expand its operations. There have been no significant changes to the Group's overall approach to capital management during the year.

Risk Management:

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

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

Audit Committee

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

a) Market risk

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

29. CAPITAL AND RISK MANAGEMENT (CONTINUED)

Audit Committee (continued)

a) Market risk (continued)

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

i. Commodity Price risk

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

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

ii. Currency risk

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

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

Derrimon Trading Company Limited

29. CAPITAL AND RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

ii. Currency risk (continued)

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

As at 31 December 2019, the Group had net foreign currency liabilities of US$1.7 Million (2018-US$1.6 Million) which were subject to foreign exchange rate changes as follows:

Concentrations of currency risks

	The Group		The Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Foreign currency financial assets:				
Cash equivalents and investments	413	101	356	101
Foreign currency financial liabilities:				
Payables and accruals	(2,284)	(953)	(2,111)	(953)
Borrowings	-	(792)	-	(792)
	(2,284)	(1,745)	(2,111)	(1,745)
Total net foreign currency liabilities	(1,870)	(1,644)	(1,755)	(1,644)

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

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

	2019 J$	2018 J$
31 December 2019: exchange rate 1US$	132.57	126.00

29. CAPITAL AND RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

Foreign currency sensitivity analysis

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

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

A 5% (2018-5%) weakening of the Jamaican dollar, with all other variables remaining constant, in particular interest rates, would result in a loss of approximately $12.4 Million (2018 - $10.3 Million) to the Group if all outstanding foreign liabilities are settled at the depreciated rate of the Jamaican dollar. A 5% appreciation of the Jamaican dollar under similar circumstances would result in a profit of $12.4 Million (2018- $10.3Million).

iii. Interest rate risk

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

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

29. CAPITAL AND RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

iii. Interest rate risk (continued)

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

Interest rate sensitivity

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

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

Derrimon Trading Company Limited

29. CAPITAL AND RISK MANAGEMENT (CONTINUED)

(b) Credit risk

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

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

i. Cash, deposits and investments

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

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

ii. Receivables

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

Derrimon Trading Company Limited

Notes to the Financial Statements

31 December 2019

29. CAPITAL AND RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

ii. Receivables (continued)

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

Trade receivables that are less than 90 days past due are not considered impaired. As of 31 December 2019, trade receivables of $327,835 (2018 - $365,365) were reviewed for impairment and a provision of $32,812 (2018 - $31,181) was considered necessary.

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

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Past due 31 to 60 days	157,611	179,189	110,498	110,853
Past due 61 to 90 days	67,653	52,462	63,225	35,608
Past due over 90 days	102,571	51,123	92,594	42,177
	327,835	365,365	266,316	188,638

Management does not consider that any additional provision is required for long outstanding balances due to the Group or Company, especially those over 90 days as all doubtful balances were written off during the year.

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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Supermarket chains	174,489	157,066	174,489	157,066
Wholesale and retail distributors	655,532	622,827	600,164	540,236
Government entities	18,069	16,265	18,069	16,265
Manufactures	77,600	92,929	-	-
Other	34,236	25,282	28,086	25,282
	959,926	914,369	820,808	738,849
Overseas	6,926	6,233	6,926	6,233
Total (see note 18)	966,852	920,602	827,734	745,082

Overseas customers mainly relate to customers in the United States and the United Kingdom and represent approximately 0.72% (2018 - 0.84%) 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, in the Groups exposure to credit risk or the manner in which it manages and measures the risk.

Derrimon Trading Company Limited

29. CAPITAL AND RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

iii. Total exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was $2.9 Billion (2018- $1.7 Billion) representing the balances as at 31 December 2019 for cash and short-term deposits, investments and receivables as reported in the statement of financial position of the Group.

(c) Liquidity risk

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

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

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

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

iii. Maintaining committed lines of credit.

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

At 31 December 2019, the Company's three (3) largest credit suppliers amounted to approximately 41% (2018 - 20%) of the total annual purchases of the Company for the year ended 31 December 2019. Management continues to try to diversify the base of its credit suppliers on a regional basis as well as within intra-geographical regions within the markets in which the Company's major suppliers operate. In addition, the Company's supply chain has been expanded through forging of a new relationship with a major international commodity broker who helps to reduce the risk of depending on a few major suppliers.

