



**Consolidated Statements of Derrimon Trading Company Limited**

**Report to Stockholders**

**Six (6) months ended June 30, 2022**

The Board of Directors is pleased to report the unaudited results of the Company for the Six (6) months ended June 30, 2022 and to report on the performance of the Group. The period saw the successful completion of our acquisitions of Spicy Hills Farms Limited and Arosa Limited along with the acceleration of tasks to complete our new Select retail store in the Millennium Mall, Cuartoe Hill, Clarendon.

**Highlights of Q2 2022**

	Current Quarter			Year to Date		
	June 30, 2022 \$'000	June 30, 2021 \$'000	Change	June 30, 2022 \$'000	June 30, 2021 \$'000	% Change
Revenue	4,624,823	4,042,471	14.41%	8,864,389	8,052,408	10.08%
Gross Profit	1,093,150	787,135	38.88%	1,896,356	1,538,869	23.23%
EBITDA	336,311	323,049	4.11%	733,657	577,915	26.95%
Net Profit	113,079	125,203	-9.68%	286,064	285,808	0.09%
Net Profit attributable to shareholders	103,829	116,729	-11.05%	270,410	271,386	-0.36%
Earnings Per Share	\$0.023	\$0.028	-17.86%	\$0.060	\$0.064	-6.95%

The six (6) months consolidated results for Derrimon Trading Company Limited saw revenue of \$8.864 billion which is \$811.98 million more than the \$8.052 billion reported for the corresponding six (6) months period in 2021. The improved performance reported is a result of our growth strategy being achieved through our companies and business segments. The period saw a full quarter of consolidation for Spicy Hill Farms Limited and Arosa Limited which were acquired at the start of the second quarter. Caribbean Flavours and Fragrances Limited (CFF) and Woodcats International Limited maintained adequate sales despite the continued negative impact from the elevated inflation, raw material shortages and delays from our overseas supplies.

The Group reported gross profit of \$1.896 billion which represents an increase of \$357.49 million (23.23%) above the \$1.539 billion reported for the comparative period last year. Despite rising raw material costs, along with higher distribution costs, our gross margins improved from 19.11% to 21.39%.

Consolidated operating expenses for the six (6) months was \$1.653 billion representing an increase of \$439.556 million (36.23%) over the \$1.213 billion reported for the comparative period last year. Apart from rising costs for several expenses, this period includes the consolidation of our latest acquisitions which were completed in Q2 2022.

The Group's operating profit for the first half year was \$504.125 million, an increase of \$136.302 million (37.06%). Our finance costs increased by \$128.609 million (277.14%) to \$175.015 million as the Group borrowed additional capital to fund the \$932 million acquisition of Arosa . Also impacting the result is the recognition of IFRS 16 on a monthly basis, this represents a change in our accounting policy. This was compounded by the appreciation of the Jamaican Dollar against the United States Dollar which resulted in foreign exchange losses for the period.

The Group's profit before tax for this reporting period was \$329.110 million, an increase of \$7.693 million (2.39%) over the \$321.417 million reported for the comparative period and net profit of \$286.064 million representing an increase of \$256.250 million (0.09%) above the \$285.808 million reported for the comparative period. Net profit attributable to shareholders declined by 0.36% to \$270.411 million with the Group recording an earnings per share of \$0.060.

The Group total assets was \$12.986 billion compared to the \$10.319 billion reported for similar period in 2021. This was influenced by the consolidation of the assets of all the new subsidiaries. Total liabilities increased from \$4.706 billion to \$6.938 billion while total equity moved from \$5.614 billion to \$6.048 billion.

Notable events during the period included the temporary disruption to our Marnock Retail LLC subsidiary which underwent a store reset. This was also compounded by supply chain disruptions and inflation during the period. Spicy Hill's factory was relocated from its Trelawny location to Marcus Garvey Drive and underwent factory upgrade and modernisation in the process. Our retail business profitability improved significantly when compared to the prior period and was positively influenced by our constant focus on the optimization of the portfolio as well as our aim of making the business efficient.

### **Core Activity**

The Distribution and Retail local arms of the business recorded revenue of \$5.818 billion for the first half of 2022 which is a 6.43% improvement over the \$5.467 billion earned in the prior period.

Gross profit from these divisions for the six (6) months period was \$1.158 billion which represents a \$288.824 million (33.22%) increase above the \$869.390 million reported for the corresponding period last year. Gross margins improved from 15.90% to 19.91% during the six months period, significantly improving our overall performance. We continue to focus on attracting categories of products that generate specific hurdle returns and increase our distribution effectiveness within the wholesale and modern trade.

Operating Expenses for the six (6) months period was \$1.171 billion which is \$379.642 million (47.94%) above the \$791.855 million reported for the comparative period last year. The major factors for this increase were salaries, utilities, and distribution costs inclusive of trucking costs.

