ANNUAL REPORT 2019

DERRIMON
TRADING CO. LTD.

DERRIMON TRADING CO. LTD.

Our Mission

To provide a wide portfolio of products and services that will add value for our customers and suppliers. We will accomplish this through the empowerment of our staff, encouraging innovation and rewarding productivity in our drive to become a world class company.

Our Vision

Through God's guidance to become a major company with world class performance standards, demonstrating the highest levels of integrity in all business practices and interactions with customers, suppliers, employees and the society at large.

Our Values

- Our Word is our bond
- We go the Extra Mile for all our stakeholders with a spirit of Love
- We are always Transparent
- We work Together to achieve our goals
- We accept Responsibility
- We display the highest Ethical Standards at all times
- We strive for Excellence in all that we do, we understand that actions speak louder than words. Therefore at Derrimon:
- We inspire trust.
- We keep it simple.
- We are open and inclusive.
- We tell it like it is.
- We lead from the head and the heart.
- We discuss. We decide. We deliver.

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CHAIRMAN'S STATEMENT

Derrimon Trading completed another successful year in 2019. We continued our growth path which led to the business experiencing growth across all subsidiaries and ultimately the Group realising a 36% increase in revenue over the prior year. This resulted in profit before tax growing by 23% and a record net profit of $303 million for the Group. This would not have been possible without divine blessing, reliable suppliers, dedicated employees, contractors and our faithful customers.

During the year our distribution and retail segments were adversely affected by the ongoing road construction at the Marcus Garvey Drive location, the main store of our retail chain (Sampars Marcus Garvey Drive). We experienced a reduction in walk-in customers as accessing the store was not only challenging but also posed some level of inconvenience for customers. The distribution segment was still able to make deliveries to its customers but the efficiency of the distribution centre was compromised due to the ongoing construction. Despite this, both segments were able to contribute significantly to the Group's performance, thanks to the steadfast performance of the staff who were more than willing to do whatever was required to satisfy their customers.

The rapid growth of our distribution segment over the years meant that it was only a matter of time before a larger space was needed to execute our distribution centre operations. Post-year-end, we relocated to a new facility with storage space of over 100,000 square feet located at Tom Cringle Drive (Ferry area), which is off Mandela Highway.

This new location will not only allow us to operate more efficiently but also provide warehousing support for new portfolios in the future.

Our subsidiaries, Woodcats International & Caribbean Flavours and Fragrances continue to be market leaders in their respective industry. Both subsidiaries are investing heavily in the modernisation of their factories which will assist in meeting international standards. The retail arm of the business, Sampars & Select Grocers, are increasingly becoming household names as they relentlessly strive to improve product offerings while constantly enhancing the customers' experience. The e-commerce platform (shopsampars.com) also continued to show growth and is poised for a stronger online presence in the near future.

People are undoubtedly the most important asset to any successful business. We will continue investing in our human capital through training and recruiting of the best talents available. This coupled with our mantra of "grow or die" will be a successful formula for us going forward in this ever-increasing competitive market.

We thank our Board of Directors, management team, dedicated team members, contractors, suppliers, investors, and customers for their contribution and loyalty to our organisation and we look forward to continuing our journey towards making the Derrimon Group of Companies world-class institutions.

Regards,
Derrick Cotterell
Chairman/Group Chief Executive Officer

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of DERRIMON TRADING COMPANY LIMITED (the "Company") will be held on September 25, 2020 at 10:00 a.m. at The Knutsford Court Hotel to consider, and if thought fit, to pass the following resolutions:-

Ordinary Business: Resolutions 1 – 4

1. To receive the audited accounts for the year ended 31 December 2019.

Resolution 1 - Audited Accounts
"THAT the audited accounts for the year ended 31 December 2019 together with the reports of the directors and auditors thereon be and are hereby adopted."

2. To elect directors

The Directors retiring by rotation pursuant to the Articles of Incorporation are Monique Cotterell, Ian Kelly, Winston Thomas and Paul Buchanan who being eligible offer themselves for re-election.

Resolution 2a - Re-appointment of Monique Cotterell
"THAT the retiring Director, Monique Cotterell be re-elected a Director of the Company"

Resolution 2b - Re-appointment of Ian Kelly
"THAT the retiring Director, Ian Kelly be re-elected a Director of the Company"

Resolution 2c - Re-appointment of Winston Thomas
"THAT the retiring Director, Winston Thomas be re-elected a Director of the Company"

Resolution 2d - Re-appointment of Paul Buchanan
"THAT the retiring Director, Paul Buchanan be re-elected a Director of the Company"

3. To fix the remuneration of the directors

Resolution 3 - Directors' Remuneration
"THAT the Board of Directors of the Company be and are hereby authorised to fix the remuneration of the individual directors."

4. To re-appoint Auditors and fix their remuneration.

Resolution 4 – Re-appointment of Auditors
"THAT McKenley & Associates, Chartered Accountants, having agreed to continue in office as Auditors of the Company, be and are hereby re-appointed Auditors of the Company to hold office until the next Annual General meeting at a remuneration to be fixed by the Board of Directors of the Company."

Special Business: Resolutions 5 -8

5. As special business to authorise the Company to issue additional ordinary shares by way of an offer for subscription to the public subject to a prospectus.

Resolution 5 - Approval of Additional Public Offering
"THAT the Company, be and is hereby authorised to issue up to 1,800,000,000 ordinary shares by way of an offer for subscription to the public pursuant to a prospectus (herein an "Additional Public Offering") in lieu of a rights issue to existing stockholders."

6. As special business to grant Board of Directors authority to determine terms and conditions of Additional Public Offering

Resolution 6 - Board of Directors to determine terms relating to Additional Public Offering
"That the Board of Directors of the Company and/or any duly appointed Committee of the Board of the Board of Directors be and is hereby authorised to determine in their discretion any terms and conditions relating to the Additional Public Offering."

7. As special business to dis-apply pre-emption rights in respect of Additional Public Offering

Resolution 7 - Dis-application of Pre-emption Rights
"THAT any pre-emption rights to which the existing stockholders may be entitled, howsoever arising, be and are hereby dis-applied for the purposes of the Additional Public Offering."

8. As special business to convert ordinary share capital to stock units upon issuance and allotment in order to facilitate listing on the Jamaica Stock Exchange.

Resolution 8 - Conversion of Ordinary Shares to Stock Units
"THAT all ordinary shares issued in the Additional Public Offering once issued and allotted be and are hereby converted into stock units."

Dated the 21 day of August 2020

by Order of the Board

Monique Cotterell
Company Secretary

Notes:
(1) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his place. Such proxy need not be a member of the Company.
(2) A member must lodge his Proxy Form with the Secretary at 235 Marcus Garvey Drive, Kingston 11, Jamaica **not less than 48 hours before the Meeting**, but if not so lodged it may be handed to the Chairman of the Meeting.

DIRECTORS' REPORT

The Directors of Derrimon Trading Company Limited submit their report for the financial year ended December 31, 2019. It includes the full year's consolidation of the financial performance of the new subsidiary Woodcats International Company Limited and Caribbean Flavours and Fragrances Company Limited.

FINANCIAL RESULTS

The Statement of Comprehensive Income shows profit after tax of $227.402 million for the Company and $302.708 million for the Consolidated Group. These financial results are encouraging to us as a Board as it shows growth in many of the indicators as well as demonstrates that the strategies that were implemented have borne positive outcomes. This year, growth in the Distribution Segment was evident given the full year's performance of the beverage portfolio and the fruition of various strategies to grow the wider portfolio. To achieve year-over-year revenue growth of $3.346 billion or 35.96% for the Consolidated Group and growth of $2.879 billion or 32.86% for the Company is an indication that both policy and executions are synchronized effectively to generate the desired results.

Our Board remains extremely proud of the steadfast execution of our strategies within this financial year and look forward to the continuous improvement in our financial results.

The Board supports the various initiatives of management and fully approve the debt management strategies being employed at this time. During the year, the rebalancing of the debt portfolio was evident through the retiring of a US dollar loan and its replacement with Jamaican dollar denominated loan at competitive market interest rates. The benefits from market interest rate adjustments was evident as the major portfolio saw a 2.25% reduction in its average borrowing rate during the latter part of the reporting period. Our track record for the settlement of our debt on or before due dates and the performance of our share price on the stock market are important attributes which continue to aid our success.

Our Board remains extremely proud of the steadfast execution of our strategies within this financial year and look forward to the continuous improvement in our financial results.

DIRECTORS

The Directors of the Company as at December 31, 2019 are:

Derrick F. Cotterell	**- Chairman and Chief Executive Officer**
Earl A. Richards	**- Non-Executive Director**
Alexander I.E. Williams	**- Non-Executive Director**
Paul Buchanan (Jnr)	**- Non-Executive Director**
Winston Thomas	**- Non-Executive Director**
Tania Waldron-Gooden (Resigned October 30, 2019)	**- Non-Executive Director**
Monique Cotterell	**- Executive Director/Company Secretary**
Ian C. Kelly	**- Executive Director**

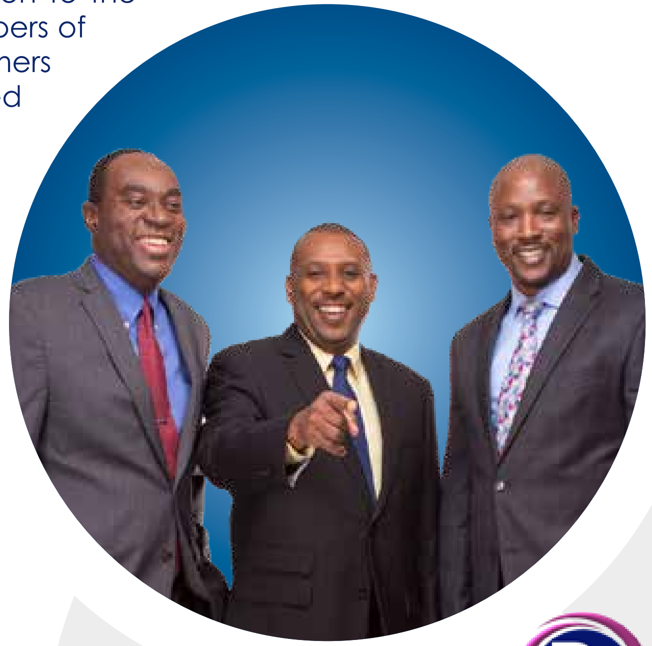
On October 30, 2019, Mrs. Tania Waldron-Gooden resigned as a Director of our Board but continues to serve as the Mentor to the Board. We thank Mrs. Waldron-Gooden for her role and support that she has given to the Board and Board Committee and wish her well in her future endeavours.

AUDITORS

The auditors of the Company, McKenley & Associates of, Unit 11, Seymour Park, 2 Seymour Avenue, Kingston 6, Jamaica have served as Auditors during the period of reporting. As part of our Corporate Governance Policy, we are required to place the audit out to tender during the next financial year. This will be done and, at that time, our current auditors will be invited to submit a bid.

We wish to extend our special thanks to all shareholders, and bondholders for the confidence that you have expressed in Derrimon Trading Company Limited. We look forward to a mutually rewarding relationship for the coming year and beyond.

We acknowledge and extend our appreciation to the committed efforts and hard work of the members of staff and thank our customers, suppliers, consumers and all other stakeholders for your continued support.



Dated this July 1, 2020

FOR AND ON BEHALF OF THE BOARD

Derrick F. Cotterell
Chairman/Group Chief Executive Officer

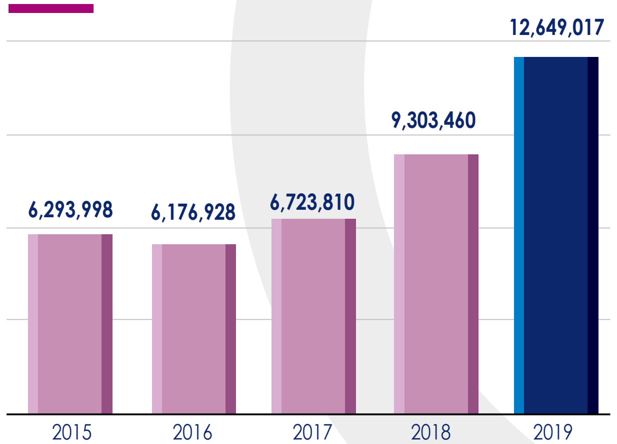
FIVE-YEAR STATISTICAL HIGHLIGHTS

FIVE-YEAR FINANCIAL REVIEW

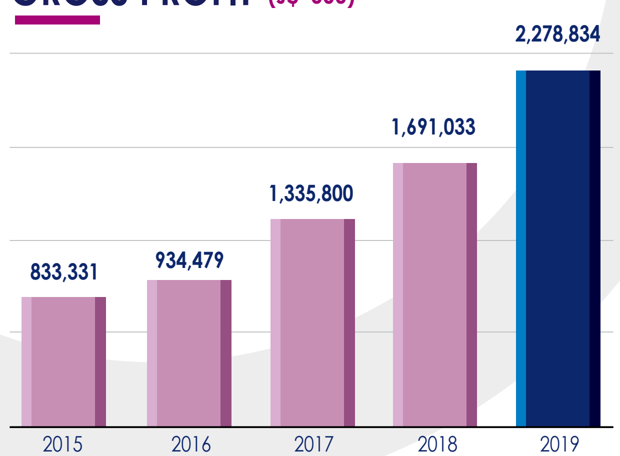
	2019 (J$ '000)	2018 (J$ '000)	2017 (J$ '000)	2016 (J$ '000)	2015 (J$ '000)
Income Statement					
Revenues	12,649,017	9,303,460	6,723,810	6,176,928	6,293,998
Gross Profit	2,278,834	1,691,033	1,335,800	934,479	833,331
Total Operating Expenses	1,687,679	1,303,213	1,141,231	739,412	702,286
Profit before taxation	345,726	281,845	281,796	116,107	88,130
Net Profit	302,708	277,213	281,796	116,107	88,130
Balance Sheet					
Total Assets	5,785,684	4,048,095	2,887,199	2,264,007	1,507,475
Capital	1,333,512	1,218,236	1,033,175	564,468	448,362
Total Assets less Current Liabilities	4,069,001	2,083,974	1,789,492	1,180,062	940,274
Select Ratios					
Gross Profit Margin	18.02%	18.18%	19.87%	15.13%	13.24%
EBITDA Margin	6.27%	5.78%	7.49%	3.86%	2.61%
Current Ratio	2.23	1.53	1.93	1.73	2.03
Quick Ratio	1.07	0.88	1.20	0.90	1.03
Debt to Equity	2.60	1.37	1.01	1.54	1.11

