DERRIMON TRADING CO. LTD.

**FINANCIAL RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2021**

**Consolidated Profit before tax of $321.42M**

**Consolidated Statements of Derrimon Trading Company Limited**

**Report to Stockholders**
**Six (6) months ended June 30, 2021**

The Board of Directors is pleased to present the unaudited results of the Company for the Six (6) months ended June 30, 2021 and to report on the performance of the Group. This report incorporates the results of our 80% owned New York based subsidiary, Marnock LLC.

**Highlights of Q2 and 6 Months Performance - 2021**

| | **Current Quarter** | | | **Year to Date** | | |
|---|---|---|---|---|---|---|
| | June 30, 2021 $'000 | June 30, 2020 $'000 | Change | June 30, 2021 $'000 | June 30, 2020 $'000 | % Change |
| Revenue | 4,042,471 | 2,978,571 | 35.72% | 8,052,408 | 6,302,952 | 27.76% |
| Gross Profit | 787,135 | 586,859 | 34.13% | 1,538,869 | 1,199,564 | 28.29% |
| EBITDA | 323,049 | 140,604 | 129.76% | 577,915 | 335,212 | 72.40% |
| Net Profit | 125,203 | 85,066 | 47.18% | 285,808 | 183,886 | 55.43% |
| Net Profit attributable to shareholders | 116,002 | 69,040 | 68.02% | 271,386 | 160,661 | 68.92% |
| Earnings Per Share | $0.028 | $0.025 | 12% | $0.064 | $0.059 | 8.47% |

The six (6) months consolidated results of Derrimon Trading Company Limited reported revenue of $8.05 billion which is $1.75 billion (27.76%) more than the $6.30 billion reported for the corresponding six (6) months period in 2020. The improved performance is attributable to the aggressive implementation of revenue growth strategies employed by all companies and business segments within the Group; namely manufacturing, distribution and retail. Despite the negative impact of the Covid-19 measures, logistical challenges, raw materials shortages and delays from our overseas suppliers and partners, total revenues increased, resulting in year over year improvements.

The retail segment comprising the Sampars Outlets, Select Grocers and Foodsaver New York, reported a 78.80% increase in revenue to $4.19 billion over the corresponding six months period. This result reflects the integration of our New York operation (Marnock LLC) which contributed positively to the results. The distribution segment experienced a 3.06% reduction in revenue to $3.27 billion which is commendable considering the ending of the contract with SM Jaleel at the beginning of the second quarter. Caribbean Flavours and Fragrances Ltd (CFF) and Woodcats experienced a 1.25% increase in revenue to $598.51 million.

The Group reported gross profit of $1.54 billion which represents an increase of $339.31 million or 28.29% above the $1.20 billion reported for the comparative period last year. Consolidated operating expenses for the six (6) months period was $1.21 billion representing an increase of $247.53 million or 25.63% over the $965.76 million reported for the same period in 2020. The consolidation reflects increased operation expenses which includes electricity, lease payments, salaries, rent and costs associated with the depreciation of the Jamaican Dollar and the expenses associated with the new USA subsidiary.

We continue to achieve a reduction in our quarterly cost of debt given the planned reduction in the debt portfolio at the end of the first quarter. The finance cost for the six months was $46.41 million which was $21.38 million or 31.54% below the $67.79 million reported at the end of June 2020. The Company will utilize debt as deemed necessary in the future for specific projects but will continue  on the path of fully liquidating its maturing debt.

The consolidated profit before tax earned for this reporting period was $321.42 million, an increase of $113.94 million or 54.92% over the $207.47 million reported for the corresponding period in 2020. The Group's consolidated net profit was $285.81 million, an increase of $101.92 million or 55.43% above the $183.89 million reported for the comparative period. The net profit attributable to shareholders was $271.39 million which was a 59.16% improvement over the corresponding period. Based on the improved earnings and outlook, Derrimon is poised to not only surpass its 2020 earnings, but also to deliver on the projected net profit outlined in the APO prospectus, as the company has already achieved 59% of the projected result of $485.41 million.

The consolidated total assets less current liabilities was $8.11 billion compared to the $4.18 billion reported for the corresponding period in 2020. This was achieved largely by a reduction of short-term loans  and the consolidation of Marnock LLC. Group cash and bank balances was $531.50 million at the end of the period. Equity attributable to shareholders was $5.42 billion relative to the $1.33 billion reported in the corresponding period in 2020. This was largely due to our increased share capital from our APO and improved retained earnings from higher profitability.

**Core Activity**

The six (6) months result of the distribution and retail arms of the business (core) recorded revenue of $7.45 billion which is a 30.50% increase when compared to the $5.71 billion earned in the corresponding period last year. For this second quarter ended June 2021, revenue generated from core activity was $3.72 billion representing an increase of $1.02 billion or 37.71% when compared to the $2.70 billion reported for the similar reporting period in 2020.

