DERRIMON TRADING CO. LTD.

FINANCIAL RESULTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

Consolidated Profit of $420.92M

Report to Stockholders
Nine (9) months ended September 30, 2021

The Board of Directors is pleased to report the unaudited results of the Company for the Nine (9) months ended September 30, 2021 and to report on the performance of the Group

Group Highlights of Q3 and 9 Months Performance - 2021

	Current Quarter			Year to Date		
	September 30, 2021 $'000	September 30, 2020 $'000	Change	September 30, 2021 $'000	September 30, 2020 $'000	% Change
Revenue	4,143,313	3,315,390	24.97%	12,195,721	9,618,342	26.80%
Gross Profit	819,964	640,944	27.93%	2,358,833	1,840,508	28.16%
EBITDA	300,656	202,075	48.78%	866,665`1	564,702	53.47%
Net Profit	133,980	90,699	47.72%	419,788	280,662	49.57%
Net Profit attributable to shareholders	128,828	85,105	51.38%	398,324	260,346	53.00%
Earnings Per Share	0.030	0.031	-4.52%	0.092	0.095	-3.49%

The nine (9) months consolidated results for Derrimon Trading Company Limited reported revenue of $12.196 billion which is $2.577 billion more than the $9.618 billion reported for the corresponding nine (9) months period in 2020. The growth in revenue was driven largely by the recovery in our local subsidiaries and the addition of our overseas subsidiaries as well as improvement shown in our core business. The revenue generated for the reporting period is $4.143B and surpass our record quarterly performance of $3.315B posted at Q3 2020. This growth of 24.97% or $827.923 million can be attributed not only to the acquisition of the New York subsidiary in Q1 2021 but also to improved contribution from Caribbean Flavours and Fragrances Limited (CFF), the record performance by Woodcats International Limited and steady growth within the Distribution and Retail segments. This performance is commendable considering the continued difficulties faced from logistics and shipping costs as well as the loss of sixteen (16) business days caused by lockdowns experienced in Jamaica during the quarter.

The Group reported gross profit of $2.359 billion which represents an increase of $518.325 million or 28.16% above the $1.841 billion reported for the comparative period last year. The gross profit margin remained flat around 19 per cent as the company experienced higher raw material and commodity costs across all segments of the business during the period.

Consolidated operating expenses for the nine (9) months period was $1.891 billion representing an increase of $448.890 million or 31.13% over the $1.44 billion reported for the same period in 2020. The consolidation of our new subsidiary and higher electricity costs, lease payments, salaries and rent costs were the main drivers for this line item increase.

Finance costs for the nine months was $80.522 million or 44.86% below the $146.035 million reported at the end of September 2020. With the reduction to our debt portfolio including the redemption of the preference shares, our interest expense declined by a similar level. The Company will utilize debt as it deems necessary in the future for specific projects.

The consolidated profit before tax earned for this reporting period was $464.946 million, an increase of $149.446 million or 47.37% over the $315.500 million reported for the corresponding period in 2020. The Group's consolidated net profit was $419.788 million which was an increase of $139.126 million or 49.57% above the $280.662 million reported for the corresponding period in 2020. The net profit attributable to shareholders was $398.324 million which was a 53.00% improvement over the corresponding period in 2020. This net profit surpassed our full year results for 2020 and represents the Group's best financial performance to date.

The consolidated total assets less current liabilities was $8.071 billion compared to the $3.889 billion reported for the corresponding period in 2020. The consolidation of the investment in Marnock LLC, expenditure made on the new Select Grocers Supermarket and the injection of cash from our additional public offering are the main drivers for this improvement. Group cash and bank balances ended the period at $552.691 million which leaves us with adequate capital to navigate potential market shocks. Equity attributable to shareholders was $5.519 billion relative to the $1.427 billion in the corresponding period in 2020.