** 2017 was the first year that the company produced Group Financials*

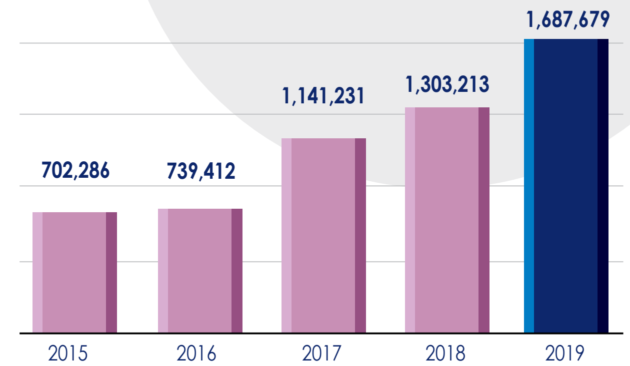
REVENUES (J$ '000)



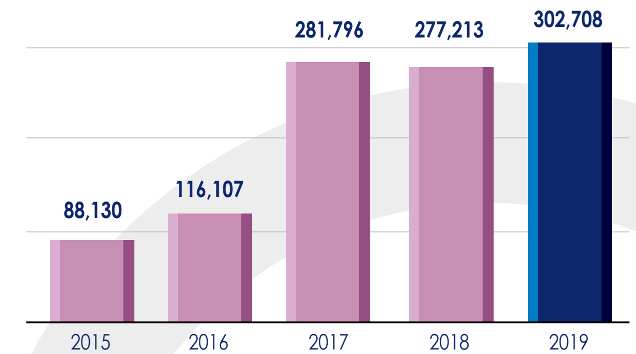
GROSS PROFIT (J$ '000)



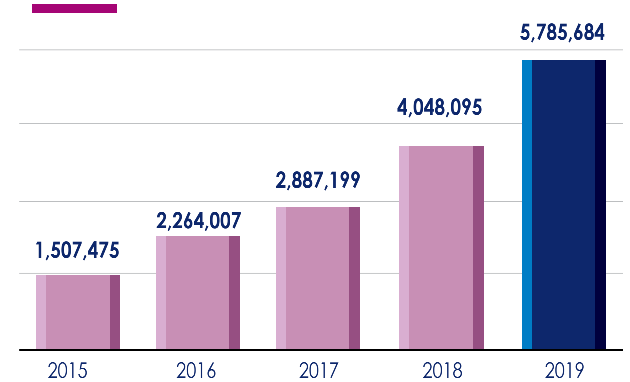
TOTAL OPERATING EXPENSES (J$ '000)



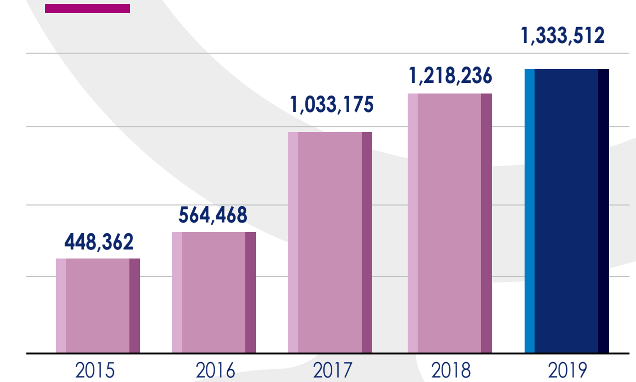
NET PROFIT (J$ '000)



TOTAL ASSETS (J$ '000)



CAPITAL (J$ '000)



CORPORATE INFORMATION

REGISTERED OFFICE

Derrimon Trading Company Limited
235 Marcus Garvey Drive
Kingston 11, Jamaica, W.I.
Tel: (876) 937-4897-8
Tel: (876) 901-3344
Fax: (876) 937-0754
Email: info@derrimon.com
Website: www.derrimon.com

ATTORNEYS-AT-LAW

Alexander Williams & Company
Unit 6A, Seymour Park,
2 Seymour Avenue
Kingston 6, Jamaica W.I.

AUDITORS

McKenley & Associates
Unit 11, Seymour Park,
2 Seymour Avenue
Kingston 6, Jamaica W.I.

BANKERS

Bank of Nova Scotia
86 Slipe Road
Kingston 5, Jamaica W.I.

National Commercial Bank
37 Duke Street
Kingston, Jamaica W.I.

Sagicor Bank
17 Dominica Drive
Kingston 5, Jamaica W.I.

REGISTRAR & TRANSFER AGENTS

Jamaica Central Securities Depository
40 Harbour Street
Kingston, Jamaica W.I.

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Derrick Cotterell, M.B.A., B.Sc. (Hons)
Chairman & Group Chief Executive Officer
Monique Cotterell, B.Sc.
Company Secretary & Group HR Director
Ian Kelly, CPA, M.Sc., B.Sc. (Hons)
Group Chief Financial Officer & Divisional Director - Sampars

NON-EXECUTIVE DIRECTORS

Alexander I.E. Williams, LL.B (Hons) C.L.E
Earl Richards, CD, M.B.A, BA.Sc.
Winston Thomas, B.Sc.
Paul Buchanan, BAA
Tania Waldron-Gooden, M.B.A., B.Sc.
Mentor to the Board

SENIOR OFFICERS

Derrick Cotterell, M.B.A., B.Sc. (Hons)
Chairman & Group Chief Executive Officer

Monique Cotterell, B.Sc.
Company Secretary & Group HR Director

Ian Kelly, CPA, M.Sc., B.Sc. (Hons)
Group Chief Financial Officer & Divisional Director - Sampars

Craig Robinson, M.B.A., B.Sc. (Hons)
Commercial Manager Sampars Cash and Carry

Sheldon Simpson, M.B.A., B.Sc. (Hons)
Divisional Manager - Derrimon

SEGMENT LOCATION

SAMPARS MARCUS GARVEY DRIVE
233 Marcus Garvey Drive
Kingston 11, Jamaica, W.I.
Tel: (876) 923-8733
Fax: (876) 757-8853
Email: contactus@samparsja.com
Website: www.shopsampars.com

SAMPARS CROSS ROADS
1-3 Retirement Road
Kingston 5, Jamaica, W.I.
Tel: (876) 960-1309-11
Fax: (876) 960-1312

SAMPARS OUTLET WASHINGTON BOULEVARD
8-10 Brome Close
Kingston 20, Jamaica, W.I.
Tel: (876) 931-9121-2
Fax: (876) 941-3862

SAMPARS OUTLET - WEST STREET
62 West Street
Kingston, Jamaica, W.I.
Tel: (876) 967-5403/948-3517

SAMPARS OLD HARBOUR
3 Arscott Drive, Old Harbour
St. Catherine, Jamaica, W.I.
Tel: (876) 983-0469
Fax: (876) 745-2103

SAMPARS ST. ANN'S BAY
3 Harbour Street, St. Ann's Bay
St. Ann, Jamaica, W.I.
Tel: (876) 972-8825
Fax: (876) 972- 0156

SAMPARS OUTLET - MANDEVILLE
26 Hargreaves Avenue
James Warehouse Complex
Mandeville, Manchester, Jamaica, W.I.
Tel: (876) 631-1047
Fax: (876) 631-1048

SELECT GROCERS
184 Constant Spring Road
Manor Park Plaza
Kingston 8, Jamaica, W.I.
Tel: (876) 622-9676
Tel: (876) 631-0226

CORPORATE GOVERNANCE

The Board of Directors of Derrimon Trading Company Limited represents the interests of its owners in guiding management towards the growth and success of the business. The mandate of the Board of Directors includes optimizing long-term financial returns, increasing market share and market capitalisation, lowering the cost of capital and operating expenses. Derrimon Trading Company Limited's long-term performance and success is underpinned by its achievement of the highest standards of corporate governance and corporate social responsibility; an on-going commitment of this Board.

The Board's overarching responsibility is to ensure that the management of Derrimon Trading Company Limited and its subsidiaries operate in a manner that results in increased shareholder value in the interests of all stakeholder groups. Active monitoring and evaluation of the management practices of the Company, inclusive of its policies and decision-making processes and execution of corporate strategic objectives, seek to ensure that the financial trajectory of the company is maintained.

BOARD FUNCTIONS

Responsibilities

The Board makes decisions; reviewing and approving key policies and decisions of the Company, in particular:

- Corporate Governance
- Compliance with laws, regulations and the Company's Code of Conduct
- Corporate Citizenship
- Strategy and operational plans
- Business development, acquisitions and expansions
- Finance and Treasury
- Appointment and removal of directors
- Remuneration of executive and non-executive Directors
- Risk management
- Financial reporting and auditing
- Succession planning for its Executive Chairman and other senior executives;
- Technical - supply chain management, sales and marketing, customer service, trade and retail sales
- Industry Experience - logistics, distribution, international trade, foreign exchange leveraging

The Chairman of the Board holds the principal responsibility of the effective operations and leadership of the Board, and to seek sufficient information to make decisions in keeping with the company's mandate. The Chairman provides invaluable support to the executive and senior management teams and ensures that new Directors receive adequate and appropriate training and induction into Derrimon Trading Company Limited.

The Company Secretary ensures that the Board processes and procedures are appropriately followed and supports effective decision-making and governance in keeping with laws and best practices. The Secretary is appointed by the Board and may only be removed by the Board. All Directors have equal access to the Company Secretary's advice and services, and there is no formal procedure for a Director to obtain independent professional advice in the course of their duties.

Board members are required to commit sufficient time to prepare for and to attend meetings of the Board, and its Committees or Sub-Committees. Regular attendance at the Board Meetings is mandatory. Absence from any meeting without advance notice to the Chairman or via the Secretary is not permitted.

Each Director is required to have an in-depth knowledge and understanding of all aspects of the Company's business in order to make informed and objective decisions. The preparation of detailed and timely reports on operational activities of the Company is the responsibility of management, for review and analysis by Directors. Board Members have complete access to the management team of the Company through the Executive Chairman and are encouraged to keep abreast of all areas of the Company's operations.

SELECTION AND COMPOSITION OF THE BOARD

Members of the Board are selected based on levels of expertise in the areas of the Company's business and as such are ideally capable to advise and act in the interests of all stakeholder groups.

SIZE OF THE BOARD

As at December 31, 2019, The Board comprised seven (7) members; three (3) Executive Directors, including the Executive Chairman and four (4) Non-Executive Directors. One (1) Non-Executive Director, Mrs. Tania Waldron-Gooden resigned October 30, 2019 and the Board of Directors continued its duties without a replacement. We are confident that the Board has the requisite knowledge and expertise required to deliberate on the activities and outcomes of the business as well as new projects which may arise. The policy direction and best corporate oversight for Derrimon Trading Company Limited is guided by the Board. Given the size of the organisation, and the environment in which it operates, the Board is confident that the complement of its membership is adequate.

EXECUTIVE AND NON-EXECUTIVE DIRECTORS

The number of Executive Directors should at no time exceed 50% of the total number of Directors.

CONFLICTS OF INTEREST/DISCLOSURE

All transactions involving the Company's shares entered into by any Director, must be promptly reported to the Company Secretary who is obliged to disclose such information on a regular basis to the Jamaica Stock Exchange.

No Director should trade in the Company's shares during the period of one (1) month prior to the release of quarterly Financial Statements, and in the case of the Audited Accounts two (2) months prior to such release or any such time that the Company has an embargo on trading. No trading shall occur between the time a dividend is considered and the time in which that information is provided to the Jamaica Stock Exchange.

A Director who has an interest in the Company or in any transaction with the Company that could create or appear to create a conflict of interest, must disclose such interest to the Company. These include:

- Any interest in a firm or charity that does substantial business with the Company
- Any interest in contracts or proposed contracts with the Company
- Any interest in securities held by the Company

• Emoluments other than Board fees received from the Company
• Loans or guarantees granted by the Company to/for the Director

Disclosures shall be made at the first opportunity in the next scheduled Board Meeting in writing and such disclosure shall be recorded in the Minutes of the Board Meeting. The Director is required to excuse himself/herself from the Board Meetings where the Board is deliberating over any such contract and shall not vote on any such matter. If a conflict exists and is unable to be resolved, the Director should resign.

ELECTION, TERMS, RE-ELECTION AND RETIREMENT

Election, terms, re-election and retirement of each Board Member is conducted in keeping with the Articles of Incorporation of the Company, with the exception that each Board Member is to retire during the financial year when the Directors will reach the age of 70 years.

BOARD AND EXECUTIVE COMPENSATION

Compensation of the Executive and Non-Executive Directors reflects the time, commitment and responsibilities of the role. It consists of a package appropriate to attract, retain and motivate Directors of the quality required. The compensation is competitive and subject to review relative to what is being paid in comparable positions elsewhere. The Company undertook this market comparative activity through the Human Resources and Compensation Committee in 2019 and the findings were fully approved by the Board in April 2019.

ACCESS TO EXTERNAL ADVISORS AND FUNDING

The Company utilises and relies on the services of external expertise to make decisions when such expertise is not required but not available in-house. The Company will make funds available to the Board for any such expertise needed, and in particular the Non-Executive Directors, as is reasonably required for those Directors to objectively make decisions. This may include providing funds to access external advisors and to cover costs associated with travel and gathering of relevant information for the execution of their responsibilities.

SUCCESSION PLANNING

The Board has full responsibility to ensure that the business is managed well at all times and that succession plans and potential candidates are identified for all Senior Executives, inclusive of the Executive Chairman.

Should the Executive Chairman or the Chief Financial Officer demit office due to an emergency, the Board will convene at the earliest possible time, no more than two (2) weeks after such an event, with a view to appoint an interim or permanent successor to that post.

