DERRIMON TRADING CO. LTD.

FINANCIAL RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2019

Consolidated Net Profit of $162.14M

Consolidated Statements of Derrimon Trading Company Limited

Report to Stockholders
Six (6) months ended June 30, 2019

The Board of Directors is pleased to report the unaudited results of the Company for the Six (6) months ended June 30, 2019 and to report on the performance of the Group.

Financial Highlights

Consolidated Group

- **Consolidated Revenue of $6.29B, an increase of $2.24B or 55.63%**
- **Consolidated Gross Profit of $1.09B, an increase of $362.62M or 49.57%**
- **Consolidated Net Profit of $162.14M, an increase of $39.32M or 32.01%**
- **Consolidated Earnings Per Stock unit of $0.059 an increased from $0.045**

The six (6) months Consolidated results for Derrimon Trading Company Limited reflect revenue of $6.29 billion which is $2.24 billion (55.63%) over the $4.04 billion reported for the corresponding six (6) months period in 2018. It should be noted that both the SM Jaleel portfolio and the Woodcats International Limited acquisition were added in the third quarter of the 2018 financial year.

The Group continues to strategically execute its Business Plan which has resulted in significant growth during the six (6) months period. We experienced steady growth in our revenue in both the distribution and retail segments as well as the recently acquired 100% owned subsidiary, WoodCats International Limited and our other subsidiary, Caribbean Flavours and Fragrances Limited.

The Group reported gross profit of $1.09 billion which represents an increase of $362.62 million (49.57%) above the $731.57 million reported for the comparative period last year.

Consolidated operating expenses for the six (6) months period was $824.21 million representing an increase of $264.47 million (47.25%) over the $559.73 million reported for the same period in 2018. This increase was partly due to annual increases in salaries and wages which took effect on April 1, 2019 and costs associated with the full refinancing of short-term debt facilities.

The realignment of our debt portfolio from short term to long term amortized facilities continues to have a positive effect on the Group by way of lower interest cost.

The consolidated profit before tax earned for this reporting period was $186.45 million, an increase of $63.63 million (51.81%) over the $122.82 million reported for the similar period in 2018. The Group net profit was $162.14 million which was an increase of $39.32 million (32.01%) above the $122.82 previously reported.

The consolidated total assets less current liabilities was $2.34 billion compared to the $2.19 billion reported for similar period in 2018.

Core Activity

The distribution and retail arms of the business (core) six (6) months results recorded revenue of $5.73 billion which was $1.90 billion (47.05%) more than the $4.04 billion reported for the corresponding period last year. For this second quarter ended June 2019, revenue generated from core activity was $2.85 billion representing a growth of $870.19 million (43.95%) over the $1.98 billion reported for the similar reporting period in 2018.

Improvements in our distribution strategies, improved efficiencies and greater availability of key products remain the critical success factors in this segment of the business.

Gross profit from these divisions for the six (6) months period was $920.09 million which represents a $272.57million (42.10%) increase above the $647.51 million reported for the similar period in 2018. Gross profit from core activities for the second quarter was $447.19 million and was $118.47 million (36.04%) more than the $328.73 million reported in the similar period in 2018.

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

Operating Expenses for the six (6) months period was $740.68 million which was $226.66 million (44.10%) above the $514.02 million reported for the comparative period last year. For the second quarter ending June 30, 2019, operating expenses was $368.89 million which was $98.25 million (36.30%) above the expenses incurred for the similar period in 2018. The major factors for this increase were utilities, distribution costs inclusive of trucking cost for the new portfolios, marketing, advertising, and staff cost.

Finance charges from core activities for the six (6) months period was $98.14 million up by $24.80 million (33.81%) from the $77.80million reported in June 30, 2018. For the three (3) months ending June 2019, the finance cost was $39.59 million which was $6.52 million (19.73%) above that reported for the similar quarter in 2018

Pre-tax Profit recorded for the six (6) months period was $89.84 million representing a $12.04 million (15.48%) increase over the $77.80 million reported for the corresponding period in 2018. For the three (3) months ended June 2019, pre-tax profit was $45.94 million which was $10 million (27.85%) above the $35.93 million reported for the corresponding period.