Core Activity

The nine (9) months result of the distribution and retail arms of the business (core) recorded revenue of $11.240 billion which is a 28.58% increase when compared to the $8.741 billion earned in the corresponding period last year. For the third quarter, revenue generated from core activity was $3.786 billion representing an increase of 24.96% when compared to the $3.030 billion reported for the similar reporting period in 2020. These results were achieved despite the reduction of business days during the quarter due to new Covid measures imposed by the Government of Jamaica . Our inability to deliver goods to our customers due to non-movement days and early closure coupled by the economic realities within the market negatively impacted our business performance. Despite these challenges, our manoeuvring strategies and approaches taken to satisfy our customers yield positive results for us during this reporting period.

Gross profit from these Divisions for the nine (9) months period was $2.048 billion which represents a $463.877 million (29.28%) increase above the $1.584 billion reported for the similar period in 2020. It should be noted that the reported gross profit from core activities during this nine months surpassed the $2.03 billion earned and reported for the entire 2020 financial year.

Operating Expenses for the nine (9) months period was $1.710 billion which was $412.464 million (31.80%) above the $1.297 billion reported for the comparative period last year. For the third quarter, operating expenses was $610.724 million which was $153.110 million (33.46%) above the expenses incurred for the similar period in 2020.

Finance charges from core activities for the nine (9) months period was $80.522 million which is down by $64.042 million (44.30%) from the $144.564 million reported in September 2020. For the three (3) months ending September 30, 2021, the finance cost was $34.116 million which was $14.072 million (29.20%) lower on a year over year comparison.

Pre-tax Profit recorded for the nine (9) months period was $321.266 million representing a $129.592 million (67.61%) increase over the $191.674 million reported for the corresponding period in 2020. For the third quarter, pre-tax profit totalled $76.392 million. This was slightly higher than the $72.609 million recorded in the corresponding period last year.

Net profit for the nine (9) months period was $281.108 million which was $113.393 million (67.61%) above the $167.715 million reported for the same period last year. For the third quarter, core operations generated net profit of $66.843 million which was marginally above the $63.533 million reported for the similar period in 2020.

Total Assets less Current Liabilities for the Company was at $7.711 billion or $4.096 billion (113%) more than the $3.615 billion reported for the similar period last year. With a focus on building a solid USD portfolio of investments, the company's investments totalled $719.212 million compared to the $31.863 million in the prior period. Payables increased to $1.560 billion while long term debt was significantly reduced from $1.442 billion to $1.204 billion as a result of our APO proceeds. Equity closed the period at $5.381 billion.

The performance recorded and reported in the third quarter and for the nine (9) months reporting period is an indication that the strategies of business diversification, currency diversification and industry integration are strategic pillars for the performance of the business. We grew our revenue despite the lockdowns which negatively impacts commercial activities and constrain the spending power of consumers.

Operating Environment During COVID-19

The Government of Jamaica (GOJ) has been adjusting its measures to limit not only the loss of life, but also the risk of the healthcare system collapsing. The main tool used to date is a nightly curfew, which ends at 5am daily.

The government removed the restrictions on Sundays in the last week of October with the curfew time remaining at 8 pm. Although this means that there is less pressure on our operations to operate in a 6-day work week, we cannot take this for granted as COVID-19 remains a threat to the country and by extension most businesses. The current measures are set to be revised on December 10 with any potential surge in cases being a possible trigger for the government to tighten the restrictions once again.

Some schools will be reopening in a physical setting as of November 8 which will allow for some of our customers to benefit from the demand which is expected to come from students being in school. This action could positively influenced our business.

Currency Risk – The Jamaican Dollar (JMD) faced severe volatility against the major foreign currencies in the weeks after the reporting period. The JMD depreciated by 5.03% in the month of October moving from $147.24 to $154.65. As most of our inputs are sourced from overseas, this creates additional cost when we import these goods. The company continues to maintain an adequate balance of foreign exchange relative to our JMD bank holdings. By maintaining our current position plus exporting more to other markets, we've limited some of the risks that come with the depreciation of the local currency.

