



Consolidated Statements of Derrimon Trading Company Limited

Report to Stockholders

Six (6) months ended June 30, 2024

The Board of Directors is pleased to report the unaudited results of the Group and Company for the second quarter and six (6) months ended June 30, 2024.

Highlights of Q2 2024

	Current Quarter			Year to Date		
	June 30, 2024 \$'000	June 30, 2023 \$'000	Change	June 30, 2024 \$'000	June 30, 2023 \$'000	% Change
Revenue	4,250,629	4,578,653	-7.16%	7,810,317	9,500,244	-17.79%
Gross Profit	1,119,549	1,146,168	-2.32%	2,025,949	2,167,785	-6.54%
EBITDA	664,870	600,445	10.73%	1,149,693	923,845	24.45%
Net Profit	62,633	146,813	-57.34%	120,836	199,320	-39.38%
Net Profit attributable to shareholders	42,386	134,013	-68.37%	97,731	174,549	-44.01%
Earnings Per Share	\$0.009	\$0.030	-68.37%	\$0.022	\$0.039	-43.59%

For the quarter, the Group generated revenue of \$4.25 billion, reflecting a 7.16% decrease from the \$4.58 billion reported in the same period last year. This decline is attributed to various factors detailed in the segment analysis below.

The distribution segment saw a 7.99% revenue increase, rising from \$1.17 billion to \$1.26 billion, driven by the development of our proprietary brands—Delect, Refresh, Gentle, and Spicy Hill—and a renewed focus on core distribution products. These brands are gaining traction and showing promising results.

Our wholesale and retail segment, including Sampars Outlets, recorded a 20.05% revenue increase, growing from \$1.87 billion to \$2.24 billion. This growth is attributed to improved sales at Sampars and Select Grocers locations, supported by the successful implementation of our new IT platform, which enhanced the customer experience and reliably informed purchasing decisions.

However, the other operations segment experienced a 51.68% revenue decrease, falling from \$1.54 billion to \$744.35 million. Caribbean Flavours & Fragrances Limited (CFF) and Woodcats International Limited reported revenue growth due to increased volumes in Jamaica. Spicy Hill Farms also saw improved

sales during the quarter. Unfortunately, Arosa experienced a decline in sales due to major equipment failures, which hindered our ability to fulfil orders, along with a slight contraction in the tourism segment.

As noted in our first-quarter report, Marnock LLC and Marnock Retail LLC, which operate Food Savers and Good Food for Less, have been closed since March 22 due to roof damage at the location. Although the landlord and contractors have provided several deadlines, we now expect the building to be ready by the end of August 2024. Additional work is required to comply with the updated business model, and we are aiming to reopen by October 15, 2024. As a result, the third quarter will continue to reflect the absence of revenue from these businesses, though many of the associated expenses remain. Repairs are ongoing, and the company is assessing potential insurance claims for this disruption. Both businesses contribute to the Group's consolidated results and provide management fees to Derrimon Trading Company Limited.

The Group reported a gross profit of \$1.12 billion, down 2.32% from the \$1.15 billion reported for the same period last year. However, gross profit margins increased from 25.03% to 26.34.

Consolidated operating expenses for the quarter decreased by 10.55% to \$651.91 million, reflecting significant cost-cutting measures across the Jamaican subsidiaries and a reduced contribution from the New York businesses. As a result of these savings, operating profit increased by 6.50% to \$517.38 million. Group finance costs increased by 38.48% to \$452.40 million due to higher financing costs during the period and new financing accessed in the quarter.

Profit before tax decreased by 59.16% to \$64.98 million, while consolidated net profit fell by 57.34% to \$62.63 million. Net profit attributable to shareholders declined by 68.39% to \$42.39 million, with earnings per share at \$0.009.

For the first half of the year, revenue decreased by 17.79% to \$7.81 billion, primarily reflecting the first quarter's revenue reduction. This led to a decrease in gross profit to \$2.03 billion, with group gross profit margins at 25.94%. Total expenses declined by 11.25% to \$1.44 billion, resulting in a 6.25% increase in operating profit, reported at \$717.84 million. Profit before tax decreased by 40.27% to \$136.84 million, with consolidated net profit at \$120.84 million and earnings per share at \$0.022.

The Group's total assets increased to \$17.54 billion, up from \$16.70 billion in the same period in 2023, driven by a 29.28% increase in inventories to \$5.85 billion and higher right-of-use assets. Total liabilities rose to \$10.55 billion, while shareholder equity grew by 6.40% to \$6.99 billion, of which \$6.72 billion is attributable to shareholders.