Net profit for the six (6) months period was $78.61 million which was relatively flat when compared to the same period last year. For the second quarter ending June 30, 2019, core operations generated net profit of $40.20 million which was $4.27 million (11.87%) above the $35.93 million reported for the similar period in 2018. It is to be noted that this year's net profit factors taxation which was not present in the corresponding periods.

Total Assets less Current Liabilities from core activities was at $1.99 billion this was flat compared to the $2 billion reported for the similar period last year.

The results for the first six (6) months of 2019 are very encouraging. They are in line with the company's strategy of consolidating the significant gains made in the recent past and concentrating on organic growth for the first half of this year.

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

Derrick Cotterell
Chairman/Chief Executive Officer

DERRIMON
TRADING CO. LTD.

FINANCIAL RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2019

Consolidated Net Profit of $162.14M

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

	Notes	Group Unaudited Consolidated Three months ended June 30 2019 $'000	Group Unaudited Consolidated Three months ended June 30 2018 $'000	Group Unaudited Consolidated Six months ended June 30 2019 $'000	Group Unaudited Consolidated Six months ended June 30 2018 $'000	Group Audited year ended December 31 2018 $'000
Revenue						
Trading Income	**3h**	3,135,662	2,100,528	6,286,842	4,039,548	9,303,460
Less cost of sales		2,593,595	1,722,433	5,192,653	3,307,974	7,612,427
Gross Profit		542,067	378,095	1,094,189	731,574	1,691,033
Other Income		7,230	10,919	12,152	24,326	66,248
		549,297	389,014	1,106,341	755,900	1,757,281
Less operating expenses:						
Administrative		310,488	255,079	631,169	484,902	1,069,495
Selling & distribution		98,504	40,387	193,038	74,832	233,718
		408,992	295,466	824,207	559,734	1,303,213
Operating profits/ (loss) before finance charges		140,305	93,548	282,134	196,166	454,068
Less : finance cost		(38,422)	(28,296)	(95,685)	(73,348)	(172,223)
Share of profit of consolidated company				-	-	-
Gain on acquisition of subsidiary						
Profit before taxation		101,883	65,252	186,449	122,818	281,845
Taxation (Estimated)	**4**	8,253	-	24,311		4,632
Net Profit		93,630	65,252	162,138	122,818	277,213
Other comprehensive income		-	-	-	-	
Non-controlling interest				(13,377)	(17,099)	(28,093)
Reversal of deferred taxation		-	-	-	-	-
Increase in revaluation investment		-	-		-	-
Total comprehensive income		93,630	65,252	148,761	105,719	249,120
Earnings per stock unit	**5**	0.034	0.024	0.059	0.045	0.091

*** Restated due to stock split of 10:1**

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

Revenue	Company Unaudited Derrimon Three months ended June 30 2019 $'000	Company Unaudited Derrimon Three months ended June 30 2018 $'000	Company Unaudited Derrimon Six months ended June 30 2019 $'000	Company Unaudited Derrimon Six months ended June 30 2018 $'000	Company Audited year ended December 31 2018 $'000
Trading Income	2,850,008	1,979,822	5,730,836	3,830,119	8,759,236
Less cost of sales	2,402,816	1,651,097	4,810,749	3,182,605	7,244,705
Gross Profit	447,192	328,725	920,087	647,514	1,514,531
Other Income	7,230	10,919	8,574	17,648	44,406
	454,422	339,644	928,661	665,162	1,558,937
Less operating expenses:					
Administrative	270,786	232,301	549,866	442,163	964,031
Selling & distribution	98,107	38,345	190,816	71,855	228,106
	368,893	270,646	740,682	514,018	1,192,137
Operating profits/ (loss) before finance charges	85,529	68,998	187,979	151,144	366,800
Less : finance cost	(39,592)	(33,069)	(98,144)	(73,348)	(170,376)
Profit before taxation	45,937	35,929	89,835	77,796	196,424
Taxation (Estimated)	5,742		11,229	-	
Net Profit	40,195	35,929	78,606	77,796	196,424
Other comprehensive income	-	-	-	-	
Non-controlling interest					-
Reversal of deferred taxation	-	-	-	-	-
Increase in revaluation investment	-	-	-	-	-
Total comprehensive income	40,195	35,929	78,606	77,796	196,424
Earnings per stock unit	0.015	0.013	0.029	0.028	0.072