Finance charges for the six (6) months period was \$161.312 million compared to \$46.695 million in the prior period. With the company recognizing IFRS 16 every quarter, new debt associated with the completion of the Arosa acquisition, build out of capital projects and the revaluation of the USD to JMD foreign exchange rate, this expense category increased significantly.

Pre-tax Profit recorded for the six (6) months period was \$77.827 million representing a \$16.446 million or 26.79% increase over the \$61.381 million reported for the corresponding period last year.

Net profit for the six (6) months period was \$58.371 million representing a \$27.598 million or 89.69% increase over the \$30.772 million reported for similar period last year.

Total Assets was \$9.107 billion, which represents a decrease of \$ 531.469 million below the \$9.639 billion reported for the similar period last year. Cash and bank balances decreased to \$265.517 million as we were required to accelerate payables to our many major suppliers. Total liabilities decreased from \$4.508 billion to \$3.735 billion as our payables balance went below the \$1 billion mark.

### Market Performance

	June 30, 2022	June 30, 2021	Percentage
DTL Stock Price	\$2.74	\$2.53	8.30%
Junior Market Index	4,349.44	3,370.59	29.04%
JSE Manufacturing and Distribution Index	107.69	106.13	1.47%
Market Capitalization	\$12.42 Billion	\$11.47 Billion	8.28%

The Junior Market hit a new all-time high during the second quarter with the Dolla Financial Services Limited Initial Public Offering (IPO) being the largest IPO to date with a total of \$4.76 billion in demand relative to \$500 million being sought in the offer. This demonstrates the vibrancy of the Junior Market over the last 13 years and why we're proud to be listed on this market to fuel growth in Jamaica. A year over year comparison shows that the Junior Market Index has appreciated more than DTL's stock performance which appreciated higher than the JSE Manufacturing and Distribution Index. The company's market capitalization stood at \$12.42 billion at the end of the first six months.

## Outlook

Both the Jamaican and US economies have been experiencing a strong resurgence in commerce as the pent up demand by citizens is being released through many normal activities. Air traffic travel into the Sangster International Airport surpassed pre-COVID levels in June, this is a significant sign of things to come for the remainder of the year. Many States in the USA are also seeing a strong spike in international bookings with Congress passing various bills to continue stimulating various segments of the economy.

However, the USA reported its second consecutive quarter of Gross Domestic Product (GDP) decline which continues to stoke fear of a recession. This is compounded by the current increased prices for energy and other basic goods associated with daily living. We continue to monitor the economic environment both domestically and overseas as all of these varying factors have effects on our business as consumer demand shifts towards essential goods.

Although the COVID-19 pandemic has relatively abated in the Western Hemisphere, the rise of Monkeypox and other viruses shows that the environment still has high levels of uncertainty as everyone faces risks outside of their control. This is compounded by the Russia-Ukraine war which continues to cause further disruptions to supply chains and other commodities needed for the normal functioning of the global economy.

Inflation in Jamaica and the USA stood at 10.9% and 9.1% respectively at the end of June, both multi-decade highs. While both countries central banks have been moving policy rates aggressively to deal with the issue, elevated inflation continues to impact our business as we source goods from numerous countries. Despite the price of some commodities declining from historic highs, they are still well above pre-COVID levels which influence the future planning for many businesses.

We are monitoring and managing each element of risk within the business space in which we operate and continue to communicate with our suppliers and partners is securing our business interest and product supplies. We maintain sufficient levels of inventory at the company and subsidiary levels without overstocking which ties up cash and carries its own inherent risks. Our group treasury team is constantly exploring methods to hedge various risks especially foreign exchange risk (FX) based on the variation in the USD-JMD FX rate.

With the movement in market interest rate, we expect to see the repricing of new debt taking on these new interest rates which will negatively impact our business. We remain confident that based on the strong working relationships that exist with our bankers and alternative investment partners that we will ensure that capital is available to the Group's various companies as the needs arise.

These are challenging times for businesses however, we have the right talent and leadership and remain confident that we will continue to diversify our business and operating markets to deliver on our plans for the ensuing periods.

We thank our employees for their commitment and dedication in spite of the many challenges faced during this period. We also thank our existing and the new shareholders, customers and other stakeholders for their support as we continue to expand our business and bring greater value to all parties. We would like to remind shareholders that our Annual General Meeting will be held on September 28 at the Terra Nova All-Suite Hotel starting at 10 a.m. Our social media pages will stream the meeting for those who will not be able to attend.