Supply Chain Risk – The COVID-19 pandemic has totally disrupted the global supply chain and created bottlenecks in the globalized network of trade. Some inputs from markets like China are taking an extra month or two with shipping costs rising exorbitantly, largely from the jump in shipping container costs from an average of US $3,000 in 2020 to US $25,000 in 2021. Some of our key inputs have been slightly affected from these supply chain disruptions. We have been purchasing more inventory to mitigate against the delay in receiving raw materials from suppliers. Though this limits any short term impact to our business, it does mean better inventory management to limit any new risk from holding extra

Market Performance

	September 30, 2021	September 30, 2020	Percentage
DTL Stock Price	$2.28	$2.91	-21.65%
Junior Market Index	3,296.35	2,555.68	28.98%
JSE Manufacturing and Distribution Index	105.15	75.31	39.62%
Market Capitalization	$10.34 Billion	$7.95 Billion	30.06%
Number of Shares	4,533,360,670	2,733,360,670	65.85%

Derrimon's stock price was impacted sharply in 2020 due to the pandemic's negative side effects on the performance of the overall stock market. The company's price experienced a sharp surge in Q3 2020 with an all-time high of $3.10 being set. During Q3 2021, Derrimon's price declined by 9.88% to $2.28. This price is 21.65% lower on a year over year basis.

The company's issued share capital rose significantly to 4.53 billion shares due to our APO at the start of the year. Despite the company's stock performance lagging behind other market indices, the business has grown significantly with ambitious plans for 2022. The improvement in the JSE Manufacturing and Distribution Index along with the rise of the Junior Market Index point to investors choosing growth companies focused in the manufacturing and distribution space as the pandemic progresses.

The opening of our newest Select Grocers branch has been delayed by a couple months with an expectation for the location to be completed in the first quarter of 2022. This stems from the delay in receiving of necessary equipment to complete the build out of the location. We have been given a guarantee for the deliveries to arrive by January barring any extraordinary event.

Our Marnock business which comprise of FoodSaver New York and Good for Less continues to provide us with select opportunities in building out an overseas operation. We continue to provide constant support to the businesses and access the risks and supply chain challenges on a real time basis. Though we remain bullish on this acquisition, we remain cautious on the supply chain risk which is starting to affect some of our offerings. In line with our business plans, we will be bringing further integration of our Jamaican subsidiaries into this operation to extract further value from the North American market.

The Derrimon 2.0 vision is on track especially as we embark on this next decade of change and growth. Our new Refresh water brand which forms part of our growing portfolio of proprietary brands was well received by shareholders at our recent Annual General Meeting.

I thank our management and staff for their outstanding work in successfully managing through yet another challenging quarter and nine months period to deliver strong results for shareholders. I also thank our Board of Directors for their dedicated judgement and oversight.

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, 2021

	Notes	Group Unaudited Consolidated Three months ended September 30 2021 $'000	Group Unaudited Consolidated Three months ended September 30 2020 $'000	Group Unaudited Consolidated Nine months ended September 30 2021 $'000	Group Unaudited Consolidated Nine months ended September 30 2020 $'000	Group Audited year ended December 31 2020 $'000
Revenue						
Trading Income	**3h**	4,143,313	3,315,390	12,195,721	9,618,342	12,777,464
Less cost of sales		3,323,349	2,674,446	9,836,888	7,777,834	10,294,801
Gross Profit		819,964	640,944	2,358,833	1,840,508	2,482,663
Other Income		35,225	21,516	77,472	62,974	100,503
		855,189	662,460	2,436,305	1,903,482	2,583,166
Less operating expenses:						
Administrative		583,148	389,371	1,578,403	1,137,881	1,424,862
Selling & distribution		94,396	116,227	312,434	304,066	418,625
		677,544	505,598	1,890,837	1,441,947	1,843,487
Operating profits/ (loss) before finance charges		177,645	156,862	545,468	461,535	739,679
Less : finance cost		(34,116)	(54,912)	(80,522)	(146,035)	(384,490)
Profit before taxation		143,529	101,950	464,946	315,500	355,189
Taxation (Estimated)	**4**	9,549	11,251	45,158	34,838	44,100
Net Profit		133,980	90,699	419,788	280,662	311,089
Net Profit Attributable to:		-	-	-	-	
Shareholders of the company		128,828	85,105	398,324	260,346	279,834
Non-controlling interest		5,152	5,594	21,464	20,316	31,255
Total comprehensive income		133,980	90,699	419,788	280,662	311,089
Earnings per stock unit	**5**	0.030	0.031	0.092	0.095	0.102

