



## **Consolidated Statements of Derrimon Trading Company Limited**

### **Report to Stockholders**

#### **Six (6) months ended June 30, 2018**

The Board of Directors is pleased to report the unaudited results of the Company for the six (6) months ended June 30, 2018 and to report on the performance of the Group.

#### **Financial Highlights**

- **Consolidated Net Profit of \$122.818M**
- **Consolidated Earnings Per Stock unit of \$0.45, an increased from \$0.32**
- **Consolidated Revenue of \$4.040B**
- **Consolidated Gross Profit of \$731.574M**

The consolidated revenue for this six (6) months period was \$4,039.548 billion or 32.65% above the \$3,045.263 billion reported for the prior period in 2017. Consolidated gross profit generated for the six (6) months period was \$731.574 million which was \$150.851 million or 25.98% above the \$580.723 million reported for the comparative period last year. Consolidated net profit earned for this reporting period was \$122.818 million, an increase of \$36.491 million or 42.27% over the \$86.327 million reported for the same period last year.

The six months (6) revenue from the Distribution and Retail segment was \$3,830.119 billion which was \$986.631 million or 34.70% over the \$2,843.488 billion reported for the corresponding six (6) months period in 2017. For the second quarter ending June 2018, revenue generated was \$1,979.822 billion representing a growth of \$574.513 million or 40.88% over the similar period in 2017.

The Company continued to experience growth during the six (6) months period and had steady growth in revenue for both the Distribution and Retail segments of the business. Our ability to respond to our customers' needs on a timely basis and improvement in logistics and distribution were critical for our improved results.

Gross profit from the Distribution and Retail segment for the six (6) months period was \$647.514 million which represents a \$152.263 million or 30.74% more than the \$495.251 million reported for the same period in 2017. Gross profit generated for the second quarter ending June 30, 2018 was \$328.725 million which was \$77.23 million or 30.71% better than the \$251.495 million reported in the similar period in 2017. The improvement in margins is due to strategies employed within both segments of the business such as the discontinuation of non-performing products and improved margins from the growth of the supermarket portfolio.

Operating expenses from the Distribution and Retail segment for the six (6) months period was \$514.018 million representing an increase of \$108.979 million or 26.91% over the \$405.039 million reported for the same period in 2017. For the second quarter ending June 30, 2018, operating expenses was \$270.646 million which was \$59.813 million or 28.37% above the expenses incurred for the similar period in 2017. The operating cost of the two new supermarkets, that were acquired during the first quarter of 2017, is now fully reflected in this year's six (6) months period. There were also general increases in administrative cost such as salaries.

The June 2018 second quarter finance cost was \$7.210 million or 17.90% lower than the amount reported for the first quarter ended March 2018. Finance charges for the six (6) months period ended June 30, 2018 was \$73.348 million up by \$20.624 million or 39.12% from the \$52.724 million reported in June 30, 2017. For the second quarter ended June 2018, the finance cost was \$33.069 million which was \$5.998 million or 22.16% above that reported for the similar quarter in 2017.

The company signed an agreement with Sagicor Bank to refinance \$550 million of its debt. This will be amortized over 10 years at an interest rate of 9.50%. This will lead to significant reduction in our interest cost. Other strategies to reduce finance cost is being implemented and the full impact will be realized in the short to medium term.

Net Profit recorded for the six (6) months period from the Distribution & Retail segment was \$77.796 million representing a \$14.616 million or 23.13% increase over the \$63.180 million reported for the corresponding period in 2017. For the second quarter ending June 30, 2018 net profit was \$35.929 million which was \$2.026 million or 5.98% above the \$33.903 million reported for the similar period in 2017.

Total Assets less Current Liabilities for the Distribution and Retail Segment for the second quarter ended June 30, 2018 was \$1.995 billion which represents growth of \$218.106 million or 12.27% when compared to the \$1.777 billion reported for the similar period last year. The consolidated total assets less current liabilities was \$2.188 billion which grew by \$239.090 million or 12.27% when compared to the \$1.949 billion reported for similar quarter in 2017.