Derrick Cotterell  
Chairman/Chief Executive Officer



**DERRIMON**  
TRADING CO. LTD.

**FINANCIAL RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2022**

**Consolidated Profit before tax \$329.11M**

**TABLE OF CONTENTS**

<b>Unaudited Financial Statements</b>	<b>Page</b>
Group Statement of Comprehensive Income	7
Company Statement of Comprehensive Income	8
Group Statement of Financial Position	9
Group & Company Statement of Changes in Shareholders' Equity	10
Group Statement of Cash Flows	11
Company Statement of Cash Flows	12
Notes to the Unaudited Financial Statements	13-31
Shareholdings of top ten (10) stockholders, directors and senior officers	32-33

**Derrimon Trading Company Limited**  
**Group Statement of Profit and Loss & Comprehensive Income**  
**Six Months Ended June 30, 2022**

	Group Unaudited Consolidated Three months ended June 30 <u>2022</u> \$'000	Group Unaudited Consolidated Three months ended June 30 <u>2021</u> \$'000	Group Unaudited Consolidated Six months ended June 30 <u>2022</u> \$'000	Group Unaudited Consolidated Six months ended June 30 <u>2021</u> \$'000	Group Audited year ended December 31 <u>2021</u> \$'000
<b>Revenue</b>					
Trading Income	4,624,823	4,042,471	8,864,389	8,052,408	17,744,717
Less cost of sales	3,531,673	3,255,336	6,968,033	6,513,539	14,335,509
<b>Gross Profit</b>	<u>1,093,150</u>	<u>787,135</u>	<u>1,896,356</u>	<u>1,538,869</u>	<u>3,409,208</u>
Unrealised losses on investment valued at fair value through profit or loss					3,960
Other operating Income	125,047	19,481	260,618	42,247	103,893
	<u>1,218,197</u>	<u>806,616</u>	<u>2,156,974</u>	<u>1,581,116</u>	<u>3,517,061</u>
<b>Less operating expenses:</b>					
Administrative	864,610	521,397	1,404,042	995,255	2,327,728
Selling & distribution	131,244	117,136	248,807	218,038	402,293
	<u>995,854</u>	<u>638,533</u>	<u>1,652,849</u>	<u>1,213,293</u>	<u>2,730,021</u>
<b>Operating profits/ (loss) before finance charges</b>	<u>222,343</u>	<u>168,083</u>	<u>504,125</u>	<u>367,823</u>	<u>787,040</u>
Less : finance cost	(90,931)	(23,168)	(175,015)	(46,406)	(231,321)
Profit before taxation	131,412	144,915	329,110	321,417	555,719
Taxation ( Estimated)	18,334	19,712	43,046	35,609	107,536
Net profit being total comprehensive income	113,079	125,203	286,064	285,808	448,183
<b>Net Profit Attributable to:</b>					
Shareholders of the company	103,829	116,002	270,410	271,386	399,942
Non-controlling interest	9,250	9,201	15,654	14,422	48,241
<b>Total comprehensive income</b>	<u>113,079</u>	<u>125,203</u>	<u>286,064</u>	<u>285,808</u>	<u>448,183</u>
<b>Earnings per share</b>	2p \$ 0.023	\$ 0.026	\$ 0.060	\$ 0.064	\$ 0.094

	Notes	Company Unaudited Derrimon Three months ended June 30	Company Unaudited Derrimon Three months ended June 30	Company Unaudited Derrimon Six months ended June 30	Company Unaudited Derrimon Six months ended June 30	Company Audited year ended December 31
		<u>2022</u> <u>\$'000</u>	<u>2021</u> <u>\$'000</u>	<u>2022</u> <u>\$'000</u>	<u>2021</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>
<b>Revenue</b>						
Trading Income	2f	2,994,684	2,575,682	5,818,062	5,466,413	11,037,979
Less cost of sales		2,296,891	2,143,288	4,659,848	4,597,023	9,298,936
<b>Gross Profit</b>		697,793	432,394	1,158,214	869,390	1,739,043
Unrealised losses on investment valued at fair value through profit or loss						(3,682)
Other Income		121,022	6,337	252,422	30,541	428,598
		818,815	438,731	1,410,636	899,931	2,163,959
<b>Less operating expenses:</b>						
Administrative		624,983	293,244	922,690	581,945	1,309,125
Selling & distribution		131,244	111,953	248,807	209,910	387,621
		756,227	405,197	1,171,497	791,855	1,696,746
<b>Operating profits/ (loss) before finance charges</b>		62,588	33,534	239,139	108,076	467,213
Less : finance cost		(78,710)	(23,875)	(161,312)	(46,695)	(201,672)
Profit before taxation		(16,122)	9,659	77,827	61,381	265,541
Taxation ( Estimated)	6	-	-	19,457	30,609	(51,223)
Net Profit		(16,122)	9,659	58,370	30,772	214,318
<b>Total comprehensive income</b>		(16,122)	9,659	58,370	30,772	214,318
Earnings per stock unit	2p	\$ (0.004)	\$ 0.002	\$ 0.013	\$ 0.007	\$ 0.050