CODE OF CONDUCT

The Board expects all Directors, as well as officers and employees, to act ethically at all times and to adhere to all codes and policies that describes the values and principles of Derrimon Trading Company Limited, namely:

• Respect and dignity
• Trust
• Communication
• Teamwork and appreciation
• Professionalism
• Good Value
• Group pride

BOARD COMMITTEES

The Board has several Committees, each with clearly defined terms of reference, procedures, responsibilities and powers as mentioned below :

AUDIT COMMITTEE

On behalf of the Board, the Audit Committee shall:

• Review the Company's annual and interim financial statements and related assumptions, and any accompanying reports or related policies and statements
• Monitor and review the effectiveness of the Company's internal audit function
• Monitor and review the External Auditor's independence, objectivity and effectiveness
• Develop and implement policy on the engagement of the External Auditor to supply non-audit services
• Approve the Company's risk management policy which defines the Company's risk appetite and level of risk tolerance
• Monitor the adequacy and effectiveness of the Company's system of risk management and control

The majority of members of the Audit Committee shall consist of Non-Executive Directors of the Company duly appointed by the Board. The Board shall also appoint the Chairman and Secretary of the Audit Committee. The Board Chairman shall not be a member of the Committee. The Committee shall consist of not less than three (3) members.

The Audit Committee shall meet at least four (4) times a year, within forty-five (45) days of the end of each quarter and at such other times as may be required.

The Audit Committee shall review all financial statements and matters, which are of significant import to the investing public. The full Board will have responsibility and accountability for the final release of such information. This Committee met five (5) times during the financial year ended December 31, 2019.

Our external auditors remain McKenley and Associates Limited as at February 28, 2020. The Company has in its employ a team with responsibility to undertake its internal audit functions with a focus on daily inventory and periodic cash validation, and all results are reported to the Audit Committee which is chaired by Mr. Earl A. Richards. Other members of the Audit Committee include Mrs. Tania Waldron-Gooden, Mr. Paul Buchanan Jr. and Mr. Ian Kelly. Periodic invitations are extended to Mr. Otema Thompson, Group Financial Manager.

HUMAN RESOURCES & COMPENSATION COMMITTEE

The Human Resources & Compensation Committee shall:

• Review the performance of the Executive Directors and the Senior Executives of the Company on at least an annual basis
• Report the findings at least once per annum at a regular Board Meeting
• Comprise a majority of Non-Executive Directors

This Committee met two (2) times during the financial year ended December 31, 2019.

MEETINGS

Frequency Of Meetings
Each financial year shall see a minimum of six (6) regular Board meetings. The Board is not beholden, however, to solely fulfill the minimum number of meetings throughout the year and can choose to meet monthly as is the current practice.

It is the responsibility of The Chairman and Company Secretary to establish and produce an agenda for each Board meeting, inclusive of items brought forward by members of the Board. Submission of specific matters and other information relevant to members' understanding of the business should be made to the members electronically and/or in writing prior to each Board meeting to allow adequate preparation for focused discussion. Where the subject matter is of a sensitive nature, the presentation will be delivered in person, at the meeting.

The Board encourages the inclusion of company managers in Board Meetings, where assistance is rendered to Board Members in the execution of their responsibilities with the provision of additional insight into items for discussion and/or for exposure, on recommendation from senior management, where future potential is seen.

The Company continues to benefit from the sterling contribution of its Mentor, a requirement of the Junior Market Rules of the Jamaica Stock Exchange. The Mentor also served as a Non-Executive Director up to 31 October, 2019. Meetings are held at the Company's Head Office at 235 Marcus Garvey Drive, Kingston 11.

Standing items for meeting agendas, prepared by the Executive, should include the Minutes, CEO's Report, Operating Report from divisions and associated companies, Committee Minutes and reports, as well as compliance updates.

Derrimon Trading Company Limited has established policies and procedures to ensure timely and full disclosure of all matters concerning the Company to the relevant authorities. The Company also ensures that investors have access to information on the Company's financial performance. These policies and procedures address areas of materiality of any matter and the impact that such matters may have on the price of the Company's stock.

During this financial period, Board Meetings were held and the attendance of each member is outlined in the table below:

BOARD MEMBERS	MEETINGS ATTENDED	AUDIT COMMITTEE	HUMAN RESOURCES & COMPENSATION
Derrick Cotterell	7	X	X
Monique Cotterell	7	X	2
Winston Thomas	7	X	2
Ian Kelly	7	5	X
Earl A. Richards	5	5	X
Alexander Williams	5	X	2
Tania Waldron-Gooden	4	3	1
Paul Buchanan	5	3	X

RISK MANAGEMENT

Derrimon Trading Company Limited understands and appreciates that rigorous risk management practices are critical in ensuring the viability and stability of the Company. Our risk management practices have also served to ensure the maintenance of our competitive advantage within the embarked place. We have established systems and policies to manage identifiable risks, which are strictly adhered to and remain an essential part of our Company's operations. The risk management approach undertaken by the Company includes:

- Establishing and maintaining practices that foster a culture within the Company whereby personnel at all levels are aware of the relevant policies and support the highest standards of performance and accountability.
- Adoption of an integrated approach to risk management whereby risk management is an integral part of all key organisational processes.
- Safeguarding of the Company's assets namely human, property, reputation and intellectual.
- Rewarding the achievement of the Company's strategic and operating plan through an effective balance of risk and reward.
- Rigorous compliance with statutory and regulatory obligations.

The Board has full responsibility for the Company's internal control systems and for monitoring its effectiveness through various established committees. The systems that are implemented by the Board are designed to recognize and manage risks, while identifying areas which require continuous attention. Based on these inherent risks, we provide reasonable assurance against material misstatements regarding the fairness of the Audited Financial Statements. The Board has established a continuous and robust process for monitoring, identifying, evaluating and managing significant risks that the Company faces. The Audit Committee continues to provide the oversight for this function.

The key areas of the internal controls include:

- The assignment of specific aspects of the Company's operation to members of the Executive Management Team. The team meets weekly and is responsible for operationalising the overall strategy and for reviewing the outputs of these strategies within the framework of the policies and procedures of the Company. The outcomes are submitted to the Board and Board Committees for deliberations.

- There continues to be an established system for the segregation of duties of members of the organisation, established authorisation limits for expenditure, contracts, IT application and interfaces as outlined in the Delegation of Authority Limits.

- Performance review at the Executive team level; at this juncture actual outcomes are reviewed with forecasts, budgets and prior reporting year data assessed.

- Periodic reviews of identifiable risks through product cycle counts and annual reviews during the annual audit and confirmation exercise.

The growth of the distribution and retail arms of the business has increased the levels of SKUs which are involved as well as increased levels of inventory. The active monitoring from purchasing to auditing has become a routine part of our daily operations, therefore the frequency of the ongoing cycle counts at all locations by the inventory audit team has increased. These investigations ensure current and timely access to information regarding the value of our inventory on a real-time basis for each retail location and balancing of the distribution warehouse to our general ledger. Any issues identified are investigated and all outstanding items form a part of the quarterly report to the Audit Committee.

ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting (AGM) of the Shareholders remains the Company's highest decision-making body. It decides the duties for which it is responsible in accordance with the Companies Act 2004 and the Company's Articles of Incorporation. The AGM decides on, among other things, the adoption of the financial statements and the consolidated financial statements contained therein and the approval of dividend payments. It is at the AGM that members of the Board are elected and Auditors remunerations are approved. Other matters such as the amendments to the Articles of Incorporation, share issues and any acquisition of the Company's own shares are also approved at the AGM.

BOARD OF DIRECTORS

DERRICK COTTERELL
Chairman & Group Chief Executive Officer

As Chairman and Chief Executive Officer, Derrick is responsible for the strategic direction and growth of the Company. Derrick has significant experience in general management, sales, marketing, and procurement. He is also the Managing Director of Caribbean Flavours and Fragrances. He is a member of the Board for Dupont Primary, serves as a director of the Governor General of Jamaica's "I Believe Initiative" which seeks to improve the lives of young Jamaicans, and is a Deacon at his Church.

Derrick is a graduate of the University of the West Indies and Florida International University, where he attained a Bachelor of Science in Management Studies and a Master of Business Administration respectively.

IAN KELLY
Group Chief Financial Officer and
Divisional Director for Sampars

Ian is adept at finance and risk management with senior level experience in treasury, asset management, correspondent banking, corporate finance and securities trading. He serves as Group Chief Financial Officer for Derrimon Trading and Divisional Director for Sampars. Ian is also the Chief Financial Officer and Company Secretary for Caribbean Flavours and Fragrances and Woodcats International Limited.

He is a Certified Public Accountant (CPA) and holds both Bachelor and Master of Science degrees in Accounting from The University of the West Indies. Ian also completed the Executive Development Program at Wharton Business School, the University of Pennsylvania. He serves on several Boards which includes TyDixon Primary School, Reggae Marathon, FosRich Group of Companies, Caribbean Flavours and Fragrances Limited, Woodcats International Limited and he is the Chairman of The Governor-General Jamaica Trust.

MONIQUE COTTERELL
Company Secretary & Group HR Director

Monique serves as Company Secretary and Human Resource Director at Derrimon Trading. She brings extensive experience in the service and retail industries; in particular, Customer Service Delivery. Monique also serves as a Director of the Rescue Package Foundation.

She holds a Bachelor of Science in Business Administration from the University College of the Caribbean (UCC).

PAUL BUCHANAN
Non-Executive Director

Paul is an experienced Investment Professional who brings years of experience in portfolio management, client acquisition, sales and marketing. He's currently the Managing Director of Manwei International Limited and Chief Investment Officer of Cadre Investments Company Limited. He also sits on the Board of WILCO Finance Limited.

Paul holds a Bachelor of Business Administration, majoring in Finance, from The University of Technology, Jamaica.

WINSTON THOMAS
Non-Executive Director

Winston has over 30 years of expertise in the distribution industry, with significant experience in Fast Moving Consumer Goods (FMCG). These include, bulk products, beverages, and international household brands. Winston was previously an Executive Director where he served the Company in the capacity of Chief Operating Officer.

He holds a Bachelor of Science Degree in Management Studies from the University of the West Indies.

ALEXANDER I.E. WILLIAMS
Non-Executive Director

Alexander is an Attorney-At-Law with specialisation in civil litigation, constitutional law claims, commercial litigation, judicial review of administrative action and industrial relations and labour law. He maintains a private practice and is a member of the Jamaican Bar Association.

He serves as the Chairman of the Jamaica Anti-Doping Commission, Chairman of the Land Divestment Advisory Committee, Chairman of the Land Information Counsel of Jamaica and Chairman of the Tax Incentive Committee of the Urban Development Corporation.

EARL ANTHONY RICHARDS, CD
Non-Executive Director

Earl is adroit in strategic planning, general management and operations. He has a prestigious history of public service and received the Order of Distinction - Commander Class (CD) for Public Service in 2002.

He is a past President of the Airport Authority of Jamaica and former Chief Executive Officer of the Norman Manley International Airport (NMIA) Limited.

Earl is a graduate of the University of Toronto with a Bachelor of Applied Science in Civil Engineering. He also received a Master of Business Administration from the University of the West Indies.

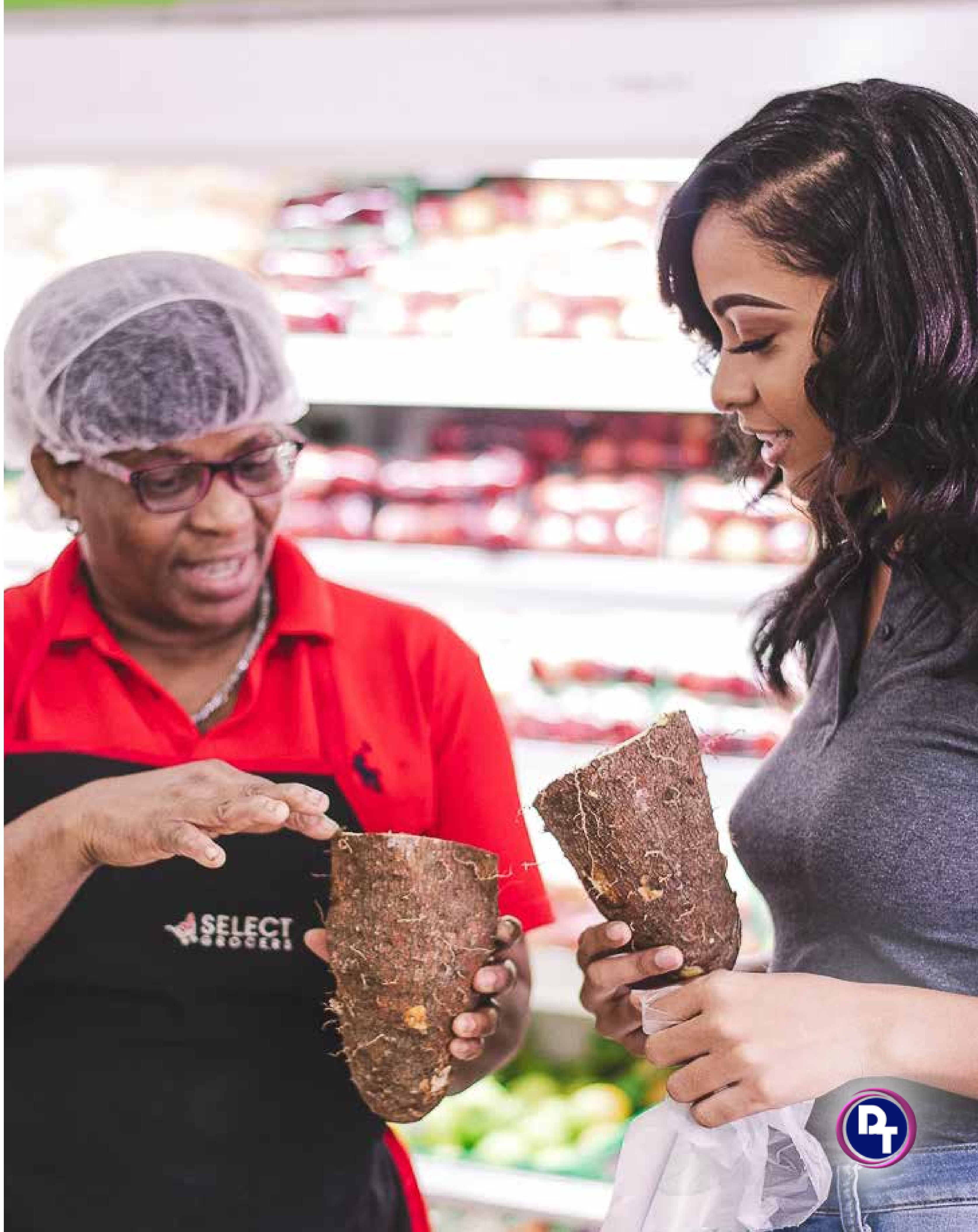
TANIA WALDRON-GOODEN
Non-Executive Director & Mentor to the Board

Tania Waldron-Gooden is the Director of Investment Banking at Mayberry Investments Limited. She is also a member of the Board of Directors for Mayberry.