Caribbean Flavours and Fragrances continues to perform positively, and we anticipated further growth given several strategic initiatives that will be executed for the rest of the year.

We thank all stakeholders for their support as we continue to expand our business and bring greater value to all parties.



Derrick Cotterell  
Chairman/Chief Executive Officer



**Consolidated Net Profit of \$122.818M**

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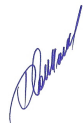
**Derrimon Trading Company Limited**  
**Statement of Profit and Loss & Comprehensive Income**  
**Six Months Ended June 30, 2018**

		Company Unaudited	Company Unaudited	Company Unaudited	Company Unaudited	Group Unaudited Consolidated	Group Unaudited Consolidated	Company Audited	Group Audited
	Notes	Derrimon Three months ended June 30 2018 \$'000	Derrimon Three months ended June 30 2017 \$'000	Derrimon Six months ended June 30 2018 \$'000	Derrimon Six months ended June 30 2017 \$'000	Six months ended June 30 2018 \$'000	Six months ended June 30 2017 \$'000	year ended December 31 2017 \$'000	year ended December 31 2017 \$'000
<b>Revenue</b>									
Trading Income	3h	1,979,822	1,405,309	3,830,119	2,843,488	4,039,548	3,045,263	6,346,526	6,723,810
Less cost of sales		1,651,097	1,153,814	3,182,605	2,348,237	3,307,974	2,464,540	5,162,896	5,388,010
<b>Gross Profit</b>		<b>328,725</b>	<b>251,495</b>	<b>647,514</b>	<b>495,251</b>	<b>731,574</b>	<b>580,723</b>	<b>1,183,630</b>	<b>1,335,800</b>
<b>Other Income</b>									
		10,919	20,312	17,648	25,692	24,326	11,358	38,562	257,128
		339,644	271,807	665,162	520,943	755,900	592,081	1,222,192	1,592,928
<b>Less operating expenses:</b>									
Administrative		232,301	186,716	442,163	351,020	484,902	396,891	923,899	1,005,566
Selling & distribution		38,345	24,117	71,855	54,019	74,832	56,166	131,229	135,665
		270,646	210,833	514,018	405,039	559,734	453,057	1,055,128	1,141,231
Operating profits/ (loss) before finance charges		68,998	60,974	151,144	115,904	196,166	139,024	167,064	451,697
Less : finance cost		(33,069)	(27,071)	(73,348)	(52,724)	(73,348)	(52,697)	(169,098)	(169,901)
Gain on acquisition of								206,349	
Profit before taxation		35,929	33,903	77,796	63,180	122,818	86,327	204,315	281,796
Taxation ( Estimated)	4	-	-	-	-	-	-	-	-
Net Profit		35,929	33,903	77,796	63,180	122,818	86,327	204,315	281,796
<b>Other comprehensive income</b>									
Non-controlling interest						(17,099)	(9,897)	-	-
Reversal of deferred taxation								-	-
Increase in revaluation							170,592	-	-
<b>Total comprehensive income</b>		<b>35,929</b>	<b>33,903</b>	<b>77,796</b>	<b>63,180</b>	<b>105,719</b>	<b>247,022</b>	<b>204,315</b>	<b>281,796</b>
Earnings per stock unit	5	0.13	0.12	0.28	0.23	0.45	0.32	0.75	1.03