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

Derrimon Trading Company Limited
Notes to the Financial Statements
31 December 2019

29. CAPITAL AND RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

Undiscounted contractual cash flows of financial liabilities

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

Maturity Profile of the Group
2019

	Within 1 year 2019 $'000	Within 1 to 5 years 2019 $'000	Over 5 years 2019 $'000
Long-term loans	122,448	1,072,896	1,728,980
Lease liability	70,601	290,452	709,745
Short term loans	536,316	536,316	-
Payables and accruals	976,846	-	-
Total	1,706,211	1,899,644	2,438,725

Maturity Profile of the Group
2018

	Within 1 year 2018 $'000	Within 1 to 5years 2018 $'000	Over 5 years 2018 $'000
Long-term loans	67,105	321,654	543,535
Short term loans	736,416	736,416	-
Payables and accruals	1,149,544	-	-
Total	1,953,065	1,058,070	543,535

Maturity Profile of the Company
2019

	Within 1 year 2018 $'000	Within 1 to 5years 2018 $'000	Over 5 years 2018 $'000
Long-term loans	119,629	1,039,396	1,646,476
Lease liability	66,602	333,010	574,806
Short term loans	535,000	535,000	-
Payables and accruals	902,850	-	-
Total	1,624,081	1,907,406	2,221,282

Maturity Profile of the Company
2018

	Within 1 year 2017 $'000	Within 1 to 5years 2017 $'000	Over 5 years 2017 $'000
Long-term loans	67,105	857,760	-
Short term loans	736,416	736,416	-
Payables and accruals	1,090,545	-	-
Total	1,894,066	857,760	-

29. CAPITAL AND RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

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

Off-balance sheet items – Commitments

(I) The Company has registered bills of sale over real estate and motor vehicles along with demand debentures to cover asset amounting to $1.6 Billion.
(II) The Group has no significant capital commitments that have been authorized at 31 December 2019.
(III) The Group has long term obligations under long term operating leases for premises. See note 25, borrowings for the future liability of minimum lease payments.

(d) Reputational Risk

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

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

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

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical instruments. The fair value of financial instruments traded in active markets is based on quoted market prices at the yearend, 31 December 2019. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and frequently occurring market transactions on an arm's length basis. The quoted market price used for financial assets is the current bid price.

At 31 December 2019, these instruments are quoted investment securities (Note 20) which are grouped in level 1.

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

The Group has no financial assets grouped in levels 3.

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

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

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

31. CONTINGENT LIABILITIES

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

I. The Group and Company's attorneys that routinely act on behalf of the Group, by letter dated 12 February 2020, reported with regards to the Company's year ended 31 December 2019, as follows:

- They were not aware of any judgment or settlement or any actual pending or threatened litigation or claim, nor of any outstanding, actual, pending or threatened litigation
- They were not aware of any outstanding tax or other claims against the Company whether pending or threatened nor are they aware of any other contingent liability against the Company.
- 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

II. Management reported that the Company had no outstanding significant capital commitments in respect of projects being undertaken, nor was there any off-balance sheet transactions as at 31 December 2019 (31 December 2018 - $NIL).

III. As at 31 December 2019, as far as the Board of Directors of the Company are aware, there were no significant legal claims threatened against the Company.

IV. As at 31 December 2019, under the 2016 Income Tax (Amended) Act, as a result of the listing of both DTCL and its subsidiary, CFFL, on the Junior Market of the Jamaican Stock Exchange, The Group has potential contingent liabilities of approximately $270 Million in regards to income tax remissions.

32. SUBSEQUENT EVENTS

At 31 December 2019, to the best of management's knowledge and belief, they were not aware of any events that occurred after the statement of financial position date and through to the date of approval of these financial statements that would require adjustment to or disclosure in the aforementioned financial statements. Also, they were not aware of any event or matter, although not affecting such financial statements or disclosures, have caused or are likely to cause any material change, adverse or otherwise, in the financial position or results of operations of the Company.