



Consolidated Statements of Derrimon Trading Company Limited

Report to Stockholders

Nine (9) months ended September 30, 2019

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

Financial Highlights

Consolidated Group

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

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

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

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

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

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

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

Core Activity

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

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

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

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

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

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

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

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

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

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

We thank our employees for their commitment and dedication as well as our shareholders, customers and other stakeholders for their support as we continue to expand our business and bring greater value to all parties.



Derrick Cotterell
Chairman/Chief Executive Officer



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

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

* Restated due to stock split of 10:1

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

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

* Restated due to stock split of 10:1

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

	Notes	Company Unaudited Derrimon Nine Months September 30 <u>2019</u> <u>\$'000</u>	Company Unaudited Derrimon Nine Months September 30 <u>2018</u> <u>\$'000</u>	Group Unaudited Consolidated Nine months ended September 30 <u>2019</u> <u>\$'000</u>	Group Unaudited Consolidated Nine months ended September 30 <u>2018</u> <u>\$'000</u>	Company Audited year ended December 31 <u>2018</u> <u>\$'000</u>	Group Audited year ended December 31 <u>2018</u> <u>\$'000</u>
ASSETS							
Non-current assets:							
Fixed Assets	3h	376,779	420,104	476,451	442,870	380,199	457,651
Goodwill	8	33,220	33,220	163,940	33,220	33,220	163,940
Intangible	8	-	-	233,478	239,239	-	233,478
Investment		-	-	-	-	148,351	-
Investment in Subsidiary		948,426	796,922	160,278	358,203	793,722	180,411
Current assets:							
Receivables and prepayments		1,180,939	973,319	1,437,102	1,053,465	953,980	1,166,946
Inventories		1,096,573	965,225	1,321,938	1,096,781	1,111,289	1,280,787
Related parties		-	-	-	-	-	-
Investment		30,610	114,569	243,153	311,396	15,736	170,132
Cash & bank		436,743	160,774	483,463	185,330	298,539	388,751
Tax recoverable		-	-	-	5,936	-	5,999
		2,744,865	2,213,887	3,485,656	2,652,908	2,379,544	3,012,615
Current Liabilities:							
Payables		750,953	895,421	803,413	924,921	1,090,545	1,149,544
Short term loans		127,966	-	127,966	-	736,416	736,416
Current portion of long term		508,000	621,413	508,000	621,413	67,105	69,636
Bank overdraft		-	-	-	-	-	8,525
		1,386,919	1,516,834	1,439,379	1,546,334	1,894,066	1,964,121
Net current assets		1,357,946	697,053	2,046,277	1,106,574	485,478	1,048,494
Total assets less current liabilities		2,716,371	1,947,299	3,080,424	2,180,106	1,840,970	2,083,974
Equity							
Issued capital		140,044	140,044	140,044	140,044	140,044	140,044
Non-controlling interest		-	-	180,171	160,946	-	162,597
Retained earnings		864,501	661,730	1,023,891	725,068	747,914	820,343
Investment revaluation reserve		614	614	614	614	614	614
Capital Reserve		94,638	133,053	94,638	133,053	94,638	94,638
		1,099,797	935,441	1,439,358	1,159,725	983,210	1,218,236
Non Current Liability:							
Borrowings		1,616,574	1,011,858	1,641,066	1,020,381	857,760	862,658
Deferred tax liability		-	-	-	-	-	3,080
		1,616,574	1,011,858	1,641,066	1,020,381	857,760	865,738
Total equity and non-current liabilities		2,716,371	1,947,299	3,080,424	2,180,106	1,840,970	2,083,974

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



Derrick Cotterell
Chairman



Ian Kelly
Director

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

Attributable to the Company's Shareholders

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

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

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

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

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

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

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

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

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

Notes to the Unaudited Financial Statements

Nine (9) Months Ended September 30, 2019

1. IDENTIFICATION AND PRINCIPAL ACTIVITIES

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

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

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

2. BASIS OF PREPARATION

Statement of Compliance

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

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

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

2. BASIS OF PREPARATION (continued)

Critical Accounting Estimates and Judgements in Applying Accounting Policies.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Depreciable assets

Estimates of the useful life and the residual value of property, plant and equipment are required in order to apply an adequate rate of transferring the economic benefits embodied in these assets in the relevant periods. The Company applies a variety of methods in an effort to arrive at these estimates from which actual results may vary. Actual variations in estimated useful lives and residual values are reflected in profit or loss through impairment or adjusted depreciation provisions.

b) Allowance for losses

In determining amounts recorded for allowance for losses in the financial statements, management makes judgments regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from accounts receivable and other financial assets from conditions such as repayment default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired assets, including the net realizable value of underlying collateral, as well as the timing of such cash flows. The adequacy of the allowance depends on the accuracy of these judgments and estimates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Basis of consolidation of divisional accounts

These consolidated financial statements include the accounts of Derrimon Trading Company Limited (DTCL) and entities it controls. An entity is controlled when the Company has the ability to direct the relevant activities of the entity, has exposure or rights to variable returns from its involvement with the entity, and is able to use its power over the entity to affect its returns from the entity. The results of the Group's subsidiaries have been prepared to align with the Group's reporting date.