**Derrimon Trading Company Limited**  
**Statement of Financial Position**  
**Six Months ended June 30, 2022**

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>2022</u> <u>\$'000</u>	<u>2021</u> <u>\$'000</u>	<u>2022</u> <u>\$'000</u>	<u>2021</u> <u>\$'000</u>	<u>2021</u> <u>\$'000</u>	<u>2021</u> <u>\$'000</u>
<b>ASSETS</b>						
<b>Non-current assets:</b>						
Fixed Assets	1,838,409	667,678	3,207,972	802,025	1,758,276	2,353,972
Right of use assets	967,921	1,226,710	1,661,254	1,309,919	1,061,383	1,791,254
Deferred tax asset		23,614		23,614		
Intangible assets	33,220	33,220	1,648,203	438,643	33,220	1,648,203
Investment in Subsidiary and joint venture Investments	2,827,438	2,132,232		1,373,184	2,283,390	-
	542,321		297,273	163,695	107,729	297,273
	<u>6,209,309</u>	<u>4,083,454</u>	<u>6,814,702</u>	<u>4,111,080</u>	<u>5,243,998</u>	<u>6,090,702</u>
<b>Current assets:</b>						
Receivables and prepayments	1,097,290	1,521,904	1,787,716	1,750,664	1,078,489	1,585,693
Inventories	1,535,183	2,770,764	3,102,982	2,965,439	1,522,167	2,680,576
Investment	-	804,392	884,162	960,683	-	-
Cash & bank	265,517	458,254	396,564	531,499	924,318	1,147,552
Tax recoverable	-	-	-	-	1,075	4,692
Due from related parties	-	-	-	-	831,104	-
	<u>2,897,990</u>	<u>5,555,314</u>	<u>6,171,424</u>	<u>6,208,285</u>	<u>4,357,153</u>	<u>5,418,513</u>
<b>TOTAL ASSETS</b>	<u>9,107,299</u>	<u>9,638,768</u>	<u>12,986,126</u>	<u>10,319,365</u>	<u>9,601,151</u>	<u>11,509,215</u>
<b>EQUITY AND LIABILITIES</b>						
<b>Current Liabilities:</b>						
Payables	771,495	1,647,204	2,896,977	1,744,753	791,828	1,393,912
Short term loans	296,315	360,000	296,315	360,000	296,200	296,200
Current portion of long term loan	78,000	40,715	81,940	40,715	104,668	111,227
Current portion of lease liability	170,870	59,380	175,508	59,380	239,030	298,123
Taxation payable	-	-	28,046	-	-	63,544
Bank overdraft	-	-	-	-	73,488	73,488
	<u>1,316,680</u>	<u>2,107,299</u>	<u>3,478,786</u>	<u>2,204,848</u>	<u>1,505,214</u>	<u>2,236,494</u>
<b>Capital and reserves</b>						
Share capital	3,863,849	3,863,849	3,863,849	3,863,849	3,863,849	3,863,849
Non-controlling interest		-	226,487	192,657	-	210,833
Retained earnings	1,413,514	1,171,598	1,860,759	1,461,792	1,355,144	1,590,348
Investment revaluation reserve	614	614	614	614	614	614
Capital Reserve	94,638	94,638	94,638	94,638	94,638	94,638
Foreign exchange reserves	-	-	1,885	-	-	1,885
	<u>5,372,615</u>	<u>5,130,699</u>	<u>6,048,231</u>	<u>5,613,550</u>	<u>5,314,245</u>	<u>5,762,167</u>
<b>Non Current Liability:</b>						
Borrowings	1,506,219	1,262,790	1,649,978	1,362,987	1,594,814	1,636,429
Lease liability	911,785	1,137,980	1,602,212	1,137,980	972,686	1,677,212
Due to related party	-	-	206,919	-	211,823	191,823
Deferred tax liability	-	-	-	-	2,369	5,090
	<u>2,418,004</u>	<u>2,400,770</u>	<u>3,459,109</u>	<u>2,500,967</u>	<u>2,781,692</u>	<u>3,510,554</u>
<b>Total equity and liabilities</b>	<u>9,107,299</u>	<u>9,638,768</u>	<u>12,986,126</u>	<u>10,319,365</u>	<u>9,601,151</u>	<u>11,509,215</u>

Approved for issue by the Board of Directors on May 11, 2022 by:



Derrick Cotterell  
Chairman



Ian Kelly  
Director

**Derrimon Trading Limited**  
**Group Statement of change in Shareholders' Equity**  
**Six Months Ended June 30, 2022**