Gross profit from these divisions for the six (6) months period was $1.36 billion which represents a $333.67 million (32.54%) increase above the $1.03 billion reported for the similar period in 2020. Gross profit from core activities for the second quarter was $722.61 million and was $212.71 million (41.72%) more than the $509.90 million reported in the similar period in 2020.

Operating Expenses for the six (6) months period was $1.10 billion which was $230.76 million (26.58%) above the $868.09 million reported for the comparative period. For the second quarter ending June 30, 2021, operating expenses was $578.12 million representing $132.80 million (29.82%) above the expenses incurred for the similar period in 2020. The major factors for this increase include increases in lease payments, the depreciation of the Jamaican Dollar to the United States Dollars, trucking and delivery charges plus costs associated with the additional public offering (APO) executed in February 2021.

Finance charges from core activities for the six (6) months period was $46.41 million which is down by $21.38 million (31.54%) from the $67.79 million reported in June 30, 2020. For the three (3) months ending June 30, 2021, the finance cost was $23.94 million which was $5.45 million (29.50%) above that reported for the similar quarter in 2020.

Pre-tax Profit recorded for the six (6) months period was $244.87 million representing a $125.81 million (105.66%) increase over the $119.07 million reported for the corresponding period in 2020. For the three (3) months ended June 2021, pre-tax profit was $133.70 million which was $75.80 million (130.90%) above the $57.90 million reported for the corresponding period.

Net profit for the six (6) months period was $214.27 million which was $110.08 million (105.66%) above the $104.18 million reported for the same period last year. For the second quarter ending June 30, 2021, core operations generated net profit of $116.99 million which was $66.32 million (130.91%) above the $50.66 million reported for the similar period in 2020.

Total Assets less Current Liabilities for the Company was at $7.71 billion or $3.77 billion (95.66%) more than the $3.94 billion reported for the similar period last year. The growth is mainly attributable to investment in a subsidiary, which rose by 145.69% to $2.32 billion. Long term debt was cut from $1.78 billion to $1.26 billion as a result of our APO proceeds. Equity closed the period at $5.31 billion.

The results for the first six (6) months of 2021 are very encouraging for our business and marks a notable time in our history. Despite the spike in shipping costs, supply chain disruptions and various logistical hurdles, we achieved significant increases in sales and profits. The continuing depreciation of the Jamaican Dollar is of concern, hence the launch of Marnock LLC is not only timely but also important in our exchange risk mitigation strategy. Notwithstanding the challenges, we remain committed to growing the businesses for the benefit of our shareholders and delivering a high quality service to our customers.

**Operating Environment During COVID-19**

**Jamaica**

The Government of Jamaica (GOJ) has been adjusting its measures to limit not only the loss of life, but also the risk of the healthcare system from collapsing under pressure. The main tool used to date is a nightly curfew, which ends at 5am daily. During the quarter, the government shifted curfew starting hours to 8 p.m. and then to 9 p.m. The start of the curfew was extended to 11pm at the start of July based on the downward trend in positive cases and hospitalizations. Other measures remaining in place include the limitations on in-person annual shareholder meetings, a reduced capacity on spaces used for entertainment and longer Sunday curfew hours. The Ministry of Education attempted to hold summer school for students to bridge the 'learning loss' gap ahead of a possible back-to-school start for September. As at July 9, according to data from the Ministry of Health and Wellness, less than 10% of the

Jamaican population has been fully vaccinated. The country is expecting to deploy 900,000 doses of vaccines in the third quarter, which represents a broad effort to control the spread of the virus.

**New York**

As one of the hardest hit states at the start of the pandemic, New York implemented a state disaster emergency on March 7, 2020, as one of the tools used to control the pandemic. While being an effective measure to limit the potential spread of the virus, it also posed significant limitations for restaurants and other businesses that needed dining to support their recovery. As of June 24, 2021, New York state ended the measure along with any general restrictions with health guidance and industry specific guidelines now optional for commercial and social settings. There is no state travel advisory for domestic and international travellers entering and leaving the state. Restrictions were relaxed as at least 70% of the population received at least one dose of a COVID-19 vaccine. As of August 8, 76.4% of New York's adult population has received at least one dose of the vaccine with 69.2% being fully vaccinated.

**Economic Review**

Gross Domestic Product for Jamaica declined by 6.7% in the first quarter of 2021 (January – March). This represents the fifth straight quarter of GDP not improving relative to the prior periods and demonstrates the impact COVID-19 has had on Jamaica's economic recovery. Despite this decline, real value added to the economy improved by 0.6% when compared to the fourth quarter of 2020.