Derrimon Trading Company Limited
Company Statement of Profit and Loss & Comprehensive Income
Nine Months Ended September 30, 2021

	Notes	Company Unaudited Derrimon Three months ended September 30 2021 $'000	Company Unaudited Derrimon Three months ended September 30 2020 $'000	Company Unaudited Derrimon Nine months ended September 30 2021 $'000	Company Unaudited Derrimon Nine months ended September 30 2020 $'000	Company Audited year ended December 31 2020 $'000
Revenue						
Trading Income	**3h**	3,785,629	3,029,564	11,239,527	8,741,391	11,637,878
Less cost of sales		3,096,811	2,470,951	9,191,583	7,157,324	9,608,914
Gross Profit		688,818	558,613	2,047,944	1,584,067	2,028,964
Other Income		32,414	19,798	63,424	49,287	26,864
		721,232	578,411	2,111,368	1,633,354	2,055,828
Less operating expenses:						
Administrative		517,545	341,461	1,399,961	995,241	1,098,451
Selling & distribution		93,179	116,153	309,619	301,875	404,861
		610,724	457,614	1,709,580	1,297,116	1,503,312
Operating profits/ (loss) before finance charges		110,508	120,797	401,788	336,238	552,516
Less : finance cost		(34,116)	(48,188)	(80,522)	(144,564)	(297,576)
Profit before taxation		76,392	72,609	321,266	191,674	254,940
Taxation (Estimated)	**4**	9,549	9,076	40,158	23,959	27,538
Net Profit		66,843	63,533	281,108	167,715	227,402
Total comprehensive income		66,843	63,533	281,108	167,715	227,402
Earnings per stock unit	**5**	0.015	0.023	0.065	0.061	0.083

Derrimon Trading Company Limited
Statement of Financial Position
Nine Months ended September 30, 2021

	Notes	Company Unaudited Derrimon Nine Months September 30 2021 $'000	Company Unaudited Derrimon Nine Months September 30 2020 $'000	Group Unaudited Consolidated Nine months ended September 30 2021 $'000	Group Unaudited Consolidated Nine months ended September 30 2020 $'000	Company Audited year ended December 31 2020 $'000	Group Audited year ended December 31 2020 $'000
ASSETS							
Non-current assets:							
Fixed Assets		715,730	416,353	880,775	517,897	426,725	537,785
Right of use assets		1,016,935	932,008	1,213,196	961,947	1,302,032	1,487,435
Intangible assets		33,220	33,220	438,643	182,120	33,220	438,643
Deferred tax asset		35,421		35,421		18,891	9,859
Investment		4,744	-	163,695	256,523	4,744	163,695
Investment in Subsidiary		2,547,381	942,541	1,373,184	-	942,541	-
Current assets:							
Receivables and prepayments		1,925,458	1,232,055	2,314,634	1,456,388	1,691,442	1,874,810
Inventories		2,212,110	1,563,213	2,440,780	1,785,685	1,975,934	2,186,560
Investment		719,212	31,863	834,756	301,125		
Cash & bank		515,357	201,156	552,691	254,725	504,159	717,027
Tax recoverable			-	3,225	3,156		
		5,372,137	3,028,287	6,146,086	3,801,079	4,171,535	4,778,397
Current Liabilities:							
Payables		1,560,037	830,047	1,690,894	911,262	649,903	718,109
Short term loans		386,784	343,802	386,784	343,802	1,056,013	1,056,013
Current portion of long term loan		20,857	543,379	20,857	546,198	166,847	179,231
Current portion of lease Liability		19,146	20,292	23,794	23,673	153,174	165,538
Taxation payable		27,624	-	27,624	5,742	22,763	33,132
Bank overdraft			-	-	-	56,098	56,098
		2,014,448	1,737,520	2,149,953	1,830,677	2,104,798	2,208,121
Net current assets		3,357,689	1,290,767	3,996,133	1,970,402	2,066,737	2,570,276
Total assets less current liabilities		7,711,120	3,614,889	8,101,047	3,888,889	4,794,890	5,207,693
Equity							
Issued capital		3,863,848	140,044	3,863,848	140,044	140,044	140,044
Non-controlling interest			-	185,687	166,962	-	178,235
Retained earnings		1,421,934	1,115,697	1,588,730	1,191,664	1,140,826	1,190,406
Investment revaluation reserve		614	614	614	614	614	614
Capital Reserve		94,638	94,638	94,638	94,638	94,638	94,638
		5,381,034	1,350,993	5,733,517	1,593,922	1,376,122	1,603,937
Non Current Liability:							
Borrowings		1,204,392	1,442,272	1,237,889	1,457,088	2,162,588	2,166,389
Lease liability		1,125,694	821,624	1,126,091	837,879	1,256,180	1,437,367
Deferred tax liability		-	-	3,550	-	-	
		2,330,086	2,263,896	2,367,530	2,294,967	3,418,768	3,603,756
Total equity and non-current liabilities		7,711,120	3,614,889	8,101,047	3,888,889	4,794,890	5,207,693