	Attributable to the Company's Shareholders							Total S'000
	Number of Shares	Share Capital S'000	Foreign Exchange Reserves S' 000	Retained Earnings S'000	Investment		Non-controlling interest S'000	
					Revaluation Reserve S'000	Capital Reserves S'000		
<b>Balance at 31 December 2020</b>	2,733,361	140,044	-	1,190,406	614	94,638	178,235	1,603,937
Total comprehensive income	-	-	-	271,386	-	-	14,422	285,808
Dividends	-	-	-	-	-	-	-	-
Non-controlling interest	-	-	-	8,803	-	-	(8,803)	-
Issue of shares	1,800,000	3,723,804	-	-	-	-	-	3,723,804
<b>Balance at June 30, 2021</b>	<b>4,533,361</b>	<b>3,863,848</b>	<b>-</b>	<b>1,470,595</b>	<b>614</b>	<b>94,638</b>	<b>183,854</b>	<b>5,613,550</b>

	Attributable to the Company's Shareholders							Total S'000
	Number of Shares	Share Capital S'000	Foreign Exchange Reserves S'000	Retained Earnings S'000	Investment		Non-controlling interest S'000	
					Revaluation Reserve S'000	Capital Reserves S'000		
<b>Balance at 31 December 2021</b>	4,533,361	3,863,849	1,885	1,590,348	614	94,638	210,833	5,762,167
Total comprehensive income	-	-	-	270,411	-	-	15,654	286,064
Non-controlling interest	-	-	-	-	-	-	-	-
Issue of shares	-	-	-	-	-	-	-	-
<b>Balance at June 30, 2022</b>	<b>4,533,361</b>	<b>3,863,849</b>	<b>1,885</b>	<b>1,860,759</b>	<b>614</b>	<b>94,638</b>	<b>226,487</b>	<b>6,048,231</b>

**Derrimon Trading Limited**  
**Company Statement of change in Shareholders' Equity**  
**Six Months Ended June 30, 2022**

	Number of Shares	Share Capital S'000	Retained Earnings S'000	Investment Revaluation Reserve S'000	Capital Reserves S'000	Total S'000
	<b>Balance at 31 December 2020</b>	2,733,361	140,044	1,140,826	614	94,638
Total comprehensive income	-	-	30,772	-	-	30,772
Issue of shares	1,800,000	3,723,805	-	-	-	3,723,805
<b>Balance at June 30, 2021</b>	<b>4,533,361</b>	<b>3,863,849</b>	<b>1,171,598</b>	<b>614</b>	<b>94,638</b>	<b>5,130,699</b>

	Number of Shares	Share Capital S'000	Retained Earnings S'000	Investment Revaluation Reserve S'000	Capital Reserves S'000	Total S'000
	<b>Balance at 31 December 2021</b>	4,533,361	3,863,849	1,355,144	614	94,638
Total comprehensive income	-	-	58,370	-	-	58,370
Non-controlling interest	-	-	-	-	-	-
Issue of shares	-	-	-	-	-	-
<b>Balance at June 30, 2022</b>	<b>4,533,361</b>	<b>3,863,849</b>	<b>1,413,514</b>	<b>614</b>	<b>94,638</b>	<b>5,372,615</b>

**Derrimon Trading Limited**  
**Group Statement of Cash flows**  
**Six Months Ended June 30,2022**

	Note	6 Months ended June 30,2022 \$'000	6 Months ended June 30,2021 \$'000
<b>Cash flows from operating activities:</b>			
Net profit before taxation		329,110	321,417
Taxation paid		(63,544)	(68,741)
<b>Changes in non-cash working capital components:-</b>			
Depreciation		99,532	32,576
Depreciation-right of use		130,000	177,516
Deferred tax		(5,090)	(13,755)
Inventories		(422,406)	(778,879)
Tax recoverable		4,692	-
Receivables		(202,023)	124,146
Payables		1,503,065	1,026,644
Increase in related parties		15,096	-
<b>Net cash (used in)/ provided by operating activities</b>		<b>1,388,432</b>	<b>820,924</b>
<b>Cash flows from Investment activities:</b>			
Investments		(884,162)	(2,333,867)
Acquisition of property, plant and equipment		(953,532)	(296,816)
<b>Net cash used in investment activities</b>		<b>(1,837,694)</b>	<b>(2,630,683)</b>
<b>Financing activities:</b>			
Loan received during the year		-	-
Lease liability		(197,615)	(405,545)
Repayment of loans		(30,623)	(1,637,930)
Proceeds from shares issued in Additional Public Offering		-	3,723,804
<b>Net cash used financing activities</b>		<b>(228,238)</b>	<b>1,680,329</b>
<b>Net increase/ (decrease) in cash and cash equivalents balances</b>		<b>(677,500)</b>	<b>(129,430)</b>
Net cash balance at beginning of the year		1,074,064	660,929
<b>Net cash balance at end of period</b>		<b>396,564</b>	<b>531,499</b>
<b>Represented by:</b>			
Cash & cash equivalents		396,564	531,499
Bank overdraft		-	-
<b>Net cash and cash equivalents at end of period</b>		<b>396,564</b>	<b>531,499</b>