*** Restated due to stock split of 10:1**

Derrimon Trading Company Limited
Statement of Financial Position
Six Months ended June 30, 2019

	Notes	Company Unaudited Derrimon Six Months June 30 2019 $'000	Company Unaudited Derrimon Six Months June 30 2018 $'000	Group Unaudited Consolidated Six months ended June 30 2019 $'000	Group Unaudited Consolidated Six months ended June 30 2018 $'000	Company Audited year ended December 31 2018 $'000	Group Audited year ended December 31 2018 $'000
ASSETS							
Non-current assets:							
Fixed Assets	3f	383,202	396,772	481,537	417,088	380,199	457,651
Goodwill	7 (d)	33,220	33,220	163,940	33,220	33,220	163,940
Intangible	7(a)			222,844	152,388		233,478
Investment		148,351		-		148,351	-
Investment in Subsidiary	7(a)	793,722	438,720	156,907	-	793,722	180,411
Current assets:							
Receivables and prepayments		1,396,117	898,854	1,594,030	961,474	953,980	1,166,946
Inventories		1,112,973	852,786	1,375,402	987,703	1,111,289	1,280,787
Related parties							
Investment		16,949	105,789	233,887	251,176	15,736	170,132
Cash & bank		60,106	102,962	115,949	186,258	298,539	388,751
Tax recoverable					5,630		5,999
		2,586,145	1,960,391	3,319,268	2,392,241	2,379,544	3,012,615
Current Liabilities:							
Payables		1,110,349	778,919	1,165,871	804,421	1,090,545	1,149,544
Short term loans		839,839	55,150	839,839	-	736,416	736,416
Current portion of long term			-	2,370	2,061	67,105	69,636
Taxation payable		-	-			-	8,525
		1,950,188	834,069	2,008,080	806,482	1,894,066	1,964,121
Net current assets		635,957	1,126,322	1,311,188	1,585,759	485,478	1,048,494
Total assets less current liabilities		1,994,452	1,995,034	2,336,416	2,188,455	1,840,970	2,083,974
Equity							
Issued capital		140,044	140,044	140,044	140,044	140,044	140,044
Non-controlling interest				175,974	158,671	-	162,597
Retained earnings		832,262	648,417	974,847	676,340	747,914	820,343
Investment revaluation reserve		614	614	614	614	614	614
Capital Reserve		94,638	133,053	94,638	133,053	94,638	94,638
		1,067,558	922,128	1,386,117	1,108,722	983,210	1,218,236
Non Current Liability:							
Borrowings		926,894	1,072,906	950,299	1,079,733	857,760	862,658
Deferred tax liability		-	-	-			3,080
		926,894	1,072,906	950,299	1,079,733	857,760	865,738
Total equity and none-current liabiliti		1,994,452	1,995,034	2,336,416	2,188,455	1,840,970	2,083,974

Approved for issue by the Board of Directors on August 12, 2019 by:

Derrick Cotterell
Chairman

Ian Kelly
Director

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

Attributable to the Company's Shareholders

	Share Capital	Retained Earnings	Investment Revaluation Reserve	Capital Reserves	Non-controlling interest	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 31 December 2017	140,044	590,357	614	133,053	171,107	1,035,175
Total comprehensive income	-	105,719	-	-		105,719
Dividends		(19,736)				(19,736)
Non-controlling interest		-			(12,436)	(12,436)
Revaluation in associated company			-			-
Balance at June 30, 2018	140,044	676,340	614	133,053	158,671	1,108,722