Approved for issue by the Board of Directors on November 9, 2021 by:

Derrick Cotterell
Chairman

Ian Kelly
Director

Derrimon Trading Limited
Group Statement of change in Shareholders' Equity
September Months Ended September 30, 2021

Attributable to the Company's Shareholders

	Number of Shares	Share Capital	Retained Earnings	Investment Revaluation Reserve	Capital Reserves	Non-controlling interest	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 31 December 2019	2,733,361	140,044	943,372	614	94,638	154,844	1,333,512
Total comprehensive income		-	260,346	-	-	20,316	280,662
Non-controlling interest			(12,053)			(8,198)	(20,251)
Balance at September 30, 2020	2,733,361	140,044	1,191,664	614	94,638	166,962	1,593,922

	Number of Shares	Share Capital	Retained Earnings	Investment Revaluation Reserve	Capital Reserves	Non-controlling interest	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 31 December 2020	2,733,361	140,044	1,190,406	614	94,638	178,235	1,603,937
Total comprehensive income		-	398,324	-	-	21,464	419,788
Non-controlling interest			-	-	-		-
Issue of shares	1,800,000	3,723,804	-	-	-	-	3,723,804
Dividends paid by subsidiary to non-controlling interest	-					(14,012)	(14,012)
Balance at September 30, 2021	4,533,361	3,863,848	1,588,730	614	94,638	185,687	5,733,517

Derrimon Trading Limited
Company Statement of change in Shareholders' Equity
Nine Months Ended September 30, 2021

	Number of Shares	Share Capital	Retained Earnings	Investment Revaluation Reserve	Capital Reserves	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 31 December 2019	2,733,361	140,044	947,982	614	94,638	1,183,278
Total comprehensive income	-	-	167,715	-		167,715
Non-controlling interest	-					-
Dividends	-		-	-		-
Balance at September 30, 2020	2,733,361	140,044	1,115,697	614	94,638	1,350,993

	Number of Shares	Share Capital	Retained Earnings	Investment Revaluation Reserve	Capital Reserves	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 31 December 2020	2,733,361	140,044	1,140,826	614	94,638	1,376,121
Total comprehensive income		-	281,108	-	-	281,108
Non-controlling interest						-
Ordinary dividends			-			-
Issue of shares	1,800,000	3,723,805				3,723,805
Balance at September 30, 2021	4,533,361	3,863,849	1,421,934	614	94,638	5,381,034

Derrimon Trading Limited
Group Statement of Cash flows
Nine Months Ended September 30,2021