Core Activity

Company Financials	Current Quarter			Year to Date		
	June 30, 2024 \$'000	June 30, 2023 \$'000	Change	June 30, 2024 \$'000	June 30, 2023 \$'000	% Change
Revenue	3,506,282	3,038,285	15.40%	6,037,247	6,329,504	-4.62%
Gross Profit	827,451	480,869	72.07%	1,438,334	1,310,211	9.78%
Gross Profit Margin	23.60%	15.83%	7.77%	23.82%	20.70%	3.12%
EBITDA	744,387	222,580	234.44%	1,042,974	281,330	270.73%
Operating Profit (Loss)	402,444	135,352	197.33%	546,079	378,996	44.09%
Profit (Loss) Before Tax	(56,490)	(181,888)	-68.94%	(19,507)	(53,801)	-63.74%
Net Profit (Net Loss)	(56,490)	(181,888)	-68.94%	(19,507)	(53,801)	-63.74%
Earnings Per Share	(\$0.012)	(\$0.040)	-68.94%	(\$0.004)	(\$0.12)	-63.74%

For the second quarter ending June 2024, the company generated revenue of \$3.51 billion from core activities, representing a 15.40% increase, or \$468 million, compared to the same period in 2023. This growth was driven primarily by improved sales in our retail segment and the expansion of our proprietary brands. However, for the first six months, revenue from our distribution and retail segments totalled \$6.04 billion, a 4.62% decline from the \$6.33 billion earned in the same period last year, which included sales, from the now, defunct old Nestlé distribution contract.

Gross profit from core activities for the second quarter was \$827.45 million, a significant increase of 72.07% or \$346.58 million over the \$480.87 million reported in the same quarter of 2023. For the six-month period, gross profit was \$1.44 billion, up 9.78% or \$128.12 million from the \$1.31 billion reported in the prior year. This improvement in gross profit margins is attributed to better pricing achieved during this period.

Operating expenses for the second quarter were \$504.94 million, a 19.95% increase or \$83.99 million above the same period in 2023. However, for the six-month period, operating expenses were \$1.02 billion, reflecting a 3.38% decrease or \$35.73 million below the \$1.06 billion reported in the corresponding period last year. This reduction underscores our commitment to enhancing efficiency, leveraging technology, and scaling resources to improve customer service. As a result, operating profit for the second quarter was \$402.44 million, with a six-month total of \$546.08 million, showing improvement in both periods.

Finance costs for the second quarter were \$458.93 million, a 44.66% increase or \$141.69 million above the same quarter in 2023. For the six-month period, finance charges totalled \$432.80 million, up 30.68%

or \$132.79 million from the previous year. The increase is primarily due to the repricing of leases, changes in interest costs, and new financing undertaken by the group.

The company recorded a pre-tax loss of \$56.59 million for the second quarter, an improvement over the \$181.89 million pre-tax loss reported in 2023. For the first six months, the pre-tax loss was \$19.51 million, compared to a \$53.8 million loss in the corresponding period last year.

Total assets as of June 30, 2024, were \$14.29 billion, a 9.16% increase or \$1.20 billion higher than the \$13.09 billion reported for the same period last year. This growth was primarily seen in current assets, with inventory rising to \$4.05 billion and cash closing the first half at \$91.01 million. Total liabilities stood at \$8.95 billion, reflecting increases in payables and long-term debt. Equity closed the period at \$5.33 billion.

Market Performance

	June 30, 2024	June 30, 2023	December 30, 2023
DTL Stock Price	\$2.19	\$2.10	\$1.85
Junior Market Index	3,843.23	3,984.23	3848.33
JSE Manufacturing and Distribution Index	105.04	101.58	102.94
Market Capitalization	\$9.93 Billion	\$9.52 Billion	\$8.39 Billion

The equities market in the first half of 2024 experienced mixed performance, with a noticeable preference among investors for fixed-income instruments. The Main Market saw a 6.70% increase in value traded over the period, but the Junior Market and USD Market recorded significant declines, with value traded dropping by 44.76% and 49.78%, respectively. While the overall indices have slightly declined, the majority of securities listed on the Jamaica Stock Exchange (JSE) have decreased in value since the beginning of the year.

Notable public market transactions during the period included the bond offers by Express Catering Limited and Mayberry Jamaican Equities Limited, the additional public offering (APO) by NCB Financial Group Limited, and the initial public offering (IPO) by Omni Industries Limited. Although these transactions signal an uptick in market activity compared to the quieter 2023, they highlight that the equity markets are not as robust as in previous years when numerous offers were more frequent.