	Share Capital	Retained Earnings	Investment Revaluation Reserve	Capital Reserves	Non-controlling interest	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 31 December 2018	140,044	820,343	614	94,638	162,597	1,218,236
Total comprehensive income	-	148,762	-	-		148,762
Non-controlling interest		-			13,377	13,377
Balance at June 30, 2019	140,044	969,105	614	94,638	175,974	1,380,375

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

	Share Capital	Retained Earnings	Investment Revaluation Reserve	Capital Reserves	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 31 December 2017	140,044	570,622	614	133,053	844,333
Total comprehensive income	-	77,796	-	-	77,796
Gain on stock sales			-		-
Balance at June 30, 2018	140,044	648,418	614	133,053	922,128

	Share Capital	Retained Earnings	Investment Revaluation Reserve	Capital Reserves	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 31 December 2018	140,044	747,914	614	94,638	983,210
Total comprehensive income	-	78,606	-	-	78,606
Non-controlling interest					-
Balance at June 30, 2019	140,044	826,520	614	94,638	1,061,816

Derrimon Trading Limited
Group Statement of Cash flows
Six Months Ended June 30,2019

	Note	6 Months ended June 30,2019 $'000	6 Months ended June 30,2018 $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net profit		162,138	122,818
Adjustments for:			
Depreciation		20,468	25,919
Investment revaluation			
Deferred Tax		(3,080)	-
Gain on sale of fixed assets			
Interest income			
Finance cost		95,685	73,348
		275,211	222,085
Changes in non-cash working capital components:-			
Decrease/(Increase):			
Receivables & prepayments		(427,084)	(74,262)
Inventory		(94,615)	(192,152)
Taxation recoverable		5,999	(421)
Taxation payable		(8,525)	
Short term Investment		-	(90,045)
Payables		22,069	13,385
		(502,156)	(343,495)
Cash generated by/ (used in) operations		(226,945)	(121,410)
Finance cost		(95,685)	(73,348)
Net funds provided by/(used in) operating activities		(322,630)	(194,758)
CASH FLOWS FROM INVESTING ACTIVITY:			
Investments in Subsidiary		23,504	-
Investments		(53,120)	150,709
Purchase of fixed assets		(44,354)	(56,000)
Purchase cost of goodwill		-	
Net cash used in investment activities		(73,970)	94,709
Financing activities:			
Loans received during the period		208,505	612,097
Repayment of loans		(84,707)	(573,362)
Net cash provided by financing activities		123,798	38,735
Net (decrease)/ increase in cash balances		(272,802)	(61,314)
Net cash balance at beginning of period		388,751	247,572
Adjustment to include Woodcats International Limited		-	-
Net cash balance at end of period		115,949	186,258
Represented by:			
Cash on hand		115,949	186,258
Cash and cash equivalents		-	-
Net cash and cash equivalents at end of period		115,949	186,258

Derrimon Trading Limited
Company Statement of Cash flows
Six Months Ended June 30,2019

	Note	6 Months ended June 30,2019 $'000	6 Months ended June 30,2018 $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net profit		78,606	77,796
Adjustments for:			
Depreciation		18,385	24,113
Share of profit of associated company		-	-
Capital reserves		-	
Gain on sale of fixed assets		-	
Interest income		-	
Finance costs		98,144	73,348
		195,135	175,257
Changes in non-cash working capital components:-			
Decrease/(Increase):			
Receivables		(442,137)	(78,446)
Prepayments			
Inventory		(1,684)	(142,191)
Related Company		-	
Increase/(Decrease):			
Payables		25,546	(1,556)
		(418,275)	(222,193)
Cash generated by/ (used in) operations		(223,140)	(46,936)
Finance costs		(98,144)	(73,348)
Net funds provided by/(used in) operating activities		(321,284)	(120,284)
CASH FLOWS FROM INVESTING ACTIVITY:			
Interest income			-
Investments		(1,213)	18,573
Proceeds from sale of property, plant and equipment			
Investments in associate		-	-
Goodwill			-
Realised gain on disposal of shares			
Acquisition of property, plant and equipment		(21,388)	(49,328)
Net cash used in investment activities		(22,601)	(30,755)
Financing activities:			
Loans received during the period		172,557	351,337
Loans repayments		(67,105)	(256,528)
Dividends paid		-	
Net cash provided by financing activities		105,452	94,809
Net (decrease)/ increase in cash balances		(238,433)	(56,230)
Net cash balance at beginning of period		298,539	159,191
Net cash balance at end of period		60,106	102,962
Represented by:			
Cash & cash equivalents		60,106	102,962
Bank overdraft		-	-
Net cash and cash equivalents at end of period		60,106	102,962