**Derrimon Trading Limited**  
**Company Statement of Cash flows**  
**Six Months Ended June,2022**

	Note	6 Months ended June 30,2022 <u>\$'000</u>	6 Months ended June 30,2021 <u>\$'000</u>
<b>Cash flows from operating activities:</b>			
Net profit before taxation		77,827	61,381
Taxation paid		(19,457)	(53,372)
<b>Changes in non-cash working capital components:-</b>			
Depreciation		83,532	27,411
Depreciation-right of use		93,462	75,322
Inventories		(13,016)	(794,830)
Receivables		(18,801)	169,538
Investments		(434,592)	-
Taxation recoverable		1,075	-
Payables		(20,333)	997,301
Related party balance		619,281	-
<b>Net cash (used in)/ provided by operating activities</b>		<u>368,978</u>	<u>482,751</u>
<b>Cash flows from Investment activities:</b>			
Investments		-	(799,648)
Investments in Subsidiary		(544,048)	(1,189,692)
Acquisition of property, plant and equipment		(163,665)	(268,364)
<b>Net cash used in investment activities</b>		<u>(707,713)</u>	<u>(2,257,704)</u>
<b>Financing activities:</b>			
Lease liability		(129,061)	(211,994)
Repayment of loans		(115,148)	(1,721,941)
Deferred tax liability		(2,369)	(4,723)
Proceeds from shares issued in Additional Public Offering		-	3,723,804
<b>Net cash used financing activities</b>		<u>(246,578)</u>	<u>1,785,146</u>
<b>Net increase/ (decrease) in cash and cash equivalents balanc</b>		<u>(585,313)</u>	<u>10,193</u>
Net cash balance at beginning of the year		850,830	448,061
<b>Net cash balance at end of period</b>		<u>265,517</u>	<u>458,254</u>
<b>Represented by:</b>			
Cash & cash equivalents		265,517	458,254
Bank overdraft		-	-
<b>Net cash and cash equivalents at end of period</b>		<u>265,517</u>	<u>458,254</u>

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

### **Six (6) Months Ended June 30, 2022**

#### **1. IDENTIFICATION AND PRINCIPAL ACTIVITIES**

Derrimon Trading Company Limited (“the Company”) is a company limited by shares, incorporated and domiciled in Jamaica. The Company registered office is located at 233-235 Marcus Garvey Drive, Kingston 11. The Company was incorporated in 1998.

The principal activities of the Company include the wholesale and bulk distribution of household and food items inclusive of meat products, chilled and ambient beverages and the retailing of those and other food items and meat products through the operation of a chain of outlets and supermarkets. The Company’s subsidiaries are involved in manufacturing of flavours and fragrances, wooden pallets manufacturing, meats processing, spices and soup 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. The recent acquisition of Spicy Hill Farms limited and Arosa Limited with manufacturing and storage facilities at 235 arcus Garvey Drive and Drax Hall, St. Ann are also reflected in our operations.

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 2021.

##### **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.

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

### **Operating segments information**

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

### **Financial assets**

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

### **Revenue from contract with customers**

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

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

### **Leases**

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

### **Consolidation**

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

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **Joint arrangement**

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

### **Investment property**

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

### **Related parties and related party transactions**

**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.



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Contingencies

In determining the existence of a contingent liability, management assesses the existence of:

- A possible obligation that arises from a past event and which existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or;
- A present obligation that arises from a past event but is not recognized because it is not possible that an outflow of economic benefit is required to settle or the amount of the obligation cannot be measured reliably. In estimating possible outflow of economic benefits in relation to a contingent liability, management, sometimes in consultation with experts such as legal counsel may or may not make provision in the financial statements based on judgments regarding possible outcomes according to specific but uncertain circumstances. Contingent liabilities are disclosed in the financial statements unless immaterial or the possibility of an outflow of economic benefits is remote.

### Inventories

**Estimation** – Inventories are carried at the lower of cost and net realized value. Cost is measured at the weighted average basis, the estimation of net realized value is based on the most reliable evidence available, at the time the estimates are made, of the amount the inventories are expected to realize. Additionally, estimation is required for inventory provision due to shrinkage, slow-moving and expiration.

### Impairment of assets

**Judgment** – Management uses judgment in determining the grouping of assets to identify the Cash-Generating Units (“CGUs”) for testing for impairment of property, plant and equipment (“PPE”), Intangibles and Goodwill. Management has determined that its three (3) strategic business units are its CGUs which comprise Distribution (Household products, detergents and bulk foods), Wholesale (Trading outlets and supermarkets) and Other Operations (Manufacturer of flavours and fragrances; and wood products). In testing for impairment of PPE, these assets are allocated to the CGUs to which they relate.

Judgment has been used, at each reporting date, in determining whether there has been an indication of impairment which would require the completion of impairment testing.