	Note	9 Months ended September 30,2021 $'000	9 Months ended September 30, 2020 $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net profit before taxation		464,946	315,500
Taxation paid		(50,666)	(37,919)
Changes in non-cash working capital components:-			
Depreciation		58,864	26,037
Depreciation-right of use		274,239	77,130
Deferred tax		(25,562)	-
Inventory		(254,220)	206,489
Tax recoverable		(3,225)	-
Receivables		(439,824)	(423,319)
Payables		972,785	(65,584)
Net funds provided by/(used in) operating activities		997,337	98,334
Cash flows from Investment activities:			
Investment		(834,756)	(20,526)
Investments in Subsidiary		(1,373,184)	-
Acquisition of property, plant and equipment		(401,854)	(60,458)
Net cash used in investment activities		(2,609,794)	(80,984)
Financing activities:			
Loans received during the period			216,790
Lease liability		(453,020)	(209,321)
Repayment of loans		(1,756,103)	(279,721)
Dividends paid by Subsidiary to non-controlling interest		(14,012)	-
Deferred tax liability		3,550	-
Proceeds from shares issued in Additional Public Offering		3,723,804	-
Net cash used financing activities		1,504,219	(272,252)
Net (decrease)/ increase in cash balances		(108,238)	(254,902)
Net cash balance at beginning of period		660,929	509,627
Net cash balance at end of period		552,691	254,725
Represented by:			
Cash & cash equivalents		552,691	254,725
Bank overdraft		-	-
Net cash and cash equivalents at end of period		552,691	254,725

Derrimon Trading Limited
Company Statement of Cash flows
Nine Months Ended September 30,2021

	Note	9 Months ended September 30,2021 $'000	9 Months ended September 30,2020 $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net profit before taxation		321,266	191,674
Taxation paid		(35,297)	(22,607)
Deferred Tax		-	
Prior Year Adjustment		-	-
Changes in non-cash working capital components:-			
Depreciation		42,611	20,573
Depreciation-right of use		285,097	13,171
Deferred tax		(16,530)	
Inventory		(236,176)	187,639
Tax recoverable			
Receivables		(234,016)	(386,821)
Taxation payable		-	-
Payables		910,134	(72,803)
Net funds provided by/(used in) operating activities		1,037,089	(69,174)
CASH FLOWS FROM INVESTING ACTIVITY:			
Investments		(2,324,052)	(26,907)
Acquisition of property, plant and equipment		(331,616)	(51,551)
Net cash used in investment activities	-	(2,655,668)	(78,458)
Financing activities:			
Loans received during the period		-	-
Lease liability		(264,514)	(132,502)
Repayment of loans		(1,773,415)	(36,630)
Deferred tax liability			-
Proceeds from shares issued in Additional Public Offering		3,723,804	-
Net cash provided by financing activities		1,685,875	(169,132)
Net (decrease)/ increase in cash balances		67,296	(316,764)
Net cash balance at beginning of period		448,061	517,920
Net cash balance at end of period		515,357	201,156
Represented by:			
Cash & cash equivalents		515,357	201,156
Bank overdraft		-	-
Net cash and cash equivalents at end of period		515,357	201,156

Notes to the Unaudited Financial Statements

Nine (9)) Months Ended September 30, 2021

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 three (3) subsidiaries are involved in manufacturing of flavours and fragrances, wooden pallets manufacturing and food retail business in New York. Derrimon Trading Company Limited together with its subsidiaries is referred to as the "Group".

The Company maintained the entity's trading name, Sampars Cash & Carry as well as its operating Outlets: Sampars Outlet Washington Boulevard at 8-10 Brome Close, Kingston 20; Sampars Outlet West Street at 60 ½ West Street, Kingston; Sampars Outlet Mandeville at 26 Hargreaves Avenue Mandeville; Sampars Old Harbour at 3 Ascott Drive, Old Harbour, St. Catherine, Sampars St. Ann's Bay at 3 Harbour Street, St. Ann's Bay, St. Ann, and Sampars Cross Roads, 1-3 Retirement Road, Kingston 5 and Select Grocers at Shop # 15, Upper Manor Park Plaza, Constant Spring Road, Kingston 8, Marnock LLC operating as FoodSavers New York and Good Foods for Less at 402-412 E83rd Street, Brooklyn New York.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied for all the years presented, unless otherwise stated. These unaudited interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretation Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost conventions. The accounting policies used in the preparations of these interim financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2020.