The Bank of Jamaica (BOJ) maintained its policy rate unchanged throughout the period, though it indicated plans to reduce its liquidity absorption from deposit-taking institutions via open market operations.

DTL's stock price reached a peak of \$2.30 during the second quarter, closing the period at \$2.19, marking an 18.38% increase from its \$1.85 price at the start of 2024. Consequently, the company's market capitalization stood at \$9.93 billion. While the Junior Market Index saw a slight decline, the Manufacturing & Distribution Index improved by 2.04% in Q2.

Outlook and Risks

Some of the key risks the Derrimon Group is exposed to include:

Commodity and Supply Chain Risk

The Group faces risks associated with supplier delays and fluctuations in the prices of key raw materials used across its operations. These materials, including essential inputs and inventory items, are imported from various regions, primarily within the Caribbean. While the Group can establish strategic agreements with suppliers and maintain adequate inventory levels, it remains vulnerable to geopolitical events and government actions that may disrupt supply chains, affecting the timely delivery of goods. Additionally, the Group is exposed to commodity price volatility, particularly in markets like lumber, where supply is concentrated in a few countries, and prices can surge rapidly due to demand outstripping supply.

Currency Risk

The Derrimon Group is exposed to foreign exchange (FX) risk due to fluctuations in exchange rates affecting transactions and balances denominated in currencies other than the Jamaican Dollar (JMD). Although the company does not employ derivative hedging strategies, it mitigates currency risk through pricing arrangements with producers and suppliers that include built-in buffers. The expanding export portfolio and management fees from our New York operations provide additional FX inflows, helping to manage potential volatility. The treasury team actively collaborates with all subsidiaries to assess future FX needs and explore opportunities for renegotiating terms. Currency risk is further managed by refinancing loans from foreign currencies into JMD to minimize exposure to exchange rate fluctuations.

Interest rates remain elevated, with the Bank of Jamaica maintaining its policy rate at 7.00% and the United States Federal Reserve holding its rate at 5.25%-5.50%. These high rates will continue to influence financing costs and economic growth in domestic markets. As of June, Jamaica's point-to-point inflation was 5.4%, while the U.S. inflation rate stood at 3.3% and forecasting still lower rates in the 3rd Quarter. Both central banks have hinted at potential rate cuts later this year, which would be a positive signal for economic activity. Additionally, Jamaica's tourism sector has been adversely affected by the U.S. State Department's travel advisory and the impact of Hurricane Beryl. The weighted average selling FX rate between the USD and JMD depreciated from \$154.70 to \$156.30 during Q2 2024.

We continue to thank our employees for their commitment and dedication bearing in mind the challenges faced during this reporting period and to our shareholders, customers and other stakeholders for their support as we continue to expand our business and bring greater value to all parties.

We welcome all shareholders to join us for our upcoming Annual General Meeting to be held at the Terra Nova Hotel on September 11, 2024 at 10:00 am and via facebook.com/derimontrading.



DERRIMON
TRADING CO. LTD.

FINANCIAL RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 2024

Consolidated Profit before tax \$136.84M

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Derrimon Trading Company Limited
Group Statement of Profit and Loss & Comprehensive Income
Six Months Ended June 30, 2024

	Group Unaudited Consolidated Three months ended June 30 <u>2024</u> <u>\$'000</u>	Group Unaudited Consolidated Three months ended June 30 <u>2023</u> <u>\$'000</u>	Group Unaudited Consolidated Six months ended June 30 <u>2024</u> <u>\$'000</u>	Group Unaudited Consolidated Six months ended June 30 <u>2023</u> <u>\$'000</u>	Group Audited year ended December 31 <u>2023</u> <u>\$'000</u>
Revenue					
Trading Income	4,250,629	4,578,653	7,810,317	9,500,244	18,743,230
Less cost of sales	3,131,080	3,432,485	5,784,368	7,332,459	14,065,345
Gross Profit	1,119,549	1,146,168	2,025,949	2,167,785	4,677,885
Unrealised losses on investment valued at fair value through profit or loss					-
Other operating Income	49,749	68,426	135,714	134,755	381,034
	1,169,298	1,214,594	2,161,663	2,302,540	5,058,919
Less operating expenses:					
Administrative	373,291	517,938	1,067,319	1,326,769	3,322,765
Selling & distribution	278,627	210,874	376,502	300,139	787,186
Impairment allowance on financial assets	-	-	-	-	194,712
	651,918	728,812	1,443,821	1,626,908	4,304,663
Operating profits/ (loss) before finance charges	517,380	485,782	717,842	675,632	754,256
Less : finance cost	(452,400)	(326,688)	(581,006)	(446,528)	588,067
Profit before taxation	64,980	159,094	136,836	229,104	166,189
Taxation (Estimated)	2,347	12,281	16,000	29,784	15,798
Net profit being total comprehensive income	62,633	146,813	120,836	199,320	181,987
Net Profit Attributable to:					
Stockholders of the company	42,386	134,013	97,731	174,549	160,334
Non-controlling interest	20,247	12,800	23,105	24,771	21,653
Total comprehensive income	62,633	146,813	120,836	199,320	181,987
Other comprehensive income:					
Item that will not be reclassified to profit and loss:	-	-	-	-	
Unrealized fair value gain on property	-	-	-	-	341,063
Total comprehensive income	62,633	146,813	120,836	199,320	523,050
Total comprehensive income attributable to :					
Stockholders of the company	42,386	134,013	97,731	174,549	501,397
Non-controlling interest	20,247	12,800	23,105	24,771	21,653
	62,633	146,813	120,836	199,320	523,050
Earnings per ordinary stock unit attributable to shareholders of the company	\$ 0.009	\$ 0.030	\$ 0.022	\$ 0.039	\$ 0.035