The services industries dropped by 9.9% with the goods producing industries growing by 2.6%. In the goods producing industry, construction recorded a 10.5% improvement and has been the strongest sector in the economy since March 2020. The mining and quarrying sector grew by 7.1% while agriculture, forest and fisheries along with manufacturing declined by 2% and 1.1% respectively. The unemployment rate as at April was 9% which shows that thousands of jobs haven't been recovered as yet relative to our 7.3% low achieved in January 2020.

The Bank of Jamaica (BOJ) has maintained their policy rate at 0.50% with point to point inflation at 4.3% up to June. This was also the period in which the BOJ became independent of Government control with its core focus on inflation targeting and monetary policy formulation. Net international reserves closed out June at US $3.39 billion which is one of the highest amounts we've ever had in our modern history. It represents not only 30.12 weeks of goods and services imports, but also strong fiscal governance in Jamaica. The FX rate between the USD – JMD has worsened from $142.64 at the start of the year to $148.51 at the end of June. Subsequent to the end of the quarter, the FX rate hit an all-time low of $155 which represents a 9% depreciation up to the point it was recorded.

The USA's GDP rose by 6.5% on an annualized basis for the second quarter which was below the Dow Jones estimate of 8.4%. This miss is based on the fact that states have reopened on differing timelines based on their own domestic situations. The USA is still expected to deliver more than 8% growth for the full year of 2021 as the country's vaccination rate continues to improve with consumers spending their accumulated savings and stimulus payments in the economy again. The USA legislative branch is closer to implementing a multibillion dollar infrastructure bill which is expected to help accelerate the next decade of growth in the country.

The US Federal Reserve has kept its short term rates near 0% but has indicated that it might increase in 2023. The bond purchase program might start to be tapered in October with the asset purchase program reduced in the subsequent months as well. The accommodative stance of the Federal Reserve demonstrates the potential for the continued recovery and subsequent return to pre-Covid-19 growth levels in the USA. The only notable concern by most economists is inflation which saw a point to point level of 5.4%. However, most economists point to inflation being transitory and should slow down as the economy fully reopens.

**Market Performance**

| | June 30, 2021 | June 30, 2020 | Percentage |
|---|---|---|---|
| DTL Stock Price | $2.53 | $2.22 | 13.96% |
| Junior Market Index | 3,370.59 | 2,592.24 | 30.03% |
| JSE Manufacturing and Distribution Index | 106.13 | 78.33 | 35.49% |
| Market Capitalization | $11.47 Billion | $6.07 Billion | 88.96% |
| Number of Shares | 4,533,360,670 | 2,733,360,670 | 65.85% |

Derrimon's stock price was briefly impacted in 2020 due to the negative side effects of the pandemic on the performance of the overall stock market. However, the company was still trading quite vibrantly on the market despite the depressed market conditions.

Due to the execution of our APO, the company's issued share capital rose significantly to 4.53 billion shares. Along with our expanded business, the company's share capital eclipsed the $10 billion mark which represents the confidence of investors in the stock price. Although the company's stock performance has somewhat lagged when compared to the market indices, it is anticipated that the market will eventually recognize the business on its merit later on.

**Outlook and Risks**

There remains marked uncertainty from COVID-19 which has mutated into several variants across the globe. This not only poses a general risk to our business, but also for the recovery of businesses across the country which have endured hardship during the last year. Although our business lines remain classified as essential services, we cannot ignore the risk that the new variants pose to operations in our group of companies.

The GOJ revised curfew measures near the end of July based on the spike in COVID-19 cases with the next revision set to see stricter enforcement measures. This will constrain short-term growth for numerous businesses and reduce the operational hours for our supermarket businesses. We continue to monitor the changes in COVID-19 measures and the potential impact on our businesses.

The Sagicor Millennium Mall in May Pen, Clarendon is the location of Derrimon's next major project. The Mall, which recently opened to the public, is situated off the east-west highway and is expected to attract traffic over a wide catchment area covering highly populated areas from Old Harbour to Mandeville. We aim to commence operations of our newest and largest Select Grocers Supermarket in the Mall in the coming months as we pursue growth in our area of specialty. Sagicor Group Jamaica has decided to move forward in developing a residential complex on 11 acres of land next to the Mall. This development will provide us with additional customer base which we expect to build a long term relationship with through our excellent product offerings and top notch service.

Over the last 5 months, we've been spending thousands of hours as a team, on the integration of our Marnock business into the Derrimon Group of Companies. The business has met our initial expectations and is expected to make more improved contribution to our financial performance. The current focus is on improving certain elements of the operations and build out our direct route from Jamaica to New York for our various Delect brands, CFF products and select Jamaican produce. The process will take some more time to complete.

We welcome our newest directors Mrs. Tania Waldron-Gooden and Mr. Howard Mitchell as of July 1,2021. Mrs. Waldron-Gooden served previously as Derrimon's and CFF's mentor while Mr. Mitchell is the Chairman of CFF's Board of Directors and serves in various capacities in both the public and private sectors. Their expertise will contribute significantly to Derrimon's 2.0 vision, the implementation of which is set to get into 'high gear' going forward.