**Estimation** – Management’s estimates of a CGUs’ recoverable based on value-in-use involves estimating future cash flows before taxes. Future cash flows are estimated based on a multi-year extrapolation of the last five years historical actual results and a terminal value by discounting the final year in perpetuity. The growth rate applied to the terminal value is based on the Bank of Jamaica’s target inflation rate or Management’s estimate of the growth rate specific to the individual item being tested. The future cash flow estimates are then discounted to their present value using the appropriate pre-tax discount rate, which includes a risk premium specific to the business. The final determination of a CGUs’ recoverable amount is based on fair value less cost to sell and its value-in-use.

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in other comprehensive income. This is reversed only if there has been a change in the estimates used to determine the recoverable amount and not to exceed the original carrying amount before its impairment. The reversal is also recognized in other comprehensive income.

### **Others**

**Estimation** – Other estimates include determining the useful lives of Property, Plant and Equipment for depreciation; in accounting for and measuring payables and accruals and in measuring fair values of financial instruments.

### **Standards, amendments and interpretations to published standards effective in the current year.**

The following new standards, amendments and interpretations have been issued and adopted, and, accordingly, have been applied in preparing the financial statements.

#### **Leases (IFRS 16)**

In January 2016, the IASB issued IFRS 16 – Leases, which replaced 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.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

### (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 the 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), Woodcats International Company Limited, Spicy Hill Farms Limited and Arosa Limited as follows:

<b>Entity</b>	<b>Principal Activity</b>	<b>% Ownership by Company at 30 June 2022</b>	<b>% Ownership by Company at 31 December 2021</b>
<b>CFFL</b>	Manufacture of Flavours and Fragrances	65.02%	65.02%
<b>Select Grocers</b>	Operation of Supermarket	60%	60%
<b>Woodcats International Limited</b>	Manufacturers of wooden pallets	100%	100%
<b>Marnock Retail LLC</b>	Operations of Supermarket	100%	100%
<b>Marnock LLC</b>	Operation of Wholesale	80%	80%
<b>Spicy Hill Limited</b>	Manufacture of Spices	100%	0%
<b>Arosa Limited</b>	Meat processing and wine processing	100%	0%

Derrimon Trading Company Limited (DTCL) as at June 30, 2022 owns 65.02% of the shares of CFFL, the same as the prior year.

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

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

DTCL continues to hold 100% of the shares of Woodcats International Limited, a manufacturer of wooden pallets, making it a wholly-owned subsidiary.

On January 8, 2021, DTCL acquired 100% of the shares of Marnock Retail LLC, a supermarket domiciled in the United States of America, making it a wholly-owned subsidiary.

On January 8, 2021, DTCL acquired 80% of the shares of Marnock LLC, a wholesale operator domiciled in the United States of America.

On January 10, 2022, DTCL acquired 100% of the shares of Spicy Hill Farms Limited, a manufacturer of spices making it a wholly-owned subsidiary.

On April 1, 2022, DTCL acquired 100% of the shares of Arosa Limited, a manufacturer of meats and distributor of wines and cheese making it a wholly-owned subsidiary.

### **(b) Joint operation**

A joint operation is an arrangement in which two or more parties contractually agree to the sharing of control and decisions about relevant activities require the unanimous consent of the parties sharing control. In a joint operation, the parties that have joint control have rights to the assets and obligations for the liabilities.

The Company records its interest in the joint operation's assets, liabilities, revenues and expenses in the Group accounts.

### **(c) Business combination**

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

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

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

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

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

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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)
4. Manufacturing and processing of meats and distribution of wines and cheese
5. Manufacturing of soups and spices.

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, the purchase of Marnock LLC trading as FoodSavers New York and Good Foods For Less in January 2021, Spicy Hill Farms Limited and Arosa Limited in 2022 resulting in these companies becoming a part of the Group.

#### **(e) Impairment of assets**

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

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

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **(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.

### **(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.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

### **(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.

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

#### **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.



## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(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.

#### **Credit risk and expected credit loss**

The Company is only exposed 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.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

### (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.

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **(m) 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, Marnock LLC, Marnock Retail, Spicy Hill Farms Limited and Arosa Limited are not listed on the Junior Market of the JSE and are subject to payment of full income tax.

### **(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.

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

### **(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 share**

Basic earnings per share ("EPS") are calculated by dividing the net income attributable to the shareholders by the weighted average number of ordinary shares outstanding during the reporting period. The Calculation of earnings per ordinary share is based on the Group and Company net profit attributable to shareholders divided by the weighted average number of ordinary shares of 4,533,360,670 (2021 – 2,853,360,670). New shares were issued and listed on the Junior Market of the Jamaica Stock Exchange on February 23, 2021 given the successful Additional Public Offer.

## **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 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.

## SEGMENTAL FINANCIAL INFORMATION (CONTINUED)

(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.