Derrimon Trading Company Limited
Statement of Profit and Loss & Comprehensive Income
Six Months Ended June 30, 2024

	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>2024</u> <u>\$'000</u>	<u>2023</u> <u>\$'000</u>	<u>2024</u> <u>\$'000</u>	<u>2023</u> <u>\$'000</u>	<u>2023</u> <u>\$'000</u>
Revenue						
Trading Income	2f	3,506,282	3,038,285	6,037,247	6,329,504	12,851,826
Less cost of sales		2,678,831	2,557,416	4,598,913	5,019,293	10,116,108
Gross Profit		<u>827,451</u>	<u>480,869</u>	<u>1,438,334</u>	<u>1,310,211</u>	<u>2,735,718</u>
Unrealised losses on investment valued at fair value through profit or loss						
Other Income		79,933	75,431	128,327	125,097	273,718
		<u>907,384</u>	<u>556,300</u>	<u>1,566,661</u>	<u>1,435,308</u>	<u>3,009,436</u>
Less operating expenses:						
Administrative		208,733	211,253	644,080	758,283	1,974,837
Selling & distribution		296,207	209,695	376,502	298,029	606,034
Impairment allowance on financial assets		-	-	-	-	124,438
		<u>504,940</u>	<u>420,948</u>	<u>1,020,582</u>	<u>1,056,312</u>	<u>2,705,309</u>
Operating profits/ (loss) before finance charges		<u>402,444</u>	<u>135,352</u>	<u>546,079</u>	<u>378,996</u>	<u>304,127</u>
Less : finance cost		(458,934)	(317,240)	(565,586)	(432,797)	(560,912)
Profit before taxation		<u>(56,490)</u>	<u>(181,888)</u>	<u>(19,507)</u>	<u>(53,801)</u>	<u>(256,785)</u>
Taxation (Estimated)	6	-	-	-	-	67,737
Net Profit		<u>(56,490)</u>	<u>(181,888)</u>	<u>(19,507)</u>	<u>(53,801)</u>	<u>(189,048)</u>
Total comprehensive income		<u>(56,490)</u>	<u>(181,888)</u>	<u>(19,507)</u>	<u>(53,801)</u>	<u>(189,048)</u>
Earnings per stock unit	2p	\$ (0.012)	\$ (0.040)	\$ (0.004)	\$ (0.012)	\$ (0.042)

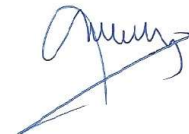
Derrimon Trading Company Limited
Statement of Financial Position
Six Months ended June 30, 2024