As we approach 23 years of operation in December 2021, we would like to recognize the efforts of our employees who have made the company what it is today. We thank them for their commitment and dedication over the years and look forward to their continued efforts as we build together a greater business in the future. We also thank our shareholders, customers and other stakeholders for their support as we continue to expand our business and bring greater value to all parties.

Derrick Cotterell
Chairman/Chief Executive Officer

**Consolidated Profit before tax of $321.42M**

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**Group Statement of Profit and Loss & Comprehensive Income**
**Six Months Ended June 30, 2021**

| | Notes | Group Unaudited Consolidated Three months ended June 30 2021 $'000 | Group Unaudited Consolidated Three months ended June 30 2020 $'000 | Group Unaudited Consolidated Six months ended June 30 2021 $'000 | Group Unaudited Consolidated Six months ended June 30 2020 $'000 | Group Audited year ended December 31 2020 $'000 |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| Trading Income | 2f | 4,042,471 | 2,978,571 | 8,052,408 | 6,302,952 | 12,777,464 |
| Less cost of sales | | 3,255,336 | 2,391,712 | 6,513,539 | 5,103,388 | 10,294,801 |
| **Gross Profit** | | 787,135 | 586,859 | 1,538,869 | 1,199,564 | 2,482,663 |
| Other operating Income | | 19,481 | 18,813 | 42,247 | 41,458 | 100,503 |
| | | 806,616 | 605,672 | 1,581,116 | 1,241,022 | 2,583,166 |
| **Less operating expenses:** | | | | | | |
| Administrative | | 521,397 | 403,662 | 995,255 | 776,838 | 1,424,862 |
| Selling & distribution | | 117,136 | 88,721 | 218,038 | 188,926 | 418,625 |
| | | 638,533 | 492,383 | 1,213,293 | 965,764 | 1,843,487 |
| **Operating profits/ (loss) before finance charges** | | 168,083 | 113,289 | 367,823 | 275,258 | 739,679 |
| Less : finance cost | | (23,168) | (18,483) | (46,406) | (67,785) | (384,490) |
| Profit before taxation | | 144,915 | 94,806 | 321,417 | 207,473 | 355,189 |
| Taxation ( Estimated) | 6 | 19,712 | 9,740 | 35,609 | 23,587 | 44,100 |
| Net profit being total comprehensive income | | 125,203 | 85,066 | 285,808 | 183,886 | 311,089 |
| **Net Profit Attributable to:** | | - | - | - | - | |
| Shareholders of the company | | 116,002 | 69,040 | 271,386 | 160,661 | 279,834 |
| Non-controlling interest | | 9,201 | 16,026 | 14,422 | 23,225 | 31,255 |
| **Total comprehensive income** | | 125,203 | 85,066 | 285,808 | 183,886 | 311,089 |
| **Earnings per share** | 2p | 0.026 | 0.025 | 0.064 | 0.059 | 0.102 |

**Statement of Profit and Loss & Comprehensive Income**
**Six Months Ended June 30, 2021**

| | Notes | Company Unaudited Derrimon Three months ended June 30 2021 $'000 | Company Unaudited Derrimon Three months ended June 30 2020 $'000 | Company Unaudited Derrimon Six months ended June 30 2021 $'000 | Company Unaudited Derrimon Six months ended June 30 2020 $'000 | Company Audited year ended December 31 2020 $'000 |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| Trading Income | 2f | 3,716,923 | 2,699,012 | 7,453,898 | 5,711,827 | 11,650,661 |
| Less cost of sales | | 2,994,310 | 2,189,108 | 6,094,772 | 4,686,371 | 9,483,271 |
| **Gross Profit** | | 722,613 | 509,904 | 1,359,126 | 1,025,456 | 2,167,390 |
| | | 722,613 | 509,904 | 1,359,126 | | |
| Unrealised losses on invstment valued at fair value through profit or loss | | | | | | (213) |
| Other Income | | 13,137 | 11,802 | 31,010 | 29,489 | 99,097 |
| | | 735,750 | 521,706 | 1,390,136 | 1,054,945 | 2,266,274 |
| **Less operating expenses:** | | | | | | |
| Administrative | | 461,919 | 356,962 | 882,416 | 682,371 | 1,206,285 |
| Selling & distribution | | 116,197 | 88,359 | 216,440 | 185,722 | 410,182 |
| | | 578,116 | 445,321 | 1,098,856 | 868,093 | 1,616,467 |
| **Operating profits/ (loss) before finance charges** | | 157,634 | 76,385 | 291,280 | 186,852 | 649,807 |
| Less : finance cost | | (23,936) | (18,483) | (46,406) | (67,785) | (399,440) |
| Profit before taxation | | 133,698 | 57,902 | 244,874 | 119,067 | 250,367 |
| Taxation ( Estimated) | 6 | 16,712 | 7,238 | 30,609 | 14,884 | (24,723) |
| Net Profit | | 116,986 | 50,664 | 214,265 | 104,183 | 225,644 |
| **Total comprehensive income** | | 116,986 | 50,664 | 214,265 | 104,183 | 225,644 |
| Earnings per stock unit | 2p | 0.043 | 0.019 | 0.078 | 0.038 | 0.083 |