Notes to the Unaudited Financial Statements

Six (6) Months Ended June 30, 2019

1. IDENTIFICATION AND PRINCIPAL ACTIVITIES

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

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

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

2. BASIS OF PREPARATION

Statement of Compliance

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

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

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

2. BASIS OF PREPARATION (continued)

Critical Accounting Estimates and Judgements in Appling Accounting Policies.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Depreciable assets

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

b) Allowance for losses

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Basis of consolidation of divisional accounts

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

The results of the Company's two (2) subsidiaries, Caribbean Flavours and Fragrances Limited (CFFL) and Woodcats International Company Limited have been included in these consolidated financial statements for the three (3) months ended 31 March 2019. The year-end of CFFL was changed from 30 June to 31 December to coincide with that of the Parent Company.

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

(a) Joint arrangement

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

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

(b) 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.

(c) Business combination (continued)

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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) strategic business units which offer differentiated volume and price to its customers.

The primary operating segments (reportable business units) are:

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Segmental Financial Information

	The Group 2019			
	Distribution $'000	Sampars Outlets $'000	Other Operations $'000	Total $'000
Revenue from external customers	3,468,499	2,262,337	556,006	6,286,842
Depreciation	9,390	8,995	2,083	20,468
Current Liabilities	1,735,165	215,023	57,892	2,008,080
Current Assets	2,175,224	410,921	733,123	3,319,268

	The Company 2019		
	Distribution $'000	Sampars Outlets & Select Grocers $'000	Total $'000
Revenue from external customers	3,468,499	2,262,337	5,730,836
Depreciation	9,390	8,995	18,385
Current Liabilities	1,735,165	215,023	1,950,188
Current Assets	2,175,224	410,921	2,586,145

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

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:

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%

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

5. EARNINGS PER STOCK UNIT

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

6. SHARE CAPITAL

	2019	2018
Authorised:		
7,400,000,000 ordinary shares of no par value		
Issued and fully paid:		
2,733,360,670 (2013 – 1,000) shares net of		
transaction costs	140,044,436	140,044,436

The net profit after tax reported by CFFL for the six (6) months ending June 30, 2019 was $35.22 million.

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

Control of Caribbean Flavours and Fragrances Limited (CFFL)

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

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

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

Consideration transferred

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

Previously held investment in CFFL

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

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

Non-controlling interest in CFFL

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

Identifiable net assets

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

Goodwill and Intangible assets

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

Changes in goodwill

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

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

DERRIMON TRADING

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

Top (10) Stockholders	Number of Shares Held
Derrick Cotterell	1,114,126,141
Manwei International Limited	419,998,240
Monique Cotterell	400,000,000
Ian C. Kelly	157,373,169
Estate of E. Cotterell (Deceased)	100,000,000
Winston Thomas	72,351,180
Sagicor Pooled Equity Fund	58,756,920
JCSD Trustee Services – Sigma Global Venture	36,962,100
Nigel Coke	30,802,960
Sharon Harvey-Wilson	29,163,580

Directors	
Derrick Cotterell	1,114,126,141
Monique Cotterell	400,000,000
Ian C. Kelly	157,373,169
Winston Thomas	72,351,180
Earl Anthony Richards	5,000,000
Alexander I. E. Williams	500,000
Paul Buchanan	424,820

DERRIMON TRADING

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

JUNE 30, 2019 (continued)

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