As the Mentor to Derrimon Trading, her responsibility is to provide the Board with support in establishing proper procedures, systems and controls for its compliance with the Junior Market rules and requirements for financial reporting, good corporate governance, and the making of timely announcements.

She holds a Bachelor of Science in Geology from the University of the West Indies and a Master of Business Administration from the University of Sunderland in the U.K.

*resigned from the Board of Directors in October 2019



DISCLOSURE OF SHAREHOLDINGS

TOP (10) SHAREHOLDERS AS AT DECEMBER 31, 2019

Name	Number of Shares Held
Derrick Cotterell	1,113,797,633
Mayberry Jamaican Equities Limited	410,445,594
Monique Cotterell	400,000,000
Ian C. Kelly	157,373,169
Estate of E. Cotterell (Deceased)	100,000,000
Winston Thomas	72,351,180
JCSD Trustee Services - Sigma Global Venture	36,962,100
JCSD Trustee Services A/C Barita Unit Trust Capital Growth Fund	31,794,503
Sagicor Select Fund - ('Class C' Shares) Manufacturing & Distribution	31,000,000
Nigel Coke	30,802,960

SHAREHOLDINGS OF DIRECTORS AS AT DECEMBER 31, 2019

Name	Number of Shares Held
Derrick Cotterell	1,113,797,633
Monique Cotterell	400,000,000
Ian C. Kelly	157,373,169
Winston Thomas	72,351,180
Earl Anthony Richards	5,000,000
Alexander I.E. Williams	500,000
Paul Buchanan	424,820

SHAREHOLDINGS OF SENIOR OFFICERS AS AT DECEMBER 31, 2019

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

MANAGEMENT DISCUSSION & ANALYSIS

The financial year ending December 31, 2019 was the second year of our consolidation following the acquisition of Woodcats International Limited in 2018 and the rapid implementation of many aspects of the Company's updated five (5) year strategic plan. During this reporting period, the focus of our Company was geared at the leveraging of opportunities arising from the improvement of the general economic activities in the markets that we serve. We accelerated the full build out of the distribution space in an efficient and modern way, utilized best practices to generate efficiencies and reduce costs whilst increasing market share within the retail space in which we operate. This resulted in improved profitability from our general core activities. The focused execution by the entire team ensured that many of these pillars were achieved as is reflected in the improved financial results reported.

The year presented many opportunities which we eagerly embraced. It also presented several challenges which only served to strengthen our fortitude and improved the efficiencies of our internal processes. The financial strides made on many of these core activities are reflected in the positive numbers reported in our Audited Financial Statements. The financial year 2019 had many high points and successes for our Company and a summary of some of the major achievements are outlined below:

- The advances and growth achieved in the island wide distribution coverage whilst deepening the products available to the market under SM Jaleel & Company Distribution Agreement.
- Capitalised on the improvement in the general economic indicators and the market, thereby renegotiated material aspects of our syndicated amortised facility thereby reducing base interest rate by 2.25%.
- Refinanced $613.8 million of short-term bridge financing to longer term amortised facilities with tenure of 120 months at matching portfolio interest similar to other facilities on our books.
- Finalised negotiations and inked long-term agreements for the building of a new modern warehouse which will facilitate growth in the present portfolio, achieve improved efficiencies and allow for the attraction of new principals for the distribution of other strong brands.

In this financial year, the Company's major objectives of improving operating profit through the leveraging of relationships, enhancing the distribution portfolio and improving operational efficiency, continue to be our mantra. Many of these objectives were achieved in 2019 given the growth that we experienced in both gross profits and operating profits before taxes. The general improvement in our logistics and procurement strategy provided the desired outcomes which allowed for reductions in the supply chain costs. This was further facilitated by the scientific approach which we continued to take to improve the supply chain from the point of order to the delivery of goods to our warehouse. Notable reductions in cost were seen in year-over-year demurrages charges but more significantly, we have improved our customer fill rate due to the consistency in the availability of the major core products for delivery to these customers as orders were generated.

In 2019 strategic leadership, a dedicated team, careful planning & execution and improved operational efficiencies were some of the key factors to the positive financial results Derrimon Trading Company Limited (DTL) recorded for the year ended December 31, 2019.

In 2019 strategic leadership, a dedicated team, careful planning & execution and improved operational efficiencies were some of the key factors to the positive financial results Derrimon Trading Company Limited (DTL) recorded for the year ended December 31, 2019. The road construction and diversion of traffic resulted in increased trucking, delivery and some logistics costs to the group. Creativity and innovation from the team ensured that revenues were not negatively impacted especially at the Sampars Cash and Carry store at Three Miles. The Derrimon Group is proud to have navigated these obstacles and emerged from 2019 in a positive position. We continued to explore and seek out new opportunities that are complementary to our strategy, as we chart the Company's updated strategic direction. Key objectives for the Derrimon Group during 2019 were:

- Restructuring of Woodcats International Limited which includes governance, strategic planning and new markets penetration for both raw materials and finished goods.
- Deepening of relationships with key distribution partners.
- Solidifying distribution with specific focus on the beverage products.
- Improving cost efficiency and growth in margins.

Our focus on the growth and development of our subsidiary, Woodcats International Limited, was driven by the implementation of a full governance structure, negotiating new, reliable and sustainable sources of raw material, improving efficiencies in all aspects of the business, increasing the plant manufacturing capacity and improving training. These tenets together with plans for operational automation will ensure that over time, the Company will experience greater efficiency as we avail new cost effective products to both the domestic and regional markets and manage its balance sheet resulting in improved cash flow.

Growing the retail division profitably was another major focus for the business during 2019. As such, various best practices were implemented in the areas of social media marketing, reducing inventory losses, finding a new approach to managing logistics and procurement for our eight (8) retail stores and the restructuring our ' go to market strategy' for some of the stores; thereby improving the way in which the fleet were deployed to serve our various channels. The recruitment of new talents geared at driving sales and customer service positively impacted the results.

Significant growth was achieved in both revenue and profitability from the implementation of many of these strategies in the retail division. The reduction of inventory losses has been a prime focus across the stores at all levels. Various best practices were implemented with the requisite monitoring throughout the year which resulted in improvement at all levels in all our stores. The practice of monitoring, measuring and sanctioning continues to be an effective tool. The bolstering of personnel within the Inventory Audit team ensured that the established objectives were achieved in the areas of internal controls as well as adherence to the procurement process. The Company's retail stores continued to benefit from the results of data analysis of the turns of specific categories of goods and the focus on higher yielding products while shedding some low margin commodities and products that do not meet the required threshold.

The persistent and sometimes fierce competition within the commodities market continues to be influenced by unregulated traders and the increased number of formal and informal businesses which are going down the trade. This increased level of activities helped to fuel price competition and sometimes created a temporary oversupply in the market, thereby resulting in further price discounting. With all of these known factors, DTL continues to realign its business model to ensure that we remain relevant to our customers and generate profits for our shareholders. Our strategy of broadening our portfolio of local and regional brands with profitable returns continues to work for our organisation. In 2019 we strengthened our distribution strategy with a clearer focus of growth per region through the deepening of existing relationships and formation of new ones especially within the modern trade. The improvement in our margin profile and efficiency are paramount to us and as such operating as a sub-distributor for other companies was also an area in which specific focus and attention was given in 2019. This line of business provided us with the category of products that is profitable as well as assisted in improving efficiency.

Our debt management strategy is significant to the Company's growth and overall financial performance in 2019. The approach of lengthening the maturity profile of our loan portfolio using a mix of funding sources based on market trends among other market intelligence, had a positive impact on our net interest expenses and the principal amortization is now poised towards improving the gearing ratio of the business. We renegotiated loans by 225 basis points, moving short-term loans to longer-term loans, liquidated significantly higher cost US dollar denominated loans and replaced them with Jamaican Dollar denominated facilities at a more competitive rate which eliminated our risk exposure to unpredictable foreign exchange rate fluctuations.

FINANCIAL PERFORMANCE

REVENUE

The Company's financial performance for the reporting period ending December 31, 2019 was directly influenced by the execution of the strategies that have been agreed upon and approved by our Board of Directors. The outcomes reported continued to be positively influenced by the distribution business given that we would have distributed the SM Jaleel portfolio (Busta, Chubby, Kool Kidz, Fruta, Viva), Turbo) for a full year as well as other local and regional portfolios such as NV VSH Foods (Golden Brand) and CIC Industries NV (Sun Powder Detergent). The improvement in the contributions from the retail business in all areas from Sampars Cash and Carry, Outlets, Supermarkets and Select Grocers continues to experience double digits growth in both revenue and margins. We continue to offer quality products to our customers whilst ensuring that product innovation, diversity of our offerings along with providing the best customer experience in a comfortable and relaxed environment become a hallmark of our operations.

Gross operating revenue generated by the Company at the end of December 31, 2019 was $11.638 billion up by $2.878 billion or 32.86% from the $8.759 billion reported for the similar 2018 comparative period. The distribution portfolio accounted for $6.459 billion representing a year-over-year growth of $2.627 billion or 68.53% whilst the retail division accounted for $5.179 billion which was $253 million or 5.2% over that generated for the similar period in 2018.

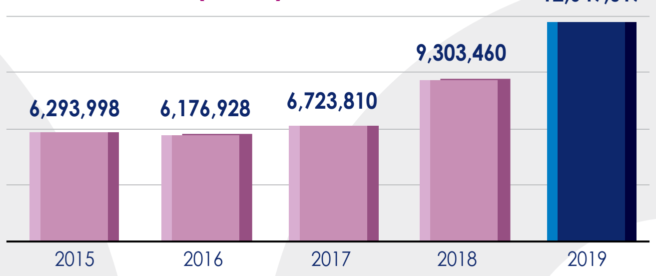
In this financial year, special emphasis was placed on sustainable growth within the distribution portfolio, enhancing profitability and expansion as we continued to make huge strides within the sector. The overall growth from the distribution business was impressive despite the purposely tempered decision to steadily contract the cold storage segment of the business due to the competitiveness of the products within the portfolio and the marginal profit generated from some of the SKUs within this category. The decision taken to reallocate capital to areas within the portfolio that provided a better yield and return, was done during the year and met the minimum hurdle rate and return on capital which was established for the portfolio of products. The distribution portfolio growth and profitability was strongly influenced by the full year-over-year performance of the beverage portfolio, improvement in other dry and cold storage categories whilst culling matured and below hurdle rate products with new additions to the portfolio.

The growth and control strategies implemented within the retail stores were deliberate and carefully executed. Establishing key performance indicators through budget performance and daily monitoring of the respective categories at each store was a critical success factor in ensuring that the desired objectives were achieved. We continued to make corrective actions and implemented programmes based on the assessment of the respective location managers and the executive team. The implementation of the identifiable micro and macro strategies, aimed at increasing the share of wallet spent in specific operating regions, were critical success strategies within the retail space. We were encouraged by strong business partnerships during the period and attributed this to superior customer service which continues to be the foundation of our growth.

Gross operating revenue generated by the Group at the end of December 31, 2019, was $12.649 billion, an improvement of $3.345 billion or 35.9% when compared to the $9.303 billion reported for the similar period in 2018. This outcome has been positively influenced by the growth by Derrimon Trading Company Limited and the entire subsidiaries namely Caribbean Flavours and Fragrances Limited and Woodcats International Limited.

The mandate from the Board of Directors of the Company is to drive profitable revenue growth, generate an adequate rate of return and accomplish positive cash flows to facilitate the smooth operations of the business. In ensuring that this was achieved, management assessed the profitability of the portfolio frequently and acted in the areas of purchasing, inventory controls, logistics, margin mining and when necessary product rationalization to achieve the desired results.

REVENUES (J$ '000)



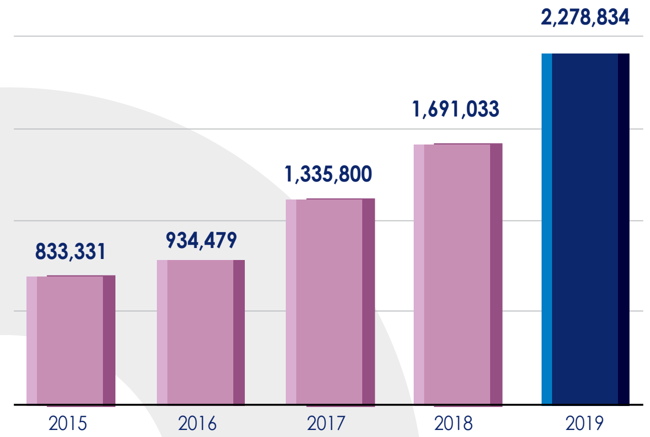
Gross Profit

The Company reported gross profit of J$2.029 billion, a growth of $514.433 million or 33.97% when compared to the J$1.515 million reported for the comparable period in 2018. This year-over-year improvement was directly influenced by a combination of factors and includes:

- The direct and structural adjustment made to our purchasing and logistics structure thereby improving efficiencies in the process and as such generate many cost savings and improvement in our cost of sales.
- Improvement in margins in both the retail and distribution divisions, despite the depreciation of the Jamaican Dollar to the US Dollar which negatively impacts the pricing of our goods.
- Improvement in group purchasing and the leveraging of major deals through the corporate buying for both retail and distribution business.
- Continuous review and reduction in shelf space for underperforming products within our retail stores.
- Elimination of specific SKU's during periods of market instability and over supply.