**Derrimon Trading Company Limited**
**Statement of Financial Position**
**Six Months ended June 30, 2021**

| | 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 |
|---|---|---|---|---|---|---|---|
| | | 2021 | 2020 | 2021 | 2020 | 2020 | 2020 |
| | | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **ASSETS** | | | | | | | |
| **Non-current assets:** | | | | | | | |
| Fixed Assets | | 667,678 | 449,078 | 802,025 | 504,381 | 426,725 | 537,785 |
| Intaangible assets | | 33,220 | 33,220 | 438,643 | 438,643 | 33,220 | 438,643 |
| Investment | | - | | 163,695 | | 4,744 | 163,695 |
| Right of use assets | | 1,226,710 | 936,398 | 1,309,919 | 996,481 | 1,302,032 | 1,487,435 |
| Deferred tax asset | | 23,614 | | 23,614 | | 18,891 | 9,859 |
| Investment in Subsidiary | | 2,315,725 | 942,541 | 1,373,184 | | 942,541 | - |
| **Current assets:** | | | | - | | | |
| Receivables and prepayments | | 1,521,904 | 1,449,442 | 1,750,664 | 1,693,431 | 1,691,442 | 1,874,810 |
| Inventories | | 2,770,764 | 1,260,465 | 2,965,439 | 1,481,715 | 1,975,934 | 2,186,560 |
| Investment | | 804,392 | 127,707 | 960,683 | 396,990 | - | - |
| Cash & bank | | 458,254 | 176,346 | 531,499 | 252,411 | 504,159 | 717,027 |
| Tax recoverable | | | 1,347 | - | 1,347 | - | - |
| | | 5,555,314 | 3,015,307 | 6,208,285 | 3,825,894 | 4,171,535 | 4,778,397 |
| **Current Liabilities:** | | | | | | | |
| Payables | | 1,647,204 | 1,055,611 | 1,744,753 | 1,119,439 | 649,903 | 718,109 |
| Short term loans | | 360,000 | 276,963 | 360,000 | 341,963 | 1,056,013 | 1,056,013 |
| Current portion of long term loan | | 40,715 | 60,314 | 40,715 | 66,314 | 166,847 | 179,231 |
| Current portion of lease liability | | 59,380 | 40,585 | 59,380 | 56,868 | 153,174 | 165,538 |
| Taxation payable | | - | | - | - | 22,763 | 33,132 |
| Bank overdraft | | - | | - | - | 56,098 | 56,098 |
| | | 2,107,299 | 1,433,473 | 2,204,848 | 1,584,584 | 2,104,798 | 2,208,121 |
| **Net current assets** | | 3,448,015 | 1,581,834 | 4,003,437 | 2,241,310 | 2,066,737 | 2,570,276 |
| **Total assets less current liabilities** | | 7,714,962 | 3,943,071 | 8,114,517 | 4,180,815 | 4,794,890 | 5,207,693 |
| **Equity** | | | | | | | |
| Issued capital | | 3,863,849 | 140,044 | 3,863,849 | 140,044 | 140,044 | 140,044 |
| Non-controlling interest | | - | - | 192,657 | 179,813 | - | 178,235 |
| Retained earnings | | 1,355,091 | 1,052,165 | 1,461,792 | 1,094,648 | 1,140,826 | 1,190,406 |
| Investment revaluation reserve | | 614 | 614 | 614 | 614 | 614 | 614 |
| Capital Reserve | | 94,638 | 94,638 | 94,638 | 94,638 | 94,638 | 94,638 |
| | | 5,314,192 | 1,287,461 | 5,613,550 | 1,509,757 | 1,376,122 | 1,603,937 |
| **Non Current Liability:** | | | | | | | |
| Borrowings | | 1,262,790 | 1,782,091 | 1,362,987 | 1,706,086 | 2,162,588 | 2,166,389 |
| Lease liability | | 1,137,980 | 873,519 | 1,137,980 | 964,972 | 1,256,180 | 1,437,367 |
| | | 2,400,770 | 2,655,610 | 2,500,967 | 2,671,058 | 3,418,768 | 3,603,756 |
| **Total equity and none-current liabilities** | | 7,714,962 | 3,943,071 | 8,114,517 | 4,180,815 | 4,794,890 | 5,207,693 |