Notes	Company Unaudited Derrimon Six Months June 30 2024 \$'000	Company Unaudited Derrimon Six Months June 30 2023 \$'000	Group Unaudited Consolidated Six months ended June 30 2024 \$'000	Group Unaudited Consolidated Six months ended June 30 2023 \$'000	Company Audited year ended December 31 2023 \$'000	Group Audited year ended December 31 2023 \$'000
ASSETS						
Non-current assets:						
Property, plant and equipment	2,287,200	2,228,432	3,715,695	3,589,428	2,140,104	3,573,329
Investment property			630,000		-	630,000
Intangible assets	181,220	181,220	1,835,359	1,835,359	181,220	1,835,359
Investment in subsidiaries and joint venture	2,992,169	2,981,674			2,992,169	-
Investment securities	107,729	190,887	107,729	236,479	107,729	203,479
Right-of-use assets	1,605,290	1,408,599	2,363,188	2,169,199	1,956,773	2,639,011
Deferred tax assets	119,255	-	142,580	51,868	119,255	142,580
	7,292,863	6,990,812	8,794,551	7,882,333	7,497,250	9,023,758
Current assets:						
Inventory	4,052,873	2,749,379	5,845,726	4,521,885	3,327,009	5,085,082
Receivables	1,615,629	1,898,623	2,402,615	2,847,355	1,337,445	2,039,816
Due from related parties	1,236,245	1,209,561	41,325	580,787	1,140,614	39,879
Taxation recoverable			6,265	5,085	40,925	46,995
Cash and short-term deposit	91,006	240,911	452,077	860,544	234,513	411,830
	6,995,753	6,098,474	8,748,008	8,815,656	6,080,506	7,623,602
TOTAL ASSETS	14,288,616	13,089,286	17,542,559	16,697,989	13,577,756	16,647,360
EQUITY AND LIABILITIES						
Current Liabilities:						
Capital and reserves						
Share capital	3,863,849	3,863,849	3,863,849	3,863,849	3,863,849	3,863,849
Capital reserves	94,638	94,638	435,701	94,638	94,638	435,701
Investment revaluation reserve	614	614	614	614	614	614
Foreign exchange reserves	-	-	(3,805)	3,222	-	(3,805)
Retained earnings	1,374,644	1,529,398	2,428,392	2,344,876	1,394,151	2,330,661
	5,333,745	5,488,499	6,724,751	6,307,199	5,353,252	6,627,020
Non-controlling interest	-	-	268,945	266,002	-	245,840
	5,333,745	5,488,499	6,993,696	6,573,201	5,353,252	6,872,860
Non Current Liabilities:						
Long-term loans	3,771,778	3,466,285	3,808,158	3,497,853	2,777,346	2,797,367
Lease liability	1,999,485	1,395,705	2,640,190	2,451,480	2,097,795	2,829,481
	5,771,263	4,861,990	6,448,348	5,949,333	4,875,141	5,626,848
Current Liabilities:						
Payables	1,862,091	1,305,634	3,137,870	2,624,765	1,824,048	2,588,684
Short term loans	290,364	-	290,364	108,214	321,200	321,200
Due to related parties	376,474	-	-	-	225,137	-
Current portion of long term loan	351,283	956,741	355,448	945,739	319,483	328,172
Current portion of lease liability	183,396	210,432	187,983	230,748	187,933	236,822
Taxation payable	-	-	8,850	-	-	130,344
Bank overdraft	120,000	265,990	120,000	265,989	471,562	542,430
	3,183,608	2,738,797	4,100,515	4,175,455	3,349,363	4,147,652
TOTAL EQUITY AND LIABILITIES	14,288,616	13,089,286	17,542,559	16,697,989	13,577,756	16,647,360

Approved for issue by the Board of Directors on August 14, 2024 by:



Derrick Cotterell
Chairman



Ian Kelly
Director

Derrimon Trading Limited
Group Statement of change in Shareholders' Equity
Six Months Ended June 30, 2024

	<u>Number of Shares</u>	<u>Share Capital</u> S'000	<u>Attributable to the Company's Shareholders</u>					<u>Total</u> S'000
			<u>Foreign Exchange Reserves</u> S' 000	<u>Retained Earnings</u> S'000	<u>Investment Revaluation Reserve</u> S'000	<u>Capital Reserves</u> S'000	<u>Non-controlling interest</u> S'000	
Balance at 31 December 2022	4,533,361	3,863,849	3,222.00	2,170,327	614	94,638	241,231	6,373,881
Total comprehensive income	-	-	-	174,549	-	-	24,771	199,320
Dividends	-	-	-	-	-	-	-	-
Non-controlling interest	-	-	-	-	-	-	-	-
Issue of shares	-	-	-	-	-	-	-	-
Balance at June 30, 2023	4,533,361	3,863,849	3,222	2,344,876	614	94,638	266,002	6,573,201

	<u>Number of Shares</u>	<u>Share Capital</u> S'000	<u>Foreign Exchange Reserves</u> S'000	<u>Retained Earnings</u> S'000	<u>Investment Revaluation Reserve</u> S'000	<u>Capital Reserves</u> S'000	<u>Non-controlling interest</u> S'000	<u>Total</u> S'000
Balance at 31 December 2023	4,533,361	3,863,849	(3,805)	2,330,661	614	435,701	245,840	6,872,860
Total comprehensive income	-	-	-	97,731	-	-	23,105	120,836
Non-controlling interest	-	-	-	-	-	-	-	-
Unrealized fair value gain on property	-	-	-	-	-	-	-	-
Foreign exchange reserves	-	-	-	-	-	-	-	-
Issue of shares	-	-	-	-	-	-	-	-
Balance at June 30, 2024	4,533,361	3,863,849	(3,805)	2,428,392	614	435,701	268,945	6,993,696