Basis of preparation

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Going concern

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

Basis of presentation

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

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

Revenues and expenses

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

Judgments and Estimates

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

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating segments information

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

Financial assets

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

Revenue from contract with customers

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

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

Leases

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

Consolidation

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

Joint arrangement

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment property

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

Related parties and related party transactions

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

Receivables

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

Income and other taxes

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

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

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Effects of Changes in Accounting Policies

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

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

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.

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 and Marnock LLC as follows:

Entity	**Principal Activity**	**% Ownership by Company at 30 September 30 June 2021**	**% Ownership by Company at 31 December 2020**
CFFL	Manufacture of Flavours and Fragrances	65.02%	65.02%
Select Grocers	Operation of Supermarket	60.00%	60.00%
Woodcats International Limited	Manufacturers of wooden pallets	100%	100%
Marnock LLC	Wholesale and Retail Food Distribution	80%	None

(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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Business combination

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

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

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

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

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

Non-controlling interests

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

(d) Segment reporting

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

The Company has identified the following segments:

1. Distribution (Household products, chilled and ambient beverages, detergents and bulk foods);
2. Retail (Trading outlets and supermarkets); and
3. Other Operations (Manufacturer of flavours and fragrances, pallets and by products of wood)

The pallets and by-products of wood were added to the other operations segment as a result of the 100% acquisition of Woodcats International Limited in 2018. Tthe purchase of Marnock LLC trading as FoodSavers New York and Good Foods For Less were acquired in January 2021 and also added to the group.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Impairment of assets

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

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

(f) Revenue recognition

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

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

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

i. Sales

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

ii. Interest income

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

iii. Dividend income

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

iv. Other operating income

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Property, plant and equipment

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

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

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

Current annual rates of depreciation are:

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

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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.

(I) 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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Research and development expenditure

Expenditures in relation to research activities are expensed as incurred.

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

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

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

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

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

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

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

(j) Financial instruments

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

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

Classification and Subsequent Measurement

Financial assets

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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

(k) Inventories

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Trade and other receivables

Trade and other receivables are carried at anticipated realizable value. An allowance for expected credit loss (ECL) of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The carrying amount of the asset is reduced through the use of this ECL allowance, and the amount of the loss is recognized in Bad Debt expense in the statement of profit or loss. When trade receivable is deemed uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognized as recovery and credited to bad debt expense in the statement of profit or loss.

(m) Taxation

Income tax

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

Current taxation

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

Deferred taxation

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

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

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Borrowing; borrowing cost and interest

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

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

(o) Share capital, dividends and distributions

Shares

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

Dividends

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

Distributions

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

(p) Earnings per stock unit

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

Group	Quarter ended September 30, 2021 $'000	Quarter ended September 30, 2020 $'000	9 Months ended September 30, 2021 $'000	9Months ended September 30, 2020 $'000	Year ended December 31, 2020 $'000
Net profit attributable to shareholders	133,980	90,699	420,913	280,662	279,834
Weighted average number of shares	4,233,360,670	2,733,360,670	4,233,360,670	2,733,360,670	2,733,360,670
Earnings Per share	0.029	0.031	0.089	0.095	0.102

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.

(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, wooden pallets and wholesaling retailing of Foods in New York.

On September 6, 2018, the Company acquired 100% shareholding in Woodcats International Limited (WIL), a manufacture of wooden pallets and by products of wood such as mulch. The directors classified the operations of this entity under the ‘other operations’ segment.