The consolidated group reported gross profit of $2.279 billion representing $587.801 billion or 34.76% growth over the $1.691 billion reported for the similar period in 2018. The improvements represent a combination of all the strategies and policies implemented by the Group collectively to improve the gross profit. Various strategies will continue to be implemented to ensure sustainability and growth.

GROSS PROFIT (J$ '000)



Other Income

Other income for the Company totalled $26.864 million for this reporting period compared to the $44.406 million earned in 2018. This represents a $17.54 million or 39.50% reduction over the previous period which was mainly due to the decrease in rental income of available warehouse space. This space was redirected to house the new beverage business. Major sources for other income for the financial year were:

- Dividend received from the subsidiary company.
- Rental of real estate spaces within the supermarkets and outlets.
- The prudent management of available cash and interest rate spread.

EXPENSES

Total operating expenses for the Company was $1.503 billion for the year, a 26.10% increase over $1.192 billion reported in 2018. The growth in this expense category have been primarily influenced by the following:

- Full year costing for the operations of the new beverage warehouse.
- Costs associated with the adoption of new IFRS 16 and the recognition of the rights of use leased assets.
- General increases in salary and other staff costs.

- Cost associated with the refinancing of short-term loans to long-term amortised loans.
- Full year commissions paid to the sales team.
- Increase levels of bad debt written off due to the adoption of IFRS 9 and the need to make specific write off based on the new standard.
- Increased trucking and delivery charges primarily driven by the beverage business and Sampars Cash and Carry.

For this reporting period, administrative expenses were $1.098 billion million which represented a 13.94% increase over the $964.031 million reported in 2018. The major influencer of these costs were staff and other staff related costs driven by a general increase in salary, utilities and professional fees for the new loans and the accounting for leases. Staff and its related costs grew by 47.50% up from $419.814 million to close the period at $619.237 million. Salaries and Wages accounted for $460.412 million, up from $383.155 million recorded in 2018, reflecting an increase of $77.257 million or 20.16%.

The accounting for lease is now being reflected in the expenses category as rights of use. This is driven by the adoption of IFRS 16 which outlines clearly the approach to be taken for the recording of operational leases. The cost to the Company was $90.92 million rather than being reflected as rental payment on the financials.

During this financial year, various cost and efficiency initiatives were undertaken by the Company yielding many successes and positively impacted the financial performance of Derrimon Trading Company Limited. These results were realised as a result of careful negotiations by the respective responsible officers as well as changes in many of the Company's Standard Operating Policies and Procedures.

We have seen significant reductions in cost such as insurance, motor vehicle expenses and professional fees and have experienced marginal increases in the other major categories such as security, utilities and travelling. These were primarily influenced by the full year's performance of the beverage division.

Selling and distribution costs for the Company increased significantly in 2019 over that which was reported in 2018. The cost incurred for this reporting period was $404.861 million which was $176.755 million or 77.49% over the prior year period of $228.106 million. The island-wide delivery costs for beverages to customers for the full year was the major reason for this spike in this line item. It should be noted that in 2018, only costs for four (4) months were reflected for the beverage division. While there were some teething pains and learning curve challenges during the initial stages of the contract, we improved our fleet management in order to eliminate certain costs which were incurred during the start-up phase.

The growth of the Company was strategic and deliberate. Our approach to growth involved various market analysis and cash investment, inclusive of areas such as advertising and promotions. This ensures that the brands that we represent are accepted in the market resulting in sales growth. With the introduction of the ambient beverage portfolio in September 2018, the need for increased levels of promotions on a sustained basis was required and executed. In addition, there continues to be increased promotions in the trade for our margarine and detergent portfolios. A sustained marketing campaign targeting the Diaspora was implemented in 2018 for our retail e-commerce platform and the improvement in sales from this activity was achieved in 2019. Given the various investments in 2018, there was no need for that level of intensity in 2019 and as such advertising, marketing and promotion for the year reflected a 40.48% year-over-year reduction due to the specific communication needs of the brands we represent.

Trucking and delivery costs are a direct function of sales and as such the growth in these costs were directly correlated to sales and the delivery of beverages island-wide. Both selling and distribution expense margins remain relatively moderate for the Company and Group when compared to revenue.

Total Group Consolidated expenses at the end of this financial year was $1.687 billion as administrative costs amounted to $1.279 billion compared to $1.069 billion in 2018. It should be noted that with the acquisition of Woodcats International in September 2018, this would have influenced the growth to the Group's costs being reported as well as that of Caribbean Flavours and Fragrances Limited. Selling and distribution costs for the year amounted to $408.265 million up $174.547 million or 74.68% from $233.718 million reported for the similar period in 2018.

For the financial year ending December 2019, selling and distribution expense margin was 2.60% and 2.51% for both the Company and the Group respectively, compared to 2.06% and 2.02% reported for the financial year ending December 31, 2018. Again, the distribution cost for 2019 represents twelve (12) months for the beverage business in 2019 but only four (4) months for 2018.

FINANCE COSTS

The Board of Directors of Derrimon Trading Company Limited has taken a very careful and deliberate approach to the Company's growth strategy. At the end of this financial year, the debt to equity ratio was 2.60:1 after the full restructuring of the short-term facility that was utilized to acquire assets in 2018. We remain confident that the decisions taken to leverage the organisation to grow, continues to be the best decision at this time given all the mitigating factors and contingencies being implemented. During this financial year, we continued to implement our focused debt strategies and the following were some of the outcomes:

- Refinancing of the major short-term facilities to amortised facilities at Sagicor Bank Limited and JMMB Bank Limited.
- Liquidation of US Dollar loans and replaced with new Jamaican Dollar at competitive market interest rate. Refinancing of existing amortised long-term facilities to achieve a 2.25% reduction in the effective annual interest rate.
- Utilization of competitive short-term facilities geared at maximizing on market deals for the business.

The reported finance cost for the Company for the financial year closed at $297.576 million up $127.200 million or 74.66% above the $170.376 million reported in 2018. The major factor for the increase is the accounting for leases which reflects the amount of $78.56 million. This amount was previously accounted for as rent and reflected in administrative expenses as rent in 2018. The growth in the distribution portfolio required the need for increased levels of working capital which is often used to finance the trade for short periods. It should be noted that the savings from the outcomes outlined as well as our ability to attract new financing at competitive interest rates were the major netting factors for the adjusted marginal growth to this expense line.

The Group's consolidated finance cost reported was $298.604 million or 73.38% above the $172.223 million reported for the previous financial year. This, however, has taken account of all the accounting for leased properties across the Group.

Profit for the Year

The Company's profit reported from operations before tax for the year of $254.94 million which was $58.516 million or 29.79% above the $196.424 million reported for the similar period in 2018. This is the direct result of the team navigating various challenges whilst ensuring that costs are managed based on budgets and profitability is achieved on the full distribution and retail portfolios. The improvement in core profit was driven by the full implementation of the many strategic and operational action items in all areas of the business and adoption of other efficient ways of doing business.

The Group consolidated profit before tax was $345.726 million, a growth of $63.881 million or 22.67% above the $281.845 million reported for the similar period in 2018. The net profit margin achieved for the year was 2.24% for the Company and 2.98% for the Group.

Financial Position

As at December 31, 2019, the Company and Group's financial position continued to show growth and record improvement year over year. The adoption of new accounting standards and policy as well as asset growth are the primary influencing factors. Total assets less current liabilities of the Company grew to $3.803 billion, an increase of $1.962 billion or 107% when compared to the $1.841 billion recorded in the similar period ending December 2018. Non-current assets increased by $950.828 million or 70% year-over-year, due primarily to the rights of use of assets.

The Group's total assets less current liabilities were $4.069 billion translating to a growth of $1.985 billion or 95.25% over the 2.084 billion reported in 2018. This combines the assets of Derrimon Trading Company Limited, its interests in Caribbean Flavours and Fragrances Limited and Woodcats International Company Limited.

Current assets for the Company were at $3.120 billion representing a year-over-year growth of $756.501 million over the reclassified $2.364 billion reported in 2018. The growth in inventory was deliberate and continues to be heavily influenced by the carrying of additional inventory to take account of projected demand at the start of the new calendar year, our strategy of reducing possible stock outs of key SKUs and ensuring that our retail units have key items which are required during the active December season.

Current assets recorded for the Group was $3.821 billion, an increase of $808.873 million or 26.85% above the $3.012 billion reported for the similar period in 2018.

Current liabilities reported for the Company was $1.624 billion which represents a reduction of $270.285 million or 14.27% from the $1.894 billion reported for the prior period. The management of payables and the timing based on the terms accorded by our suppliers are the major reason for the reductions being reported. The reduction in comparative period short-term loans was influenced by the Company's levels of net working capital and the need to access available lines for support.

The trend for the Group was similar having recorded $1.713 billion which was $250.438 million less or 12.75% for the similar reporting period in 2018.

Non-current liabilities for the Company was $2.620 billion and grew by $1.762 billion or 205% year-over-year. This was primarily the result of the recording of the lease liability as required by the standard and reclassification of bridge facilities to long-term loans. The Group reported non-current liabilities of $2.735 billion, a growth of $1.870 billion or 215% and is again influenced by the factors outlined for the Company. Despite the increase being reported, all Companies within the Group remained current with all obligations to our various creditors.

The many actions and decisions taken by the Board to implement new strategies in 2019 to broaden and diversify the revenue base of the Company in an effort to accelerate growth and improve profitability did not go unnoticed by the investing public during this reporting period. Derrimon Trading Company Limited stock price recorded numerous positives and peaked at $3.00 subsequent to the 10:1 split of $2.20 in September 2018. The stock closed the year at $2.56.

MANAGEMENT OUTLOOK

The growth of Derrimon Trading Company Limited and the Group has been significant. Our platform for the building of a world class Group of Companies has been moving in the right direction and the continued improvement based on the guidance of our Board of Directors is evident in the results that we report this financial year. During the next financial year, our focus will be to further expand and deepen our island-wide footprints in the business of distribution and retail store management.

The Company has now moved into its new state of the art 105,000 square foot of warehouse space and already started to realise efficiencies. We will remain bold as we seek to foster new relationships with principals of great brands as well as expand and deepen present opportunities through relationships that currently exist. We will continue to aggressively look for opportunities that fit with our structure in order to expand our retail outlets especially within the supermarket space. Our strategy for growth is heavily influenced by the economic environment and the stable economic policies that presently exist.

The growth of the Company's financial metrics is as a result of a continuation of our strategic approach in 2019, to maximize revenues while growing market share and profitability. The overall performance is evidence that the team has maintained its focus on the implementation of strategies that continued to add to shareholders' value, even in the highly competitive environment.

We remain cognizant of the impact that the Covid-19 pandemic will have on the world and our local economy. Our approach of taking all the precautionary steps that is outlined by the authorities as well as the full implementation of our own disaster planning remains at the center of our daily operations. Covid-19 seems to be a long-term issue but despite the associated challenges, Derrimon and its subsidiary companies remain focused on growth and delivering the best possible outcome to stakeholders. As such, our future deliverables include:

- Seeking out new opportunities that will improve our position in the retail space
- Implementation of first world technology, using automation to reduce overheads and drive profits.
- Deepening our relations with existing principals.
- Continued implementation of systems and technology that will improve efficiency, reduce losses, improve our warehouse, improve customer engagement and focus on customer centricity.
- Improve our in- house talent through training, internship and mentorship for succession planning.

Derrimon has made a strong start to 2020 and is anticipating winning more pitches to new principals, automation of Woodcats operations with machine made pallets that will allow for greater efficiency, new entry to new markets and deepening of relationships with new and existing principals. We will continue to strengthen our strategic position in the industry as our focus is primarily on achieving growth of 50 percent over the next three (3) years through the various approaches that we have identified.

We believe in our plans. They are ambitious but realistic. The daily challenges may be many, but the opportunities are even greater. Team Derrimon remains fully engaged and we are confident that we will unlock our full potential and continue to deliver on our promise to our shareholders.

EXECUTIVE MANAGEMENT TEAM

DERRICK COTTERELL
Group Chief Executive Officer

MONIQUE COTTERELL
Group Human Resources Director

IAN KELLY
Group Chief Financial Officer & Divisional Director-Sampars

SENIOR MANAGERS

SHELDON SIMPSON
Divisional Manager
Derrimon Trading Co. Ltd.

CRAIG ROBINSON
Commercial Manager
Sampars Division

DERRIMON MANAGEMENT TEAM

STEWART JACOBS
Sales Manager - Merchandise

CAROL WILSON
Credit Manager

VERONA HOWELL
Group Management Accountant

OTEMA THOMPSON
Group Financial Accountant

DONNA SMITH
Inventory & Storage Manager

ROCKY ALLEN
Security & Facilities Manager

JERMAINE THOMAS
Information & Technology Manager

SHEREE GORDON
Office Manager/Executive Assistant

SIAN SCOTT-ARCHIBALD
Manager - Chilled Beverage Division

CELIA MALCOM-SLOLEY
Manager - Chilled Beverage Division

RICARDO SKYERS
Sales Manager Beverage

DESRENE REID
Customer Service Manager

WARREN CORNWALL
Business Analyst

SAMPARS MANAGEMENT TEAM

SHAUN BATTICK
Inventory Audit Manager

KEVIN PEART
Purchasing Coordinator

GENE DAWKINS
Depot Manager - Sampars

GENEVIEVE CHRISTIE
Depot Manager - Sampars

JUDITH JOHNSON
Manager - Sampars
Cross Roads

MARVETTE DIXON
Manager - Sampars
Marcus Garvey Drive

ORVILLE WILSON
Manager - Sampars
Washington Boulevard

CARLOS DUHANEY
Manager - Sampars
West Street

ROMAINE DAWSON
Manager - Sampars
Old Harbour

LEROY DAWKINS
Manager - Sampars
St. Ann's Bay

GAVIN SMITH
Manager - Select Grocers

CORPORATE SOCIAL RESPONSIBILITY

Derrimon continues to play its part in community development and participating in charitable activities that benefit the wider society. This is important to us as we believe the corporations and society should have a symbiotic relationship.