**Statement of Financial Position**  
**Six Months ended June 30, 2018**

	Notes	Company Unaudited Derrimon Six Months June 30	Company Unaudited Derrimon Six Months June 30	Group Unaudited Consolidated Six months ended June 30	Group Unaudited Consolidated Six months ended June 30	Company Audited year ended December 31	Group Audited December 31
		<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>
<b>ASSETS</b>							
<b>Non-current assets:</b>							
Fixed Assets	3f	396,772	196,539	417,088	212,229	371,557	387,007
Goodwill	7 (d)	33,220	33,220	33,220	33,220	33,220	33,220
Intangible	7(a)	-	-	152,388	270,790		256,523
Investment in Subsidiary	7(a)	438,720	438,720	-	-	438,720	-
<b>Current assets:</b>							
Receivables and prepayments		898,854	871,549	961,474	930,511	820,408	887,212
Inventories		852,786	959,647	987,703	1,057,375	710,595	795,551
Related parties		-	-	-	-		
Investment		105,789	9,076	251,176	137,404	124,362	256,976
Cash & bank		102,962	91,162	186,258	151,872	177,140	265,521
Tax recoverable		-	-	5,630	1,670		5,209
		<u>1,960,391</u>	<u>1,931,434</u>	<u>2,392,241</u>	<u>2,278,832</u>	<u>1,832,505</u>	<u>2,210,469</u>
<b>Current Liabilities:</b>							
Payables		778,919	641,286	804,421	664,007	780,475	791,036
Short term loans		55,150	-	-	-	29,975	29,976
Current portion of long term			181,699	2,061	181,699	256,527	258,766
Bank overdraft		-	-	-	-	17,949	17,949
		<u>834,069</u>	<u>822,985</u>	<u>806,482</u>	<u>845,706</u>	<u>1,084,926</u>	<u>1,097,727</u>
<b>Net current assets</b>		<u>1,126,322</u>	<u>1,108,449</u>	<u>1,585,759</u>	<u>1,433,126</u>	<u>747,579</u>	<u>1,112,742</u>
<b>Total assets less current liabilities</b>		<u>1,995,034</u>	<u>1,776,928</u>	<u>2,188,455</u>	<u>1,949,365</u>	<u>1,591,076</u>	<u>1,789,492</u>
<b>Equity</b>							
Issued capital		140,044	140,044	140,044	140,044	140,044	140,044
Non-controlling interest		-	-	158,671	130,564	-	171,107
Retained earnings		648,417	429,486	676,340	415,152	570,622	590,357
Investment revaluation reserve		614	171,206	614	171,206	614	614
Treasury stock-realize gain			74,861		120,136	-	
Capital Reserve		133,053	57,503	133,053	57,503	133,052	133,053
		<u>922,128</u>	<u>873,100</u>	<u>1,108,722</u>	<u>1,034,605</u>	<u>844,332</u>	<u>1,035,175</u>
<b>Non Current Liability:</b>							
Borrowings		1,072,906	903,828	1,079,733	914,760	746,744	754,317
		<u>1,072,906</u>	<u>903,828</u>	<u>1,079,733</u>	<u>914,760</u>	<u>746,744</u>	<u>754,317</u>
<b>Total equity and non-current liabilities</b>		<u>1,995,034</u>	<u>1,776,928</u>	<u>2,188,455</u>	<u>1,949,365</u>	<u>1,591,076</u>	<u>1,789,492</u>

Approved for issue by the Board of Directors on August 8, 2018 by:



Derrick Cotterell  
Chairman



Ian Kelly  
Director

**Derrimon Trading Limited**  
**Company Statement of change in Shareholders' Equity**  
**Six Months Ended June 30, 2018**

	<u>Share Capital</u>	<u>Retained Earnings</u>	<u>Investment Revaluation Reserve</u>	<u>Treasury stock realized gain</u>	<u>Capital Reserves</u>	<u>Total</u>
<b>Balance at 31 December 2016</b>	140,044	366,306	171,206		57,503	735,059
Total comprehensive income	-	63,180	-		-	63,180
Gain on stock sales				74,861		74,861
<b>Balance at June 30, 2017</b>	<u>140,044</u>	<u>429,486</u>	<u>171,206</u>	<u>74,861</u>	<u>57,503</u>	<u>873,100</u>