Derrimon Trading Limited
Company Statement of change in Shareholders' Equity
Six Months Ended June 30, 2024

	<u>Number of Shares</u>	<u>Share Capital</u> S'000	<u>Retained Earnings</u> S'000	<u>Investment Revaluation Reserve</u> S'000	<u>Capital Reserves</u> S'000	<u>Total</u> S'000
Balance at 31 December 2022	4,533,361	3,863,849	1,583,200	614	94,638	5,542,301
Total comprehensive income	-	-	(53,801)	-	-	(53,801)
Issue of shares	-	-	-	-	-	-
Balance at June 30, 2023	4,533,361	3,863,849	1,529,399	614	94,638	5,488,500

	<u>Number of Shares</u>	<u>Share Capital</u> S'000	<u>Retained Earnings</u> S'000	<u>Investment Revaluation Reserve</u> S'000	<u>Capital Reserves</u> S'000	<u>Total</u> S'000
Balance at 31 December 2023	4,533,361	3,863,849	1,394,151	614	94,638	5,353,252
Total comprehensive income	-	-	(19,507)	-	-	(19,507)
Non-controlling interest	-	-	-	-	-	-
Issue of shares	-	-	-	-	-	-
Balance at June 30, 2024	4,533,361	3,863,849	1,374,644	614	94,638	5,333,745

Derrimon Trading Limited
Group Statement of Cash flows
Six Months Ended June 30,2024

	Note	6 Months ended June 30,2024 \$'000	6 Months ended June 30,2023 \$'000
Cash flows from operating activities:			
Net profit before taxation		136,836	229,104
Taxation paid		(16,000)	(192,647)
Changes in non-cash working capital components:-			
Depreciation		206,016	195,143
Depreciation-right of use		275,823	53,070
Inventories		(760,644)	(368,821)
Tax recoverable		40,730	(599)
Receivables		(362,799)	(671,308)
Taxation payable		(121,494)	-
Payables		549,186	(528,237)
Increase in related parties		(1,446)	(665,138)
Net cash (used in)/ provided by operating activities		(53,792)	(1,949,433)
Cash flows from Investment activities:			
Investments		95,750	(3,000)
Acquisition of property, plant and equipment		(348,382)	(37,469)
Net cash used in investment activities		(252,632)	(40,469)
Financing activities:			
Lease liability		(238,130)	174,960
Net loan received / paid		1,007,231	1,647,804
Net cash used financing activities		769,101	1,822,764
Net increase/ (decrease) in cash and cash equivalents balances		462,677	(167,138)
Net cash balance at beginning of the year		(130,600)	761,693
Net cash balance at end of period		332,077	594,555
 Represented by:			
Cash & cash equivalents		452,077	860,544
Bank overdraft		(120,000)	(265,989)
Net cash and cash equivalents at end of period		332,077	594,555

Derrimon Trading Limited
Company Statement of Cash flows
Six Months Ended June,2024

	Note	6 Months ended June 30,2024 \$'000	6 Months ended June 30,2023 \$'000
Cash flows from operating activities:			
Net profit before taxation		(19,507)	(53,801)
Taxation paid		-	(57,469)
Changes in non-cash working capital components:-			
Depreciation		145,412	68,084
Depreciation-right of use		351,483	106,294
Inventories		(725,864)	(209,550)
Receivables		(278,184)	(309,209)
Investments		-	(83,158)
Taxation recoverable		40,925	-
Payables		38,043	(1,036,317)
Related party balance		55,706	(346,270)
Net cash (used in)/ provided by operating activities		(391,986)	(1,921,396)
Cash flows from Investment activities:			
Investments		-	-
Investments in Subsidiary		-	-
Acquisition of property, plant and equipment		(292,508)	(37,469)
Net cash used in investment activities		(292,508)	(37,469)
Financing activities:			
Lease liability		(102,847)	(142,668)
Net loan received / paid		995,396	1,557,160
Deferred tax liability			46,027
Net cash used financing activities		892,549	1,460,519
Net increase/ (decrease) in cash and cash equivalents balance		208,055	(498,346)
Net cash balance at beginning of the year		(237,049)	473,268
Net cash balance at end of period		(28,994)	(25,078)
Represented by:			
Cash & cash equivalents		91,006	240,911
Bank overdraft		(120,000)	(265,989)
Net cash and cash equivalents at end of period		(28,994)	(25,078)