We continued our support for education by providing financial assistance to students in our surrounding communities. All levels of education are covered: tertiary, secondary, and primary. This is done primarily through our Self Reliance Youth Development program. This program also carries out an annual back-to-school fundraiser in the form a barbeque which is organised by the parents of the children in the program and team members of Sampars. This is hosted on the grounds of Sampars, Marcus Garvey Drive. The Self Reliance Youth Development program also hosts monthly group discussions with the parents of the students to explore and find solutions for common parental issues.

The Company also works with local church ministries such as the Majesty Gardens Transformation Ministry which seek to positively impact the lives of people in the community; primarily young and vulnerable men. Other activities include the donation of products to schools, churches, and other non-profit organisations; providing care baskets for the elderly and shut-ins in nearby communities, and participation in corporate fundraising walk/run events.

We remain committed to being active participants in our society and look forward to not only continue these programs but also to improve upon them.

DERRIMON
TRADING CO. LTD.

FINANCIAL STATEMENTS
31 December 2019

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Statutory Financial Statements

McKENLEY & ASSOCIATES
CHARTERED ACCOUNTANTS

2 Seymour Avenue, Unit 11
Seymour Park, Kingston 6
Phone: (876) 978-3129 / (876) 978-9789
Fax: (876) 927-6409
Website: www.wmckenley.com

Independent Auditor's Report

To the Members of
Derrimon Trading Company Limited

Report on the Audit of the Financial Statements

Our Opinion

In our opinion, the consolidated financial statements and the stand-alone financial statements give a true and fair view of the consolidated financial position of Derrimon Trading Company Limited (the Company) and its subsidiaries (together the Group) and the stand-alone financial position of the Company as at 31 December 2019, and of its consolidated and stand-alone financial performance and its consolidated and stand-alone cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Jamaican Companies Act (the Act).

What we have audited

Derrimon Trading Company Limited's consolidated and stand-alone financial statements comprise:

- The Group and Company statements of comprehensive income for the year ended 31 December 2019.
- The Group and Company statements of financial position as at 31 December 2019.
- The Group and Company statements of changes in equity for the year ended 31 December 2019.
- The Group and Company statements of cash flows for the year ended 31 December 2019.
- The notes to the financial statements, which include a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under these standards are further described in the *Auditor's Responsibilities for the audit of the consolidated and stand-alone financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Independent Auditor's Report

To the Members of
Derrimon Trading Company Limited

Our Audit Approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatements in the consolidated and stand-alone financial statements. In particular, we considered where management made subjective judgments, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Our 2019 audit was planned and executed having regard to the fact that the operations of the Group remain largely unchanged from the prior year, except the 100% acquisition of a subsidiary on 6 September 2018.

Our Group audit approach

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The entities of the Group are all located in Jamaica. These entities maintain their own accounting records and report to the Group through the completion of consolidation packages. One company is audited by other independent accountants and it has adjusted its year end to report as at 31 December 2019, the effective year end of the Group. Based on the financial significance of the individual entities and our professional judgment, all the companies were selected for full scope audit procedures to achieve appropriate coverage on the consolidated financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and stand- alone financial statements for the year ended 31 December 2019. Key audit matters are selected from the matters communicated with the Audit Committee members (those charged with Governance) but are not intended to represent all matters that were discussed with them. These matters are addressed in the context of our audit of the financial statements as a whole, and forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that the key audit matters to be communicated in our report relate, to the Group financial statements, as noted below:

Borrowings

Refer to notes 2 (s) and 29 to the financial statements for management's disclosures of related accounting policies, judgments and estimates relating to borrowings.

As at 31 December 2019, long and short-term borrowings inclusive of preference shares and overdraft facilities, and excluding long term lease liabilities represented $.2.39 Billion (2018 - $1.67 Billion) or 41% (2018 – 41%) of the total assets of the Group. The Group continues to be highly leveraged.

The Parent Company remains highly leveraged as management continues to strategically use debt financing as the principal pillar to implement structured growth within the Group.

During the year, management implemented strategies to improve its gross margins, thereby improving its cash flows and its ability to meet its financial obligations as they fall due. Management has also restructured a significant portion of its short term to long term debt. The Parent Company continues to examine its financing options within the context of its debt management strategy and review its choices based on the present improving market conditions as well as the risk profile of the Parent Company.

We reviewed the loan agreements and repayment schedules. We noted that all the loans were being serviced on a timely basis as per the contractual agreements, principally by predetermined monthly deductions from the Company's bank accounts. We confirmed the balances, reviewed the maturity schedule for repayment, tested the interest calculations and determined that the total borrowings represented obligations by the Company and Group. We did not identify any negative correspondence from any financial institutions that indicated that the Company and the Group were in breach of its stipulated covenants or loan repayment terms. We tested the effectiveness of controls over the timely repayment of loans and other credit facilities and noted that they are compliant with the various agreements.

We had robust discussions with senior management regarding the growth and expansion strategy using debt as the principal means of growth and expansion and the ultimate strategy to reduce debt capital over the long term. A downside to this strategy is the inherent liquidity risk that the cash generating units acquired, may not perform as expected, resulting in the Company and Group being unable to meet its obligations as they fall due. Management has satisfied the concerns by providing us with evidence which supports the continued restructuring of a significant portion of its bullet payment short term debt to long-term syndicated facilities.

Management is mindful of this inherent liquidity risk. However, management is confident that their strategic growth and expansion plan will continue to perform based on historical performance and anticipated future positive trends, due to the encouraging economic factors being experienced in the marketplace. Management is of the opinion that adequate safeguards are in place as they have implemented the necessary policies and procedures including scenario analysis, alternative payment strategies in the event of cash flow challenges and direct monitoring of the individual borrowings.

We evaluated the performance of the borrowing portfolio subsequent to the end of the reporting period to determine whether there was a need for any adjustment or whether there were any default or breach of any terms of financial covenants. There were no adverse findings. We also reviewed legal and bank confirmations and correspondences, and we did not identify any negative matters or need for adjustment at the time of approval and signing of the audit report by the Board of Directors.

Allowance for expected credit loss

Refer to the financial statements for management's disclosures of related to *notes 2 (o) and note 18* accounting policies, judgments and estimates relating to allowance for expected credit loss (ECL).

As described in Note2 (l) the Company applies a simplified approach in calculating Expected Credit Losses (ECL) as it relates to its trade receivable balances. As a result of this approach, the Company does not track changes in the credit risks associated with its individual receivable balances but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. Based on IFRS 9, "Financial Instruments", the Company has established a provision matrix for the Company and Group that is based on its historical credit loss experience, past and current economic circumstances which adjusted for forward looking factors specific to the debtors.

The process of developing an ECL model requires management to use estimates and judgments which are by their nature inherently subjective.

In undertaking our audit work relating to the ECL model, we performed the following:

- We obtained a deeper understanding of the Company's and Group implementation process for determining the impact of the adoption of the ECL model
- We evaluated the techniques and methodologies used by the Company and Group to estimate the ECLs of the overall receivable balances. We assessed their assumptions to ensure alignment and compliance with the requirements of IFRS 9.
- We assessed the reasonableness of the methods and associated assumptions used by validating the completeness of the inputs used to derive the computed loss rates relating to the ECL for trade receivables.
- We evaluated the ECL computed impairment provision against the total balances over 90 days, along with known potential bad debt situations by certain customers to determine whether the ECL calculated figure was reasonable.

  We are satisfied that the ECL impairment provision of $32 million that represents 3.3% of the trade receivable balance of the Company is fairly stated as at 31 December 2019.

Other Information

Management is responsible for the other information. The other information comprises the Annual Report inclusive of the Directors', Chairman of the Board and the Chief Executive Officer Reports but does not include the consolidated financial statements and our Auditor's Report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover Other Information, and we do not express any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information referred to above when it becomes available and, in doing so, we will consider whether the other information is materially consistent with the consolidated financial statements or whether knowledge obtained by us from the audit or otherwise, appear to indicate any material misstatements.

When we read the Annual Report, if we conclude that there are any material misstatements therein, we are required to communicate the matter to those charged with governance.

Independent Auditor's Report

To the Members of
Derrimon Trading Company Limited

Key Audit Matters (continued)

Responsibilities of management and those charged with governance for the consolidated and stand-alone financial statements

Management is responsible for the preparation of the consolidated and stand-alone financial statements that give a true and fair view in accordance with IFRS and with the requirements of the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of consolidated and stand-alone financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the consolidated and stand-alone financial statements, management is responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management
either intends to liquidate the Group, Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's and Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and stand-alone financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated and stand-alone financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of reliability but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these consolidated and stand-alone financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and stand-alone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the Group' and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the consolidated and stand-alone financial statements, including the disclosures, and whether the consolidated and stand-alone financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and stand-alone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion

We communicate with the Board of Directors of the Group regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditor's Report

To the Members of
Derrimon Trading Company Limited

Auditor's responsibilities for the audit of the consolidated and stand-alone financial statements (continued)

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated and stand-alone financial statements of the current period. and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosures about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying consolidated and stand-alone financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

The engagement partner on the audit resulting in this independent auditor's report is Wilfred McKenley.

McKenley & Associates

Chartered Accountants

27 February 2020
Kingston, Jamaica

Derrimon Trading Company Limited

GROUP STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2019

	Note	2019 $'000	2018 $'000
Revenue			
Trading income	2(h)	12,649,017	9,303,460
Less cost of sales		10,370,183	7,612,427
Gross profit		2,278,834	1,691,033
Other income	5	37,767	66,248
		2,316,601	1,757,281
Less operating expenses:			
Administrative	6	(1,279,414)	(1,069,495)
Selling & distribution	6	(408,265)	(233,718)
		(1,687,679)	(1,303,213)
Operating profit before finance costs		628,922	454,068
Finance income		15,408	-
Finance costs	6	(298,604)	(172,223)
Profit before taxation		345,726	281,845
Taxation	11	(43,018)	(4,632)
Net profit being total comprehensive income		302,708	277,213
Net Profit Attributable to:			
Shareholders of the company		290,744	249,120
Non-controlling interests		11,964	28,093
		302,708	277,213
		$	$
Earnings per share	14	0.106	0.091

Derrimon Trading Company Limited

GROUP STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2019

	Note	2019 $'000	2018 $'000
Non-current assets:			
Property, plant and equipment	15	483,476	457,651
Right of use assets	15	1,039,077	-
Goodwill	16	182,120	163,940
Investments		-	180,411
Intangible assets	16	256,523	233,478
Current assets:			
Inventories	17	1,992,174	1,280,787
Receivables	18	1,033,069	1,166,946
Investments	20	280,599	170,132
Taxation recoverable		6,019	5,999
Cash and cash equivalents	21	509,627	388,751
		3,821,488	3,012,615
Current liabilities:			
Payables	22	976,846	1,149,544
Short term loans	23	536,316	736,416
Current portion of borrowings	25	122,448	69,636
Current portion of lease liability	25	70,601	-
Taxation payable		7,472	8,525
		1,713,683	1,964,121
Net current assets		2,107,805	1,048,494
		4,069,001	2,083,974
Shareholder's equity			
Share capital	27	140,044	140,044
Capital reserves	12	94,638	94,638
Investment revaluation reserve	13	614	614
Retained earnings		934,834	820,343
		1,170,130	1,055,639
Non-controlling interests	24	163,382	162,597
		1,333,512	1,218,236
Non-current liabilities:			
Borrowings	25	1,731,003	862,658
Lease liability	25	1,000,272	-
Deferred tax liability		4,214	3,080
Total equity and non-current liabilities		4,069,001	2,083,974

Approved for issue by the Board of Directors on 27 February 2020 and signed on its behalf by:

Derrick Cotterell
Director

Earl Richards
Director

GROUP STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2019

	Attributable to the Company's Shareholders				Non-controlling Interests	Total Equity
	Share Capital	Capital Reserves	Retained Earnings	Investment Revaluation Reserve		
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2018	140,044	133,053	590,357	614	171,107	1,035,175
Net profit for 2018, being total comprehensive income	-	-	249,120	-	28,093	277,213
Dividend payment	-	-	(19,132)	-	-	(19,132)
Movement during the year	-	(38,415)	-	-	(36,603)	(75,018)
Balance: 31 December 2018	140,044	94,638	820,343	614	162,597	1,218,236
Net profit for 2019, being total comprehensive income	-	-	290,744	-	11,964	302,708
Dividend payment	-	-	(27,334)	-	-	(27,334)
Dividends paid by subsidiary to non-controlling interest			(8,538)	-	-	(8,538)
Movement during the year	-	-	(140,381)	-	(11,179)	(151,560)
Balance: 31 December 2019	140,044	94,638	934,834	614	163,382	1,333,512

GROUP STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2019

	Note	2019 $'000	* 2018 $'000
Cash flows from operating activities:			
Net profit before taxation		345,726	281,845
Taxation paid		(43,018)	(4,632)
Changes in non-cash working capital components:			
Depreciation	15	67,088	83,655
Depreciation- right of use	15	96,618	-
Gain on disposal of fixed assets		(176)	(669)
Foreign exchange loss		1,134	–
Non cash adjustments		(11,034)	(60,615)
Inventories		(711,387)	(446,601)
Short-term loans		(200,100)	-
Receivables		133,877	(158,353)
Investments		(110,468)	-
Taxation recoverable		(20)	-
Payables		(172,698)	330,348
Related party balance		1,316	-
Taxation payable		(1,054)	1,680
Net cash (used in)/ provided by operating activities		(604,196)	26,658
Cash flows from Investment activities:			
Proceeds from sale of fixed assets		428	1,650
Right of use	15	(1,135,694)	-
Purchase of fixed assets	15	(84,943)	(159,676)
Intangible asset		(41,223)	-
Investments		29,935	(355,000)
Net cash used in investment activities		(1,231,497)	(513,026)
Financing activities:			
Loans received during the year		1,017,970	817,456
Lease liability		1,074,016	-
Repayment of loans		(99,956)	(191,806)
Dividends paid		(27,334)	(19,132)
Dividends paid by subsidiary to non-controlling interest		(8,538)	-
Exchange loss on foreign cash balances		(723)	-
Deferred tax liability		1,134	3,080
Net cash used in financing activities		1,956,569	609,598
Net increase in cash and cash equivalents		120,876	123,230
Net cash balances at the beginning of the year		388,751	265,521
Net cash and cash equivalents at the end of year		509,627	388,751
Represented by:			
Cash on hand		307,729	51,303
Cash and cash equivalents	21	201,898	337,448
		509,627	388,751

*Reclassified for comparative purposes.