	<u>Share Capital</u>	<u>Retained Earnings</u>	<u>Investment Revaluation Reserve</u>	<u>Capital Reserves</u>	<u>Total</u>
<b>Balance at 31 December 2017</b>	140,044	570,622	614	133,053	844,332
Total comprehensive income	-	77,796	-	-	77,796
Non-controlling interest					-
<b>Balance at June 30, 2018</b>	<u>140,044</u>	<u>648,418</u>	<u>614</u>	<u>133,053</u>	<u>922,128</u>

**Derrimon Trading Limited**  
**Group Statement of change in Shareholders' Equity**  
**Six Months Ended June 30, 2018**

	<u>Attributable to the Company's Shareholders</u>						
	<u>Share Capital</u>	<u>Retained Earnings</u>	<u>Investment Revaluation Reserve</u>	<u>Treasury stock realized gain</u>	<u>Capital Reserves</u>	<u>Non-controlling interest</u>	<u>Total</u>
<b>Balance at 31 December 2016</b>	140,044	366,306	614		57,503		564,467
Total comprehensive income	-	63,180	-		-	9,897	73,077
Adjustment for stock re-sale		(14,334)		45,275		40,180	71,121
Gain on stock sales				74,861			74,861
Non-controlling interest						80,487	80,487
Revaluation in associated company			170,592				170,592
<b>Balance at June 30, 2017</b>	<u>140,044</u>	<u>415,152</u>	<u>171,206</u>	<u>120,136</u>	<u>57,503</u>	<u>130,564</u>	<u>1,034,605</u>

	<u>Share Capital</u>	<u>Retained Earnings</u>	<u>Investment Revaluation Reserve</u>	<u>Treasury stock realized gain</u>	<u>Capital Reserves</u>	<u>Non-controlling interest</u>	<u>Total</u>
<b>Balance at 31 December 2017</b>	140,044	590,357	614	-	133,053	171,107	1,035,175
Total comprehensive income	-	105,719	-		-		105,719
Non-controlling interest		(19,736)				-12,436	(32,172)
<b>Balance at June 30, 2018</b>	<u>140,044</u>	<u>676,340</u>	<u>614</u>	<u>-</u>	<u>133,053</u>	<u>158,671</u>	<u>1,108,721</u>



**Derrimon Trading Limited**  
**Company Statement of Cash flows**  
**Three Months Ended June 30, 2018**

	Note	6 Months ended June 30, 2018 \$'000	6 Months ended June 30, 2017 \$'000	Company Audited December 31, 2017 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Net profit		77,796	63,180	204,315
Adjustments for:				
Depreciation		24,113	6,206	48,854
Share of profit of associated company		-	-	
Capital reserves		-	-	(689)
Investment revaluation		-	-	37,138
Interest income		-	-	(451)
Finance costs		73,348		169,098
		<u>175,257</u>	<u>69,386</u>	<u>458,265</u>
Changes in non-cash working capital components:-				
Decrease/(Increase):				
Receivables		(78,446)	(70,264)	(139,749)
Prepayments				120,619
Inventory		(142,191)	(53,822)	195,231
Related Company		-	834	834
Increase/(Decrease):				
Payables		(1,556)	(130,746)	8,443
		<u>(222,193)</u>	<u>(253,998)</u>	<u>185,378</u>
Cash generated by/ (used in) operations		(46,936)	(184,612)	643,643
Finance costs		(73,348)		(169,098)
<b>Net funds provided by/(used in) operating activities</b>		<u>(120,284)</u>	<u>(184,612)</u>	<u>474,545</u>
<b>CASH FLOWS FROM INVESTING ACTIVITY:</b>				
Interest income			-	451
Investments		18,573	3,101	(112,184)
Investments in associate		-	1,337	(244,116)
Goodwill			(18,000)	(18,000)
Realised gain on disposal of shares				39,103
Acquisition of property, plant and equipment		(49,328)	(26,614)	(244,283)
<b>Net cash used in investment activities</b>		<u>(30,755)</u>	<u>(40,176)</u>	<u>(579,030)</u>
<b>Financing activities:</b>				
Loans received during the period		351,337	469,138	356,777
Loans repayments		(274,477)	(254,382)	(194,296)
<b>Net cash provided by financing activities</b>		<u>76,860</u>	<u>214,756</u>	<u>162,481</u>
<b>Net (decrease)/ increase in cash balances</b>		<u>(74,179)</u>	<u>(10,032)</u>	<u>57,996</u>
<b>Net cash balance at beginning of period</b>		<u>159,191</u>	<u>101,194</u>	<u>101,194</u>
<b>Net cash balance at end of period</b>		<u>85,013</u>	<u>91,162</u>	<u>159,191</u>
<b>Represented by:</b>				
Cash & cash equivalents		102,962	91,162	177,140
Bank overdraft		(17,949)	-	(17,949)
<b>Net cash and cash equivalents at end of period</b>		<u>85,013</u>	<u>91,162</u>	<u>159,191</u>