Approved for issue by the Board of Directors on August 12, 2021 by:

Derrick Cotterell
Chairman

Ian Kelly
Director

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

**Attributable to the Company's Shareholders**

| | Number of Shares | Share Capital $'000 | Retained Earnings $'000 | Investment Revaluation Reserve $'000 | Capital Reserves $'000 | Non-controlling interest $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **Balance at 31 December 2019** | 2,733,361 | 140,044 | 934,834 | 614 | 94,638 | 163,382 | 1,333,512 |
| Total comprehensive income | - | | 160,661 | - | - | 23,225 | 183,886 |
| Dividends | - | | - | - | - | | - |
| Non-controlling interest | - | | (847) | - | - | (6,794) | (7,641) |
| Revaluation in associated company | - | | - | - | - | | - |
| **Balance at June 30, 2020** | 2,733,361 | | 1,094,648 | 614 | 94,638 | 179,813 | 1,509,757 |

| | Number of Shares | Share Capital $'000 | Retained Earnings $'000 | Investment Revaluation Reserve $'000 | Capital Reserves $'000 | Non-controlling interest $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **Balance at 31 December 2020** | 2,733,361 | 140,044 | 1,190,406 | 614 | 94,638 | 178,235 | 1,603,937 |
| Total comprehensive income | - | | 271,386 | - | - | 14,422 | 285,808 |
| Non-controlling interest | | | - | | | | - |
| Issue of shares | 1,800,000 | 3,723,804 | | | | | 3,723,804 |
| **Balance at June 30, 2021** | 4,533,361 | 3,863,848 | 1,461,792 | 614 | 94,638 | 192,656.85 | 5,613,550 |

**Derrimon Trading Limited**
**Company Statement of change in Shareholders' Equity**
**Six Months Ended June 30, 2021**

| | Number of Shares | Share Capital $'000 | Retained Earnings $'000 | Investment Revaluation Reserve $'000 | Capital Reserves $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Balance at 31 December 2019** | 2,733,361 | 140,044 | 947,982 | 614 | 94,638 | 1,183,278 |
| Total comprehensive income | - | | 104,183 | - | - | 104,183 |
| Gain on stock sales | | | | - | | - |
| **Balance at June 30, 2020** | 2,733,361 | 140,044 | 1,052,165 | 614 | 94,638 | 1,287,461 |

| | Number of Shares | Share Capital $'000 | Retained Earnings $'000 | Investment Revaluation Reserve $'000 | Capital Reserves $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Balance at 31 December 2020** | 2,733,361 | 140,044 | 1,140,826 | 614 | 94,638 | 1,376,122 |
| Total comprehensive income | - | | 214,265 | - | - | 214,265 |
| Non-controlling interest | | | | | | - |
| Issue of shares | 1,800,000 | 3,723,805 | | | | 3,723,805 |
| **Balance at June 30, 2021** | 4,533,361 | 3,863,849 | 1,355,091 | 614 | 94,638 | 5,314,192 |

**Derrimon Trading Limited**
**Group Statement of Cash flows**
**Six Months Ended June 30,2021**

| | Note | 6 Months ended June 30,2021 $'000 | 6 Months ended June 30,2020 $'000 |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Net profit before taxation | | 321,417 | 207,473 |
| Taxation paid | | (68,741) | (26,387) |
| **Changes in non-cash working capital components:-** | | | |
| Depreciation | | 32,576 | 17,358 |
| Depreciation-right of use | | 177,516 | 42,596 |
| Deferred tax | | (13,755) | - |
| Inventories | | (778,879) | 510,459 |
| Receivables | | 124,146 | (660,362) |
| Payables | | 1,026,644 | 142,593 |
| **Net cash (used in)/ provided by operating activities** | | 820,924 | 233,730 |
| **Cash flows from Investment activities:** | | | |
| Investments | | (2,333,867) | (254,011) |
| Investments in Subsidiary | | - | - |
| Acquisition of property, plant and equipment | | (296,816) | (38,263) |
| **Net cash used in investment activities** | | (2,630,683) | (292,274) |
| **Financing activities:** | | | |
| Loan received during the year | | - | - |
| Lease liability | | (405,545) | (49,033) |
| Repayment of loans | | (1,637,930) | (283,045) |
| Deferred tax liability | | - | (4,214) |
| Proceeds from shares issued in Additional Public Offering | | 3,723,804 | |
| **Net cash used financing activities** | | 1,680,329 | (336,292) |
| **Net increase/ (decrease) in cash and cash equivalents balances** | | (129,430) | (394,836) |
| Net cash balance at beginning of the year | | 660,929 | 647,247 |
| **Net cash balance at end of period** | | 531,499 | 252,411 |

| | | |
|---|---|---|
| **Represented by:** | | |
| Cash & cash equivalents | 531,499 | 252,411 |
| Bank overdraft | - | - |
| Net cash and cash equivalents at end of period | 531,499 | 252,411 |