(iv) On January 10. 2022, DTL acquired 100% of Spicy Hill Farms Limited and has entered the manufacturing space of the range of spices.

### Segmental Financial Information

	<u>The Group</u> <u>2022</u>			
	<u>Distribution</u> <u>\$'000</u>	<u>Sampars Outlets</u> <u>\$'000</u>	<u>Other Operations</u> <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
Revenue from external customers	3,267,102	4,186,796	1,410,491	8,864,389
Depreciation	39,760	43,772	16,000	99,532
<b>Current Liabilities</b>	<b>724,966</b>	<b>591,714</b>	<b>2,162,106</b>	<b>3,478,786</b>
<b>Current Assets</b>	<b>1,741,460</b>	<b>1,156,530</b>	<b>3,273,434</b>	<b>6,171,424</b>

	<u>The Company</u> <u>2022</u> <u>Sampars Outlets &amp;</u> <u>Select Grocers,</u>		
	<u>Distribution</u> <u>\$'000</u>	<u>Marnock</u> <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
Revenue from external customers	3,011,166	2,806,896	5,818,062
Depreciation	39,760	43,772	83,532
<b>Current Liabilities</b>	<b>724,966</b>	<b>591,714</b>	<b>1,316,680</b>
<b>Current Assets</b>	<b>1,741,460</b>	<b>1,156,530</b>	<b>2,897,990</b>

#### **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 June 30, 2022, the Company has holdings as follows:

- Caribbean Flavours and Fragrances Limited - 65.02%
- Woodcats International Limited - 100%
- Marnock LLC and Marnock Retail – 80% and 100% respectively.
- Spicy Hills Farms Limited – 100%
- Arosa Limited – 100%

#### **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 January 2021 (December 17, 2018- December 16, 2021) - 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. As a result, the company does not qualify to claim the 50% remission of Income Tax which means that the taxation payable is at the normal 25% rate.

## 7. LEASE LIABILITY

Right-of-use Assets, blended principal and interest payments (rent payments) are made monthly in the amount of \$24,811,000 interest is charged at 7.25%, maturing in 2039.

Principal amounts payable:

Current portion	\$ 178,870,000
Long-term	\$1,677,712,000
Total	\$1,856,582,000

## 8. Earnings Per Stock Unit

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

Group	Quarter ended June 30, 2022 \$'000	Quarter ended June 30, 2021 \$'000	6 Months ended June 30, 2022 \$'000	6 Months ended June 30, 2021 \$'000	Year ended December 31, 2021 \$'000
Net profit attributable to shareholders	103,829	116,729	270,410	271,386	399,942
Weighted average number of shares	4,533,360,670	4,233,360,670	4,533,360,670	4,233,360,670	4,271,991,000
Earnings Per share	0.023	0.028	0.060	0.064	0.094

**DERRIMON TRADING COMPANY LIMITED****SHAREHOLDINGS OF TOP TEN (10) STOCKHOLDERS, DIRECTORS AND SENIOR OFFICERS AS AT  
June 30, 2022**

<b>Top (10) Stockholders</b>	<b>Number of Shares Held</b>	<b>Percentage Ownership</b>
Derrick Cotterell	1,125,531,673	24.83%
Barita Investment Ltd-Long A/C	918,510,927	20.26%
Monique Cotterell	400,000,000	8.82%
Mayberry Jamaican Equities Limited	309,640,980	6.83%
Ian C. Kelly	169,107,209	3.73%
JCSD Trustee Services Limited A/C Barita Unit Trust Capital Growth Fund	132,209,049	2.92%
Estate of E. Cotterell (Deceased)	100,000,000	2.21%
Winston Thomas	72,351,180	1.60%
ATL Group Pension Trustees NOM Ltd	56,349,216	1.24%
Heart Trust / NTA Pension Scheme	56,606,000	1.20%



**DERRIMON TRADING COMPANY LIMITED****SHAREHOLDINGS OF TOP TEN (10) STOCKHOLDERS, DIRECTORS AND SENIOR OFFICERS AS AT****June 30, 2022**

<b>Directors</b>	<b>Number of Shares Held</b>	<b>Percentage Ownership</b>
Derrick Cotterell	1,125,531,673	24.83%
Monique Cotterell	400,000,000	8.82%
Ian C. Kelly	169,107,209	3.73%
Winston Thomas	72,351,180	1.60%
Earl Anthony Richards	5,441,167	0.12%
Alexander I. E. Williams	500,000	0.01%
Paul Buchanan	300,000	0.01%
Tania Waldron-Gooden	Nil	0.00%
Howard Mitchell	Nil	0.00%
<b>Senior Officers</b>	<b>Number of Shares Held</b>	<b>Percentage Ownership</b>
Sheldon Simpson	2,591,358	0.06%
Craig Robinson	325,704	0.01%