**Derrimon Trading Limited**  
**Group Statement of Cash flows**  
**Six Months Ended June 30, 2018**

	Note	6 Months ended June 30, 2018 \$'000	Group Audited year ended December 31 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net profit		105,719	252,369
Adjustments for:			
Depreciation		25,919	51,852
Investment revaluation			37,135
Capital reserve			(689)
Interest income			(9,210)
Finance cost		73,348	169,908
		<u>204,986</u>	<u>501,365</u>
Changes in non-cash working capital components:-			
Decrease/(Increase):			
Receivables & prepayments		(74,262)	(154,112)
Inventory		(192,152)	189,451
Related Company		-	834
Taxation recoverable		(421)	
Short term Investment		5,800	(154,495)
Prepayments		-	121,141
Payables		13,385	19,027
		<u>(247,650)</u>	<u>21,846</u>
Finance cost		(73,348)	(169,098)
<b>Net funds provided by/(used in) operating activities</b>		<u>(42,664)</u>	<u>354,113</u>
<b>CASH FLOWS FROM INVESTING ACTIVITY:</b>			
Interest income		-	9,210
Investments in Subsidiary		-	(244,116)
Realised gains on disposal of shares in subsidiary		-	39,103
Purchase of fixed assets		(56,000)	(247,022)
Purchase cost of goodwill		-	(18,000)
<b>Net cash used in investment activities</b>		<u>(56,000)</u>	<u>(460,825)</u>
<b>Financing activities:</b>			
Loans received during the period		612,097	353,259
Repayment of loans		(574,747)	(194,296)
Interest expense		-	(804)
<b>Net cash provided by financing activities</b>		<u>37,350</u>	<u>158,159</u>
<b>Net (decrease)/ increase in cash balances</b>		<u>(61,314)</u>	<u>51,446</u>
<b>Net cash balance at beginning of period</b>		<u>247,572</u>	<u>196,125</u>
<b>Net cash balance at end of period</b>		<u>186,258</u>	<u>247,572</u>
<b>Represented by:</b>			
Cash & cash equivalents		186,258	265,521
Bank overdraft		-	(17,949)
<b>Net cash and cash equivalents at end of period</b>		<u>186,258</u>	<u>247,572</u>



## **Notes to the Unaudited Financial Statements**

### **Six (6) Months Ended June 30, 2018**

#### **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 best knowledge of current events and action, actual results could differ from those estimates.

## **2. BASIS OF PREPARATION (continued)**

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:

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

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.

#### d) Comparative information

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

#### e) 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) (2016- two (2)) strategic business units which offer differentiated volume and price to its customers.