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

Income or loss and each component of Other Comprehensive (OCI) are attributed to the shareholders of the Company and to the non-controlling interests. Total comprehensive income is attributed to the shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance on consolidation.

The consolidated financial statements include the financial statements of the Company and its holdings in Select Grocers and its subsidiaries, CFFL and Woodcats International Company Limited as follows:

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

d) Joint arrangement

A joint arrangement is an arrangement in which two or more parties have joint control.

Joint control is the contractually agreed sharing of control whereby decisions about relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is classified as a joint operation when the parties that has joint control of the arrangement have rights to the assets and obligations for the liabilities related to the arrangement. The Company records its share of the joint operation's assets, liabilities, revenues and expenses.

e) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Any Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognized amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of the identifiable net assets. If the fair values of the identifiable net assets exceed the sum calculated above, the excess amount i.e., gain on a bargain purchase, is recognized in profit or loss immediately. Transaction costs that the Company incurs in connection with a business combination are expensed immediately.

f) Comparative information

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

g) Segment reporting

An operating segment is a component of the Company:

- a. That engages in business activities from which it may earn revenues and incur expenses (including intra-company revenues and expenses),
- b. Whose operating results are regularly reviewed by the Company's Board of Directors to make decisions about resources to be allocated to the segment and assess its performance, and
- c. For which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year. Management considers the Company to have three (3) strategic business units which offer differentiated volume and price to its customers.

The primary operating segments (reportable business units) are:

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Segmental Financial Information

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Valuation of property, plant and equipment

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

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

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

i) Depreciation and amortization

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

j) Revenue recognition

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

The Company recognizes revenue in the income statement when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company, where the significant risks and rewards of ownership have been transferred to the buyer and specific criteria have been met in relation to the Company's activities as described below:

Sale of goods

Sales are recognized upon delivery of products and customer acceptance of the products and collectability of the related receivables is reasonably assured.

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

k) Foreign currency translation

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

Transactions and balances

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

l) Trade receivables

Trade receivables are carried at original invoice amounts less provision made for impairment of these receivables. The Company's policy is not to provide credit beyond thirty (30) days. If customers do not comply with the credit terms and limits, supplies are discontinued. A provision for impairment of these receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the transactions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Business combination

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

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

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

4. TAXATION

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

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

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

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

5. EARNINGS PER STOCK UNIT

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

6. SHARE CAPITAL

2019

2018

Authorised:

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

Issued and fully paid:

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

transaction costs

140,044,436

140,044,436

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

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

Control of Caribbean Flavours and Fragrances Limited (CFFL)

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

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

	\$'000
Amount settled in cash	105,206
Fair value of equity shares issued	
Fair value of contingent consideration	
Total	105,206
Effect of settlement of pre-existing relationship	
Fair value of consideration transferred	105,206
Fair value of previously held investment in CFFL	400,953
Fair value of non-controlling interest in CFFL	78,373
	584,533
Recognised amounts of identifiable net assets:	
Fixed assets, net	15,513
Investments	160,303
Receivables, net	44,044
Inventories	86,800
Prepayments	1,784
Cash and bank	43,203
Taxation recoverable	3,153
Payables and Accruals	(29,061)
Borrowings	(11,997)
Net identifiable assets and liabilities	313,743
Intangible assets	270,790
Impact of the 13% resale of CFFL shares	(14,267)
Revised intangible assets	256,523

Consideration transferred

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

Previously held investment in CFFL

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

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

Non-controlling interest in CFFL

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

Identifiable net assets

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

Goodwill and Intangible assets

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

Changes in goodwill

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

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

8. INTANGIBLE ASSETS

	The Group 2018		The Company Goodwill	
	Product formulations and customer relationships \$'000	Goodwill \$'000	2018 \$'000	2017 \$'000
Cost-				
At 1 January 2018	256,523	33,220	33,220	15,220
Movement during year	(23,045)	130,720	-	18,000
Acquisition of business	233,478	163,940	-	33,220
31 December 2018	233,478	163,940	33,220	33,220

There were no changes to intangible assets for the period ending September 30, 2019.

DERRIMON TRADING

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

Top (10) Stockholders	Number of Shares Held
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Derrick Cotterell	1,113,797,633
Mayberry Jamaica Equities Limited	410,163,174
Monique Cotterell	400,000,000
Ian C. Kelly	157,373,169
Estate of E. Cotterell (Deceased)	100,000,000
Winston Thomas	72,351,180
Sagikor Pooled Equity Fund	58,756,920
JCSD Trustee Services – Sigma Global Venture	36,962,100
Nigel Coke	30,802,960
JCSD Trustee Services Limited A/C Barita Unit Trust Capital Growth Fund	29,296,656

Directors

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

DERRIMON TRADING

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

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