**Derrimon Trading Limited**
**Company Statement of Cash flows**
**Six Months Ended June,2021**

| | Note | 6 Months ended June 30,2021 $'000 | 6 Months ended June 30,2020 $'000 |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Net profit before taxation | | 244,874 | 119,067 |
| Taxation paid | | (22,763) | (14,884) |
| **Changes in non-cash working capital components:-** | | | |
| Depreciation | | 27,411 | 11,258 |
| Depreciation-right of use | | 75,322 | 8,781 |
| Inventories | | (794,830) | 490,387 |
| Receivables | | 169,538 | (604,208) |
| Payables | | 997,301 | 152,761 |
| Taxation payable | | (30,609) | |
| **Net cash (used in)/ provided by operating activities** | | 666,244 | 163,162 |
| **Cash flows from Investment activities:** | | | |
| Investments | | (2,182,320) | (122,746) |
| Acquisition of property, plant and equipment | | (213,542) | (74,961) |
| **Net cash used in investment activities** | | (2,395,862) | (197,707) |
| **Financing activities:** | | | |
| Loan received during the year | | | 70,637 |
| Lease liability | | (211,994) | (60,314) |
| Repayment of loans | | (1,767,276) | (317,352) |
| Deferred tax liability | | (4,723) | - |
| Proceeds from shares issued in Additional Public Offering | | 3,723,804 | |
| **Net cash used financing activities** | | 1,739,811 | (307,029) |
| **Net increase/ (decrease) in cash and cash equivalents balanc** | | 10,193 | (341,574) |
| Net cash balance at beginning of the year | | 448,061 | 517,920 |
| **Net cash balance at end of period** | | 458,254 | 176,346 |
| | | | |
| **Represented by:** | | | |
| Cash & cash equivalents | | 458,254 | 176,346 |
| Bank overdraft | | - | - |
| Net cash and cash equivalents at end of period | | 458,254 | 176,346 |

**Notes to the Unaudited Financial Statements**

**Six (6) Months Ended June 30, 2021**

## 1. IDENTIFICATION AND PRINCIPAL ACTIVITIES

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

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

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**Basis of preparation**

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

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

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

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

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

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

**Judgments and Estimates**

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

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

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

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

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

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Operating segments information

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

### Financial assets

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

### Revenue from contract with customers

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

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

### Leases

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

### Consolidation

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

### Joint arrangement

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

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

**Investment property**

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

**Related parties and related party transactions**

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

**Receivables**

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

**Income and other taxes**

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

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

**Contingencies**

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

- A possible obligation that arises from a past event and which existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or;

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

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

**Inventories**

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

**Impairment of assets**

**Judgmen**t – 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:

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

### (b) Joint operation

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

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

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

**(c) Business combination**

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

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

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

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

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

Non-controlling interests

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

**(d) Segment reporting**

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

The Company has identified the following segments:

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

The pallets and by-products of wood were added to the other operations segment as a result of the 100% acquisition of Woodcats International Limited in 2018 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.

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

**(e) Impairment of assets**

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

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

**(f) Revenue recognition**

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

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

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

**i. Sales**

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

**ii. Interest income**

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

**iii. Dividend income**

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

**iv. Other operating income**

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

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

**(g) Property, plant and equipment**

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

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

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

Current annual rates of depreciation are:

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

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

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

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

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

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

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

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

The Company has elected to not to apply the right-of-use asset and lease liability to:

(a) short-term leases, less than 12-months; and
(b) leases for which the underlying asset is of low value, i.e., printers, laptop computers, small furniture and selected properties.

These will be charged as lease expense in the statement of profit or loss.

**(I) Intangible assets**

**Goodwill**
Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of identifiable assets acquired and liabilities assumed.

Goodwill is tested annually for impairment. Goodwill is impaired, when the cash-generating unit (CGU) to which the goodwill is allocated, carrying value is higher than the recoverable value of the unit. Impairment of goodwill is not reversed.

**Other intangibles** – brand name, formula, customer and supplier relationships and technological expertise.

Other intangible represents the identified asset embedded in excess of the cost of an acquisition over the fair value of the Company's share of identifiable assets acquired and liabilities assumed.

Other intangible is tested annually for impairment. Other intangible is impaired when the cash-generating unit (CGU) to which the other intangible applies, carrying value is higher than the recoverable value of the unit. Impairment of other intangible is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized, and only to the extent of the original impairment loss

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Research and development expenditure**

Expenditures in relation to research activities are expensed as incurred.