The primary operating segments (reportable business units) are:

**Distribution** (Household products, detergents and bulk foods);

**Wholesale** (Trading outlets and supermarkets); and

**Other Operations** (Manufacturer of Flavours and Fragrances)

Financial and other transactions between business units have been eliminated where necessary in preparing these consolidated financial statements.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Segment Financial Information

	<u>The Group</u> <u>2018</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	1,723,358	2,106,761	209,429	4,039,548
Depreciation	9,845	14,270	1,804	25,919
<b>Current Liabilities</b>	<u>534,740</u>	<u>244,179</u>	<u>27,563</u>	<u>806,482</u>
<b>Current Assets</b>	<u>1,290,463</u>	<u>669,928</u>	<u>431,850</u>	<u>2,392,241</u>

	<u>The Company</u> <u>2018</u>		
	<u>Distribution</u> <u>\$'000</u>	<u>Sampars Outlets &amp; Select Grocers</u> <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
Revenue from external customers	1,723,358	2,106,761	3,830,119
Depreciation	9,843	14,270	24,113
<b>Current Liabilities</b>	<u>534,740</u>	<u>244,179</u>	<u>778,919</u>
<b>Current Assets</b>	<u>1,290,463</u>	<u>669,928</u>	<u>1,960,391</u>

#### f) 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.

### **g) 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.

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

### **h) 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:

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **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.

#### **i) 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.

#### **j) 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)**

#### **k) 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%

### **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

2017

2016

### Authorised:

400,400,000 ordinary shares of no par value

### Issued and fully paid:

273,336,067 (2013 – 1,000) shares net of  
transaction costs

140,044,436

140,044,436

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

### Control of Caribbean Flavours and Fragrances Limited (CFFL)

The company holds 62.02% ownership in Caribbean Flavours and Fragrances Limited.

	\$'000
Amount settled in cash	105,206
Fair value of equity shares issued	
<u>Fair value of contingent consideration</u>	
Total	105,206
<u>Effect of settlement of pre-existing relationship</u>	
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
	<u>584,533</u>
<b>Recognised amounts of identifiable net assets:</b>	
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)
<u>Net identifiable assets and liabilities</u>	<u>313,743</u>
<b>Intangible assets</b>	<b>270,790</b>
Impact of the 13% resale of CFFL shares	(14,267)
Revised intangible assets	256,523

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

### **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.

### **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:

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

	<u>2018</u>	<u>2017</u>
	\$ '000	\$ '000
<b>Cost</b>		
At 1 January 2018	15,220	15220
Additions	18,000	18000
Acquisition of business	<u>33,220</u>	<u>33,220</u>
<b>Balance as at 30 June 2018</b>	33,220	33,220
 <b>Accumulated Impairment</b>		
At 1 January 2018	0	0
Balance as at 30 June 2018	0	0
<b>Carrying amount at the end of the year</b>	<u><u>33,220</u></u>	<u><u>33,220</u></u>

**DERRIMON TRADING**

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

**AS AT JUNE 30, 2018**

<b>Top Ten (10) Stockholders</b>	<b>Number of Shares Held</b>
Derrick Cotterell	111,500,000
Manwei International Limited	47,016,943
Monique Cotterell	40,000,000
Ian C. Kelly	17,243,459
Estate of E. Cotterell (Deceased)	10,000,000
Winston Thomas	7,235,118
Sagicor Pooled Equity Fund	5,875,692
Nigel Coke	4,769,432
JCSD Trustee Services - Sigma Venture	3,696,210
Sharon Harvey-Wilson	2,916,358

<b>Directors</b>	<b>Number of Shares Held</b>
Derrick Cotterell	111,500,000
Monique Cotterell	40,000,000
Ian C. Kelly	17,243,459
Winston Thomas	7,235,118
Earl Anthony Richards	500,000
Alexander I. E. Williams	100,000
Paul Buchanan	42,482

**DERRIMON TRADING**

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

**JUNE 30, 2018 (continued)**

<b>Senior Officers</b>	<b>Number of Shares Held</b>
Sheldon Simpson	245,000
Craig Robinson	0