Derrimon Trading Company Limited

COMPANY STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2019

	Note	2019 $'000	2018 $'000
Revenue			
Trading income	2(h)	11,637,878	8,759,236
Less cost of sales		9,608,914	7,244,705
Gross profit		2,028,964	1,514,531
Other income	5	26,864	44,406
		2,055,828	1,558,937
Less operating expenses:			
Administrative	6	(1,098,451)	(964,031)
Selling & distribution	6	(404,861)	(228,106)
		(1,503,312)	(1,192,137)
Operating profit before finance costs		552,516	366,800
Finance costs	6	(297,576)	(170,376)
Profit before taxation		254,940	196,424
Taxation	11	(27,538)	-
Net profit		227,402	196,424
Other comprehensive income, net of taxes		-	-
Total comprehensive income		227,402	196,424
		$	$
Earnings per share	14	0.083	0.072

Derrimon Trading Company Limited

COMPANY STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2019

	Note	2019 $'000	2018 $'000
ASSETS			
Non-current assets:			
Property, plant and equipment	15	385,375	380,199
Right of use assets	15	945,179	-
Goodwill	16	33,220	33,220
Deferred tax asset		5	-
Investment in subsidiaries and joint venture	10	942,541	*942,073
Current assets:			
Inventories	17	1,750,852	1,111,289
Investment	20	31,330	*15,736
Receivables	18	845,234	953,980
Taxation recoverable		1,347	-
Cash and cash equivalents	21	491,546	298,539
		3,120,309	2,363,808
Current liabilities:			
Payables	22	902,850	1,090,545
Short term loans	23	535,000	736,416
Current portion of borrowings	25	119,629	67,105
Current portion of lease liability	25	66,302	-
		1,623,781	1,894,066
Net current assets		1,496,528	469,742
Total assets less current liabilities		3,802,848	1,840,970
EQUITY			
Share capital	27	140,044	140,044
Capital reserves	12	94,638	94,638
Investment revaluation reserve	13	614	614
Retained earnings		947,982	747,914
		1,183,278	983,210
Non-current liability:			
Borrowings	25	1,711,454	857,760
Lease liability	25	908,116	-
Total equity and non-current liabilities		3,802,848	1,840,970

* Reclassified for comparative purposes

Approved for issue by the Board of Directors on 27 February 2020 signed on its behalf by:

Derrick F. Cotterell
Director

Earl A. Richards
Director

Derrimon Trading Company Limited

COMPANY STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2019

	Share Capital	Retained Earnings	Investment Revaluation Reserve	Capital Reserves	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 31 December 2016	140,044	366,307	614	57,503	564,468
Net profit for 2017	-	204,315	-	-	204,315
Realised gains on disposal of shares	-	-	-	39,103	39,103
Increase in capital reserve	-	-	-	36,446	36,446
Balance at 31 December 2017	140,044	570,622	614	133,052	844,332
Net profit for 2018	-	196,424	-	-	196,424
Dividends	-	(19,132)	-	-	(19,132)
Decrease in capital reserve	-	-	-	(38,414)	(38,414)
Net profit for 2019	-	227,402	-	-	227,402
Dividends	-	(27,334)	-	-	(27,334)
Balance at 31 December 2019	140,044	947,982	614	94,638	1,183,278

Derrimon Trading Company Limited

COMPANY STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2019

	Note	2019 $'000	* 2018 $'000
Cash flows from operating activities:			
Profit before taxation		254,940	196,424
Items not affecting cash resources:			
Finance costs paid	6	297,576	170,376
Taxation paid		(27,538)	-
Depreciation	15	51,967	49,498
Depreciation – right of use	15	90,918	-
Non-cash adjustments		(8,051)	(74,313)
Deferred tax		-	-
Gain on sale of fixed assets		-	(669)
Operating income before changes in operating assets and liabilities		659,812	341,316
Changes in non-cash working capital components:			
Inventories		(639,563)	(400,694)
Taxation recoverable		(1,348)	-
Receivables		108,746	(281,190)
Current portion – long term loans		-	-
Short term -loans		(201,416)	-
Payables		(187,697)	457,690
Taxation payable		-	-
		(921,278)	(224,194)
Cash (used in)/generated by operations		(261,466)	117,122
Finance costs		(297,576)	(170,376)
		(559,042)	(53,254)
Net cash used in operating activities			
Investment activities:			
Investments		(16,061)	(394,727)
Proceeds from sale of property, plant and equipment			1,650
Finance lease – right of use	15	(1,036,097)	-
Purchase of property, plant and equipment	15	(49,091)	(59,120)
Net cash used in investment activities		(1,101,249)	(452,197)
Financing activities:			
Loans received during the year		998,169	817,456
Repayment of loans		(91,950)	(189,422)
Finance lease		974,418	-
Deferred tax asset		(5)	-
Dividends paid		(27,334)	(19,133)
Net cash provided by financing activities		1,853,298	608,901
Net increase in cash and cash equivalents		193,007	103,450
Net cash balances at the beginning of the year		298,539	195,089
Net cash and cash equivalents at the end of year		491,546	298,539

Represented by:

Cash on hand	21	304,916	298,539
Cash and cash equivalents	26	186,630	-
		491,546	298,539

*certain 2018 figures reclassified for comparative purposes.

1. IDENTIFICATION AND PRINCIPAL ACTIVITIES

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

The principal activities of the Company include the wholesale and bulk distribution of household and food items inclusive of meat products, chilled and ambient beverages and the retailing of those and other food items and meat products through the operation of a chain of outlets and supermarkets. The Company's subsidiaries are involved in manufacturing of flavours and fragrances along with wooden pallets.

Derrimon Trading Company Limited together with its subsidiaries is referred to as the "Group".

Effective December 17, 2013, the Company's shares were listed on the Junior Market of the Jamaica Stock Exchange (JSE).

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.

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.

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:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of presentation (continued)

- 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Judgments and estimates (continued)

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

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

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

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

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

Leases
Estimation – The initial measurement of the *Lease Liability* is based on an estimate of the present value of the lease payments outstanding, discounted using the Company's incremental borrowing rate.

Also, the cost of the right-of-use asset comprises an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Judgments and estimates (continued)

Joint arrangement

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

Investment property

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

Related parties and related party transactions

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Judgments and estimates (continued)

Contingencies

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

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

Inventories

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

Impairment of assets

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Judgments and estimates (continued)

Impairment of assets (continued)

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

Others

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

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

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

Leases (IFRS 16)

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards, amendments and interpretations to published standards effective in the current year (continued)

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 December 31, 2019.

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* of $1.14B (Company $1.04B) in the statement of financial position. And, *depreciation expense on right-of-use* assets of $96.6M (Company $90.9M) in the statement of profit or loss and other comprehensive income.

Expense, classified as *Rent*, totalling $144.2M (Company $134.8M) was replaced with *interest expense* and *principal repayment* on the *Lease Liability* of $79.3M (Company $73.1M) and $64.9M (Company $61.7M) respectively.

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.

Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted by the Company.

The following new standards, amendments, and interpretations have been issued and may impact the financial statements but are not effective for the fiscal year ended 31 December 2019 and accordingly, have not been applied in preparing these financial statements. These included:

Amendments to IAS 28, 'Investments in associates and joint ventures', effective for annual periods beginning on or after 1 January 2019. These amendments clarify the accounting policy choice available for electing to measure the investments at fair value through profit or loss in accordance

Management is currently assessing the likely future impact of this amendment on its financial statements.

Derrimon Trading Company Limited
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

2. 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 December 2019**	**% Ownership by Company at 31 December 2018**
CFFL	Manufacture of Flavours and Fragrances	62.02%	62.02%
Select Grocers	Operation of Supermarket	60%	60%
Woodcats International Limited	Manufacturers of wooden pallets	100%	100%

DTCL as at December 31, 2019, owns 62.02% of the shares of CFFL, the same percentage as the prior year.

DTCL continues to hold 60% holding 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.

On September 6, 2018, DTCL acquired 100% of the shares of Woodcats International Limited, a manufacturer of wooden pallets, making it a wholly-owned subsidiary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY (CONTINUED)

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY (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:

Distribution (Household products, chilled and ambient beverages, detergents and bulk foods);

Wholesale (Trading outlets and supermarkets); and

Other Operations (Manufacturer of Flavours and Fragrances, pallets and by products of wood)

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, resulting in the company 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Impairment of assets (continued

Cash generating units (CGU)

When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the asset belongs. The CGUs correspond to the smallest identifiable group of assets whose continuing use generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill acquired in a business combination is allocated to each of the CGUs (or groups of CGUs) expected to benefit from the synergies of the combination. Intangible assets with indefinite useful lives are allocated to the CGU to which they relate.

Management's policy is to principally write down Goodwill when the Company's cash generation capacity is unlikely to generate profits in an adverse economic environment.

Recording impairments and reversals of impairments

Impairments and reversals of impairments are recognized in other comprehensive income in the Consolidated Statements of Profit or Loss and Other Comprehensive Income. Any impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU. Impairments of goodwill cannot be reversed. Impairments of other assets recognized in prior periods are assessed at the end of each reporting period to determine if the indicators of impairment have reversed or no longer exist. An impairment loss is reversed if the estimated recoverable amount exceeds the carrying amount. The increased carrying amount of an asset attributable to a reversal of impairment may not exceed the carrying amount that would have been determined had no impairment been recognized in prior periods

(f) Foreign currency translation

Transactions in foreign currencies are translated into Jamaican dollars at rates in effect at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into Jamaican dollars at the closing exchange rate at the statement of financial position date. Non-monetary assets and liabilities in foreign currencies that are measured in terms of historical cost are translated into Jamaican dollars at the exchange rate in effect at the date of the transaction or initial recognition. Non-monetary items in foreign currencies that are measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange gains and losses arising from translation are included in other comprehensive income.

Exchange rates are determined by the published weighted average rate at which commercial banks trade in foreign exchanges.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Related parties' disclosure

Related parties are identified and disclosed to allow users of the financial statements to be aware of the possibilities that the financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments, with such parties.

A related party is a person or entity that is related to the Company:

(i) A person or close member of that person's family is related to the Company if that person:
- Has control or joint control over the Company;
- Has significant influence over the Company; or
- Is a member of the key management personnel of the Company or a parent of the Company.

(ii) An entity is related to the Company if any of the following conditions apply:
- The Company, its subsidiary and joint operation are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One company is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both companies are joint ventures of the same third party.
- One company is a joint venture of a third entity, and the other entity is an associate of the third entity.
- The company is a post-employment benefit plan for the benefit of the employees of either the reporting entity or an entity related to the reporting entity.
- The company is controlled, or jointly controlled by a person identified in (a) above.
- A person identified related to the Group has significant influence over the company or is a member of the key management personnel of the company (or of a parent of the company).
- The company, or any member of a group of which it is a part, provides key management personnel services to the company or the parent of the company.

A related party transaction involves the transfer of resources, services or obligations between a reporting company and a related party, regardless of whether there is a consideration or not.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) 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.

Derrimon Trading Company Limited
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED

(i) 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 improvements	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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Property, plant and equipment (continued)

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.

(k) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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 on research activities are expensed as incurred.

Expenditure on 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Research and development expenditure

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

(m) 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.

Investments in equity instruments

The Company made an irrevocable election to present in other comprehensive income subsequent changes in the fair value of its investments in equity instruments which are not *held for trading*. Dividends from these investments are recognized in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

All financial liabilities are measured at amortized cost using the effective interest method with gains and losses recognized in net income in the period that the liability is derecognized. The financial liability is derecognized when the contractual obligations are discharged, cancelled or expire.

The Company does not carry any financial instruments classified as Fair Value Through Profit or Loss (FVTPL).

(m) Financial instruments (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

(n) 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.

(o) 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Trade and other receivables (continued)

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.

Prepayments are partial or full settlements of debt or expenses before the contractually obligated due date, this includes advances and deposits.

The Company's exposure to credit risk is disclosed in Note 29 (b).

(p) 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 Decembver 16, 2023.

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

Derrimon Trading Company Limited
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Income tax (continued)

Deferred taxation (continued)

(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 subsidiary, Woodcats International, is not listed on the Junior Market of the JSE and is subject to payment of full income tax.

(q) Employee benefits

Employee benefits are all forms of consideration given by the Group in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, NIS contributions, annual leave, and non-monetary benefits such as medical care and termination benefits.

Employee benefits that are earned as a result of past or current service are recognized in the following manner: short-term employee benefits are recognized as a liability, net of payments made, and charged as an expense. The expected cost of vacation leave that accumulates is recognized when the employee becomes entitled to the leave.

(r) Trade and other payables

Trade payables are obligations of the Company for goods or services acquired in the ordinary course of business from vendors and suppliers.

Amounts accrued for certain expenses are based on estimates and are included in payables.

The Company's exposure to liquidity and cash flows risks are disclosed in Note 29 (c)

(s) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Borrowing; borrowing cost and interest (continued)

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

(u) 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.

(v) 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.

(w) Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events if it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is charged to the statement of profit or loss net of any reimbursement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Investments

Investments are highly liquid instruments, primarily bonds and equities in both Jamaican and United States dollar denominations, with an original term to maturity of more than three months.

(x) Finance income and costs

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues, using the effective interest method.

Finance costs comprise interest expense on borrowings and bank charges. Borrowing costs are recognized in profit or loss using the effective interest method.

(y) Non-controlling interests

Equity in the controlled entities 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 controlled entities, 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.