Notes to the Unaudited Financial Statements

Three (3) Months Ended June 30, 2024

1. IDENTIFICATION AND PRINCIPAL ACTIVITIES

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

The principal activities of the Company include the wholesale and bulk distribution of household and food items inclusive of meat products, chilled and ambient beverages and the retailing of those and other food items and meat products through the operation of a chain of outlets and supermarkets. The Company’s three (3) subsidiaries are involved in manufacturing of flavours and fragrances, wooden pallets manufacturing and food retail business in New York. Derrimon Trading Company Limited together with its subsidiaries is referred to as the “Group”.

The Company maintained the entity’s trading name, Sampars Cash & Carry as well as its operating Outlets: Sampars Outlet Washington Boulevard at 8-10 Brome Close, Kingston 20; Sampars Outlet West Street at 60 ½ West Street, Kingston; Sampars 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, Select Grocers, Millennium Mall, Clarendon, Marnock LLC operating as FoodSavers New York and Good Foods for Less at 402-412 E83rd Street, Brooklyn New York. The performance of Spicy Hill Farms limited and Arosa Limited, Drax Hall, St. Ann is also included.

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 2023.

Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) using the accounting policies described herein.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Going concern

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

Basis of presentation

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

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

Revenues and expenses

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

Judgments and Estimates

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

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating segments information

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

Financial assets

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

Revenue from contract with customers

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

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

Leases

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

Consolidation

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

Joint arrangement

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment property

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

Related parties and related party transactions

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

Receivables

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

Income and other taxes

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

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

Contingencies

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

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

Impairment of assets

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

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

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

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

Others

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Leases (IFRS 16)

In January 2016, the IASB issued IFRS 16 – Leases, which replace IAS 17– Leases and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases unless the lease term is 12-months or less or the underlying assets has a low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17 with the distinction between operating and finance leases being retained.

Annual Improvements 2015-2017

In December 2017, the IASB issued amendments to four standards, including IFRS 3 – Business Combinations, IFRS 11 Joint Arrangements, IAS 12 – Income Taxes and IAS 23 – Borrowing Costs.

The amendment to IFRS 3 clarifies how a company re-measures its previously held interest in a joint operation when it obtains control of a business. The amendments to IAS 12 clarify that all income tax consequences of dividends should be recognized in profit or loss, regardless of how the tax arises. The amendment to IAS 23 clarifies that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity generally borrows when calculating the capitalization rate on general borrowings.

Effects of Changes in Accounting Policies

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

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

In addition, the Company and Group applied the practical expedient of continuing with contracts that were previously identified as leases applying IAS 17 Leases and IFRIC 4 Determining whether an Arrangement contains a Lease and not to apply leases to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

IFRS 16: Leases, will be applied retrospectively with the cumulative effect of initial application recognized in the opening balance of retained earnings, comparative information will not be restated.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of Consolidation

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied for all the years presented, unless otherwise stated, and have been applied consistently throughout the Group.

These consolidated financial statements include the accounts of Derrimon Trading Company Limited (DTCL) and entities it controls. An entity is controlled when the Company has the ability to direct the relevant activities of the entity, has exposure or rights to variable returns from its involvement with the entity, and is able to use its power over the entity to affect its returns from the entity. Income or loss and each component of other comprehensive income (OCI) are attributed to the shareholders of the Company and the non-controlling interests.

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

<u>Entity</u>	<u>Principal Activity</u>	% Ownership by Company at 31 March 2023	% Ownership by Company at 31 December 2022
CFFL	Manufacture of Flavours and Fragrances	65.02%	65.02%
Select Grocers	Operation of Supermarket	60%	60%
Woodcats International Limited	Manufacturers of wooden pallets	100%	100%
Marnock Retail LLC	Operations of Supermarket	100%	100%
Marnock LLC	Operation of Wholesale	80%	80%
Spicy Hill Limited	Manufacture of Spices	100%	100%
Arosa Limited	Meat processor and purveyor	100%	100%

Derrimon Trading Company Limited (DTCL) as at December 31, 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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 meat processor, purveyor and wine distributor 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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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)

In 2018, the ambient beverages division was added to the distribution segment as the Company entered into an agreement with SM Jahleel 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 in 2018 and the purchase of Marnock LLC trading as FoodSavers New York and Good Foods For Less in January 2021 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.