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

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

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

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

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

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

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

**(j) Financial instruments**

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

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

**Classification and Subsequent Measurement**

**Financial assets**

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

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

**Credit risk and expected credit loss**

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

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

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

**(k) Inventories**

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

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

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

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

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

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

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

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

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

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

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

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

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (n) Borrowing; borrowing cost and interest

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

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

### (o) Share capital, dividends and distributions

**Shares**

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

**Dividends**

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

**Distributions**

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

### (p) Earnings per stock unit

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

| Group | Quarter ended June 30, 2021 $'000 | Quarter ended June 30, 2020 $'000 | 6 Months ended June 30, 2021 $'000 | 6 Months ended June 30, 2020 $'000 | Year ended December 31, 2020 $'000 |
|---|---|---|---|---|---|
| Net profit attributable to shareholders | 116,729 | 69,040 | 271,386 | 160,661 | 279,834 |
| Weighted average number of shares | 4,233,360,670 | 2,733,360,670 | 4,233,360,670 | 2,733,360,670 | 2,733,360,670 |
| Earnings Per share | 0.028 | 0.025 | 0.064 | 0.059 | 0.102 |

## 3. SEGMENTAL FINANCIAL INFORMATION

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer that are used to make strategic decisions.

The Group operates three (3) segments. Two (2) segments are exposed to similar risks as they both sell household and grocery products and the third segment, which is new due to the consolidation of the subsidiary, manufactures flavours and fragrances. The principal divisions are:

(i) Distribution- distribution of Nestle household products, Sun Power Detergents and bulk food products and chilled and ambient beverages.

(ii) Wholesale and retail - operation of seven (7) outlets, six trading under the name Sampars Cash and Carry and Sampars Outlets and the other under the name Select Grocers.

The distribution hub, along with four (4) outlets is located in Kingston and Saint Andrew, and the other three (3) locations are in rural Jamaica.

(iii) Other operations – manufacturer of flavours and fragrances, wooden pallets and wholesaling retailing of Foods in New York.

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

**SEGMENTAL FINANCIAL INFORMATION (CONTINUED)**

## Segmental Financial Information

| | Distribution<br>$'000 | The Group<br>2021<br>Sampars Outlets<br>$'000 | Other Operations<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|
| Revenue from external customers | 3,267,102 | 4,186,796 | 598,510 | 8,052,408 |
| | | | | - |
| Depreciation | 14,105 | 13,306 | 5,165 | 32,576 |
| | | | | - |
| **Current Liabilities** | 1,576,254 | 531,045 | 97,549 | 2,204,848 |
| | | | | - |
| **Current Assets** | 3,982,084 | 410,921 | 1,815,280 | 6,208,285 |

| | Distribution<br>$'000 | The Company<br>2021<br>Sampars Outlets & Select Grocers, Marnock<br>$'000 | Total<br>$'000 |
|---|---|---|---|
| Revenue from external customers | 3,267,102 | 4,186,796 | 7,453,898 |
| | | | - |
| Depreciation | 14,105 | 13,306 | 27,411 |
| | | | - |
| **Current Liabilities** | 1,576,254 | 531,045 | 2,107,299 |
| | | | - |
| **Current Assets** | 3,982,084 | 1,573,230 | 5,555,314 |

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

## 6. INCOME TAX

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

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

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

Years 1 to 5 (December 17, 2013- December 16, 2018) – 100%
Years 6 to 10 (December 17, 2018- December 16, 2023) - 50%

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

Period October 3, 2013 – October 2, 2018 - 100% of standard rate.
Period October 3, 2018 – October 2, 2023 – 50% of standard rate.

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

## 7. LEASE LIABILITY

Right-of-use Assets, blended principal and interest payments (rent payments) are made monthly in the amount of $14,157,887 interest is charged at 7.25%, maturing in 2039.

Principal amounts payable:

| | |
|---|---|
| Current portion | $52,951 |
| Long-term | $982,622 |
| | $1,035,573 |

Principal repayments for each of the next years:

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

**DERRIMON TRADING COMPANY LIMITED**

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

**June 30, 2021**

| Top (10) Stockholders | Number of Shares Held |
|---|---|
| Derrick Cotterell | 1,125,531,673 |
| Barita Investment Ltd-Long A/C | 906,950,275 |
| Monique Cotterell | 400,000,000 |
| Mayberry Jamaican Equities Limited | 320,867,546 |
| Ian C. Kelly | 169,107,209 |
| JCSD Trustee Services Limited A/C Barita Unit Trust Capital Growth Fund | 116,691,963 |
| Estate of E. Cotterell (Deceased) | 100,000,000 |
| Winston Thomas | 72,351,180 |
| ATL Group Pension Trustees NOM Ltd | 56,349,216 |
| Heart Trust / NTA Pension Scheme | 56,606,000 |

**DERRIMON TRADING COMPANY LIMITED**

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

**June 30, 2021 (continued)**

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

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