SEGMENTAL FINANCIAL INFORMATION (CONTINUED)

	The Group 2021			
	Distribution	**Sampars Outlets**	**Other Operations**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Revenue from external customers	7,839,200	3,400,327	956,194	12,195,721
				-
Depreciation & right of use depreciation	32,405	24,087	2,373	58,864
				-
Current Liabilities	1,265,085	537,996	376,105	2,179,186
				-
Current Assets	3,893,927	1,136,426	1,115,733	6,146,086

	The Company 2021		
	Distribution	**Sampars Outlets & Select Grocers**	**Total**
	$'000	**$'000**	**$'000**
Revenue from exteernal customers	7,839,200	3,400,327	11,239,527
			-
Depreciation	32,405	24,087	56,491
			-
Current Liabilities	1,265,085	537,996	2,014,448
			-
Current Assets	3,893,927	1,136,426	5,372,137

4. JOINT OPERATIONS

Since March 2017, the Company has a 60% interest in Select Grocers, an unincorporated business. Select Grocers is operated as an “upscaled” supermarket positioned to capture the affluent middle classes. There was no change in the strategic direction, management or operation of this entity during the year.

5. INVESTMENT IN SUBSIDIARIES

As at September 30, 2021, the Company has holdings of 65.02, 100% and 80% respectively of the issued shares of Caribbean Flavours and Fragrances Limited (CFFL), Woodcats International Limited (WIL) and Marnock LLC respectively.

6. INCOME TAX

Derrimon Trading Company Limited (DTCL) is listed on the Junior Market of the Jamaica Stock Exchange, effective December 17, 2013, and under the Income Tax Act (Jamaica Stock Exchange Junior Market) (Remission) Notice 2010, 100% of income taxes will be remitted by the Minister of Finance during the first five (5) years of listing, which expired December 17, 2018. DTCL is now required to account for income tax at 50% during the second five (5) years, from December 17, 2018, to December 16, 2023.

To obtain the remission of income taxes, the following conditions should be adhered to over the period:
(a) DTCL remains listed for at least 15 years and is not suspended from the JSE for any breaches of the rules of the JSE;
(b) The Subscribed Participating Voting Share Capital of DTCL does not exceed $500 million; and
(c) DTCL has at least 50 Participating Voting Shareholders.

The financial statements have been prepared on the basis that DTCL will have the full benefit of the tax remissions. The period is as follows:

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

The recent Additional Public Offering which increased the Company's capital beyond the allowable $500 million threshold would means that the taxation payable is now 100%. The company is awaiting a response from Tax Administration Department to our request to continue with the 50% for the next three (3) years given that we are allowed to remain as a listed Company on the Junior Market of the Jamaica Stock Exchange.

7. 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	$52,951
Long-term	$982,622
	$1,035,573

Principal repayments for each of the next years:

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

DERRIMON TRADING COMPANY LIMITED

SHAREHOLDINGS OF TOP TEN (10) STOCKHOLDERS, DIRECTORS AND SENIOR OFFICERS AS AT SEPTEMBER 30, 2021

Top (10) Stockholders	Number of Shares Held
Derrick Cotterell	1,125,531,673
Barita Investment Ltd-Long A/C	906,950,275
Monique Cotterell	400,000,000
Mayberry Jamaican Equities Limited	310,695,666
Ian C. Kelly	169,107,209
JCSD Trustee Services Limited A/C Barita Unit Trust Capital Growth Fund	118,753,144
Estate of E. Cotterell (Deceased)	100,000,000
Winston Thomas	72,351,180
ATL Group Pension Trustees NOM Ltd	56,349,216
Heart Trust / NTA Pension Scheme	56,606,000

DERRIMON TRADING COMPANY LIMITED

SHAREHOLDINGS OF TOP TEN (10) STOCKHOLDERS, DIRECTORS AND SENIOR OFFICERS AS AT SEPTEMBER 30, 2021 (continued)

Directors	Number of Shares Held
Derrick Cotterell	1,125,531,673
Monique Cotterell	400,000,000
Ian C. Kelly	169,107,209
Winston Thomas	72,351,180
Earl Anthony Richards	5,441,167
Alexander I. E. Williams	500,000
Paul Buchanan	300,000
Tania Waldron-Gooden	Nil
Howard Mitchell	Nil

Senior Managers	Number of Shares Held
Sheldon Simpson	2,591,358
Craig Robinson	325,704