(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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

(l) 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.
- (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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 expose to credit risk on its trade receivables, and as such does not provide for any lifetime expected credit loss (LECL). It applies the practical experience of not adjusting the promised consideration receivable because the period is less than 12-months.

The Company's financial assets and financial liabilities are classified and measured as follows:

Asset/Liability	Classification	Measurement
Receivables	Amortized cost	Amortized cost
Investments	Amortized cost	Amortized cost
Investments in equity	Amortized cost	Fair value
Cash and cash equivalents	Amortized cost	Amortized cost
Related party receivables	Amortized cost	Amortized cost
Bank overdraft	Amortized cost	Amortized cost
Payables	Amortized cost	Amortized cost
Short-term loan	Amortized cost	Amortized cost
Long-term borrowing	Amortized cost	Amortized cost

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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 last three (3) years.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(i) CFLL, 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, Arosa Limited and Marnock LLC 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.

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.

(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.

(v) On April 1, 2022, DTL acquired 100% of Arosa Limited and has entered the food service space with products from the meat processing facilities, wine and cheese distribution and purveyors.

Segmental Financial Information

	<u>The Group</u> <u>2024</u>			
	<u>Distribution</u> \$'000	<u>Sampars Outlets</u> \$'000	<u>Other Operations</u> \$'000	<u>Total</u> \$'000
Revenue from external customers	2,482,024	3,555,223	1,773,070	7,810,317
Depreciation	79,760	65,652	60,604	206,016
Current Liabilities	2,048,929	1,134,679	916,907	4,100,515
Current Assets	4,428,992	2,566,761	1,752,255	8,748,008

	<u>The Company</u> <u>2024</u> <u>Sampars Outlets &</u> <u>Select Grocers.</u>		
	<u>Distribution</u> \$'000	<u>Marnock</u> \$'000	<u>Total</u> \$'000
Revenue from external customers	2,482,024	3,555,223	6,037,247
Depreciation	79,760	65,652	145,412
Current Liabilities	2,048,929	1,134,679	3,183,608
Current Assets	4,428,992	2,566,761	6,995,753

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 March 31, 2024, 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 10 (December 17, 2018- December 16, 2023) - 50%

DTCL’s subsidiary, CFFL also benefits from tax remission effective October 2, 2013, the Company’s shares were listed on the Junior Market of the JSE. Effective October 3, 2018, the 100% remission status expired and CFFL is now subject to Income Tax at 50% for the year ended December 31, 2018. The Company is entitled to a remission of income taxes for (10) ten years in the following proportion:

Period October 3, 2013 – October 2, 2018 - 100% of standard rate.

Period October 3, 2018 – October 2, 2023 – 50% of standard rate.

The recent Additional Public Offering which increased the Company’s capital beyond the allowable \$500 million threshold. 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	\$ 189,432,
Long-term	\$1,550,612
Total	\$1,740,044

DERRIMON TRADING COMPANY LIMITED

SHAREHOLDINGS OF TOP TEN (10) STOCKHOLDERS, DIRECTORS AND SENIOR OFFICERS AS AT June 30, 2024

Top (10) Stockholders	Number of Shares Held	Percentage Ownership
Derrick Cotterell	1,125,531,673	24.83%
Barita Investment Ltd-Long A/C (Trading)	918,510,927	20.26%
Monique Cotterell	400,000,000	8.82%
Mayberry Jamaican Equities Limited	242,600,615	5.35%
Ian C. Kelly	169,107,209	3.73%
JCSD Trustee Services Limited A/C Barita Unit Trust Capital Growth Fund	128,195,816	2.83%
Pam - Pooled Equity Fund	100,630,268	2.22%
Estate E. Cotterell (Deceased)	100,000,000	2.20%
ATL Group Pension Fund Trustees Nom Ltd	56,349,216	1.24%
HEART Trust/NTA Pension Scheme	54,606,000	1.24%

DERRIMON TRADING COMPANY LIMITED**SHAREHOLDINGS OF TOP TEN (10) STOCKHOLDERS, DIRECTORS AND SENIOR OFFICERS AS AT****June 30, 2024**

Directors	Number of Shares Held	Percentage Ownership
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	29,032,753	0.64%
Earl Anthony Richards	5,441,167	0.12%
Howard Mitchell	790,331	0.02%
Tania Waldron-Gooden	628,879	0.01%
Alexander Williams	500,000	0.01%
Paul Buchanan	300,000	0.01%
Stephen Philibert	0	0.00%
Senior Officers	Number of Shares Held	Percentage Ownership
Sheldon Simpson	2,591,358	0.06%