(z) Comparative information

Where necessary, comparative figures have been reclassified and or restated to conform to changes in the current year.

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.

On September 3, 2018, the beverage division was added during the year as the Company was appointed as the exclusive distributor of SM Jahleel and Company Limited, a Trinidadian entity, to distribute its range of soft drinks and juices in the Jamaican marketplace.

(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 and wooden pallets.

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.

Derrimon Trading Company Limited
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31 DECEMBER 2019

3. SEGMENTAL FINANCIAL INFORMATION (CONTINUED)

The Group

	2019			
	Distribution	Wholesale & Retail	Other Operations	Total
	$'000	$'000	$'000	$'000
Revenue from external customers	6,459,327	5,178,551	1,011,139	12,649,017
Depreciation	14,410	37,558	15,120	67,088
Depreciation – *right of use*	17,761	73,157	5,700	96,618
Current liabilities	367,780	1,256,001	89,902	1,713,683
Current Assets	1,301,529	1,818,780	701,179	3,821,488

The Group

	2018			
	Distribution	Wholesale & Retail	Other Operations	Total
	$'000	$'000	$'000	$'000
Revenue from external customers	3,832,689	4,926,547	544,224	9,303,460
Depreciation	24,741	34,234	34,157	83,655
Current liabilities	1,320,576	563,173	77,842	1,961,591
Current Assets	1,812,234	769,030	431,349	3,012,613

The Company

	2019		
	Distribution	Wholesale & Retail	Total
	$'000	$'000	$'000
Revenue from external customers	6,459,327	5,178,551	11,637,878
Depreciation	14,410	37,558	51,968
Depreciation- *right of use*	17,761	73,157	90,918
Current liabilities	367,780	1,256,001	1,623,781
Current Assets	1,301,529	1,818,780	3,120,309

The Company

	2018		
	Distribution	Wholesale & Retail	Total
	$'000	$'000	$'000
Revenue from external customers	3,832,689	4,926,547	8,759,236
Depreciation	24,471	24,757	49,498
Current liabilities	1,381,128	563,173	1,944,301
Current Assets	1,812,233	769,030	2,581,263

Management provides individual segment accounting on a weekly and monthly basis to the CEO.

4. FUNCTIONAL AND PRESENTATION CURRENCY

The Group's functional and presentation currency is the Jamaica dollar (J$)

5. OTHER INCOME

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Interest income	-	1	-	1
Advertising space	7,179	-	7,179	-
Rental from warehouse space	640	31,294	640	31,294
Other income: insurance proceeds, bad debts recovered and dividends	29,948	34,953	19,045	13,111
	37,767	66,248	26,864	44,406

6. EXPENSES BY NATURE

	The Group		The Company	
Direct costs	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Cost of inventories recognized as an expense	10,370,1 83	7,612,427	9,608,914	7,244,705

	The Group		The Company	
Administrative expenses	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Directors fees	,1,275	1,170	780	360
Insurance	46,716	52,399	40,897	48,557
Foreign exchange loss	474	-	-	-
Motor vehicle expenses	20,101	12,790	8,990	10,824
Professional services	61,367	68,103	52,748	62,508
Office expenses	49,713	22,165	41,597	18,473
Lease: *short term value*	3,082	-	-	-
Repairs and maintenance	40,491	29,334	35,343	26,557
Rental of equipment and office (see lease liability note)	-	139,995	-	125,180
Staff costs, including director's salary (note 7)	713,586	469,630	619,237	419,814
Security	39,003	32,367	37,366	30,057
Utilities	113,733	107,520	108,329	104,996
Depreciation	59,059	56,682	51,967	49,498
Depreciation *for right of use* assets	96,510	-	90,918	-
Travelling and accommodation	21,413	16,059	10,274	6,229
Other, including minimum business tax	12,891	61,281	-	60,978
	1,279,41	1,069,495	1,098,451	964,031

Derrimon Trading Company Limited
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

6. EXPENSES BY NATURE (CONTINUED)

	The Group		The Company	
Selling and distribution	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Advertising and promotion	57,109	77,860	54,221	76,170
Commission	22,697	13,905	22,697	13,905
Bad debts written off	29,335	12,042	29,335	11,556
Trucking and delivery	260,363	129,911	259,847	126,475
Warehousing	38,760	-	38,760	-
	408,265	233,718	404,861	228,106

	The Group		The Company	
Finance costs	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Long term loans: Interest (including preference dividend, credit line and bank charges)	220,044	*172,223	219,017	170,376
Lease liability interest expense	78,560	-	78,559	-
	298,604	172,223	297,576	170,376

* reclassified for comparative purposes

Expenses by nature include the total cost of sales, distribution costs, administration and other expenses.

7. STAFF COSTS

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Salaries and wages	543,445	501,975	460,412	383,155
Staff welfare	98,493	29,968	87,177	23,598
Contract services and other	71,648	39,547	71,648	13,061
	713,586	571,490	619,237	419,814

The average number of persons employed full-time by the Group during the year was 522 (2018 – 415), and part-time was 30 (2018- 62).

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8. 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.

Select Grocers: Summarized financial information as at 31 December 2019.

	2019	2018
	$'000	$'000
Dividends received from joint operation	Nil	Nil
Current assets	163,225	113,626
Cash and cash equivalents included in current assets	23,838	8,278
Non-current assets	325,644	143,544
Current liabilities	86,891	84,360
Current financial liabilities, *excluding trade and other payables and provision*, included in current liabilities	-	-
Non-current liabilities	202,329	6,000
Revenue	619,968	564,697
Depreciation and amortization	14,450	14,254
Interest income	-	-
Interest expense (including lease expense)	(28,034)	(1,049)
Income tax expense or income	-	-
Profit or loss from continuing operations	32,840	24,218
Post-tax profit or loss from continuing operations	32,840	24,218
Other comprehensive income	-	-
Total comprehensive income	32,840	24,218

Derrimon Trading Company Limited
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

9. INVESTMENT IN SUBSIDIARIES

As at December 31, 2019, the Company has holdings of 62.02% and 100% of the issued shares of Caribbean Flavours and Fragrances Limited (CFFL) and Woodcats International Limited (WIL) respectively.

CFFL: Summarized financial information as at December 31, 2019

	2019	2018
	$'000	$'000
Dividends received from subsidiary	12,432	11,959
Current assets	463,587	453,273
Cash and cash equivalents included in current assets	11,546	65,632
Non-current assets	99,634	21,196
Current liabilities	50,880	40,866
Current financial liabilities, *excluding trade and other payables and provision*, included in current liabilities	6,200	2,531
Non-current liabilities	82,163	4,898
Revenue	462,462	674,298
Depreciation and amortization (including *rights of use)*	12,068	7,185
Interest income	15,408	25,381
Interest expense (including lease liability)	(520)	(1,152)
Income tax expense	(5,307)	(2,204)
Profit or loss from continuing operations	36,807	118,085
Post-tax profit from continuing operations	31,500	115,881
Other comprehensive income	-	-
Total comprehensive income	31,500	115,881

10. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Woodcats International Limited: Summarized financial information as at December 31, 2019

	2019 $'000	2018 $'000
Dividends received from subsidiary	-	-
Current assets	202,430	186,628
Cash and cash equivalents included in current assets	6,535	26,610
Non-current assets	127,526	56,256
Current liabilities	39,024	35,428
Current financial liabilities, *excluding trade and other payables and provision*, included in current liabilities	919	-
Non-current liabilities	33,760	30,880
Revenue	548,677	462,990
Depreciation and amortization	8,753	4,893
Interest income	1	-
Interest expense	(508)	(6,236)
Income tax expense	(10,174)	(10,737)
Profit or loss from continuing operations	53,979	53,936
Post-tax profit or loss from continuing operations	43,805	43,198
Other comprehensive income	-	-
Total comprehensive income	43,805	43,198

	The Company	
Investment in Subsidiaries and Joint Venture	2019 $'000	2018 $'000
Caribbean Flavours & Fragrances	438,722	438,722
Woodcats International	355,000	355,000
Long-term Investment	148,819	148,351
Balance at the end of the year	942,541	942,073

Derrimon Trading Company Limited
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

11. 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.

11. INCOME TAX (CONTINUED)

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Current tax expenses:				
Current tax expense @ 25%	99,700	65,619	78,546	52,677
Remission of income tax @ 50% (2018-100%)	(44,560)	(50,657)	(39,253)	(50,657)
	52,940	14,962	39,253	2,020
Deferred tax expense/(benefit):				
Origination and reversal of temporary and other differences	(9,922)	(10,330)	(11,715)	(2,020)
Total income tax expense for the year	43,018	4,632	27,538	-

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Reconciliation of expected and actual tax expense:				
Profit before taxation	345,725	281,845	254,940	196,424
Adjustments to income taxes resulting from:				
Computed "expected" tax expense @ 25%	86,431	70,461	63,735	49,106
Difference between profit for financial statements and tax reporting purposes on: -				
Depreciation and capital adjustments	(15,819)	(12,332)	(11,715)	(16,901)
Net effect of other charges for tax purposes	20,788	1,924	14,770	18,452
Employers tax credit	(3,822)	(4,764)	-	-
Adjustment for the effect of remission of tax	(44,560)	(50,657)	(39,252)	(50,657)
Reconciled tax charge to profit and loss	43,018	4,632	27,538	-

Derrimon Trading Company Limited
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

12. CAPITAL RESERVE

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Balance: 31 December	94,638	94,638	94,638	94,638

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Represented by:				
2011: Surplus on revaluation of fixed assets:	94,638	38,420	94,638	38,420
Realized gains on disposal of shares	-	689	-	689
2012: Surplus on revaluation of fixed assets:	-	55,529	-	55,529
	94,638	94,638	94,638	94,638

13. INVESTMENT RESERVE

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Closing balance: 31 December 2019	614	614	614	614

14. EARNINGS PER SHARE

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 2,733,360,670 (2018- 2,733,360,670).

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Net profit attributable to shareholders	290,744	249,120	227,402	196,424
The weighted average number of ordinary shares in issue	2,733,361	2,733,361	2,733,361	2,733,361
Basic earnings per ordinary share	0.106	0.091	0.083	0.072

15. PROPERTY, PLANT AND EQUIPMENT

2019
The Group

	Furniture. & Equipment	Computer	Motor Vehicles	Building	Land	Leasehold Improvements	Total	Buildings Right of Use
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost or valuation								
1 January 2019	314,058	23,058	107,646	49,499	15,933	195,304	705,498	-
Additions	33,288	11,866	17,596	-	-	22,194	84,944	1,135,695
Disposals	-	-	(1,500)	-	-	-	(1,500)	-
31 December 2019	347,346	34,924	123,742	49,499	15,933	217,498	788,942	1,135,695
Acc. Depreciation								
1 January 2019	155,109	18,055	52,623	7,917	3,413	10,158	247,275	-
Charge for year	42,591	1,836	17,009	1,010	-	4,642	67,088	96,618
Disposals	-	-	(1,248)	-	-	-	(1,248)	-
	(7,649)	-	-	-	-	-	(7,649)	-
31 December 2019	190,051	19,891	68,384	8,927	3,413	14,800	305,466	96,618
Netbook value								
31 December 2019	157,295	15,033	55,358	40,572	12,520	202,698	483,476	1,039,077

2018
The Group

	Furniture. & Equipment	Computer	Motor Vehicles	Building	Land	Leasehold Improvements	Total	Buildings Right of Use
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost or valuation								
1 January 2018	248,545	20,440	62,082	49,499	15,933	160,453	556,952	-
Additions	68,673	2,618	53,534	-	-	34,851	159,676	-
Disposals	(3,160)	-	(7,970)	-	-		(11,131)	-
31 December 2018	314,058	23,058	107,646	49,499	15,933	195,304	705,497	-
Acc. Depreciation								
1 January 2018	98,825	16,461	39,504	7,917	3,413	3,825	169,945	-
Charge for year	57,710	1,594	18,018	-	-	6,333	83,655	-
Disposals	(1,426)	-	(4,899)	-	-	-	(6,325)	-
31 December 2018	155,109	18,055	52,623	7,917	3,413	10,158	247,275	-
Netbook value								
31 December 2018	158,878	5,003	54,523	41,582	12,520	185,146	457,651	-

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15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2019
The Company

	Furniture. & Equipment	Computer	Motor Vehicles	Building	Land	Leasehold Improvements	Total	Buildings Right of Use
	$'000	$'000	$'000	$'000	$''000	$'000	$'000	$'000
Cost or valuation								
1 January 2019	296,506	17,971	78,248	49,499	12,520	128,125	582,869	1,036,097
Adjustment- prior year	(1,612)	(69)	786	-	-	(531)	(1,426)	-
Additions	13,222	11,867	3,995	-	-	20,007	49,091	-
31 December 2019	308,116	29,769	83,029	49,499	12,520	147,601	630,533	1,036,097
Acc. Depreciation								
1 January 2019	131,027	14,467	41,273	8,952	-	6,771	202,490	-
Charge for year	36,900	1,679	8,788	1,010	-	3,590	51,967	90,918
Adjustment- prior year	(5,116)	589	(2,147)	172		(2,797)	(9,299)	-
31 December 2019	162,811	16,735	47,914	10,134	-	7,564	245,158	90,918
Netbook value								
31 December 2019	146,305	13,034	35,115	39,365	12,520	140,037	385,375	945,179

2018
The Company

	Furniture. & Equipment	Computer	Motor Vehicles	Building	Land	Leasehold Improvements	Total	Buildings Right of Use
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost or valuation								
1 January 2018	274,234	15,415	51,107	49,499	12,520	126,040	528,815	-
Additions	22,269	2,556	32,211	-	-	2,085	59,120	-
Disposals	-	-	(5,070)	-	-	-	(5,070)	-
31 December 2018	296,506	17,971	78,248	49,499	12,520	128,125	582,868	-
Acc. Depreciation								
1 January 2018	95,599	13,329	36,803	7,917	-	3,613	157,261	-
Charge for year	35,428	1,318	8,560	1,035	-	3,158	49,498	-
Disposals	-	-	(4,089)	-	-	-	(4,089)	-
31 December 2018	131,027	14,647	41,273	8,952	-	6,771	202,670	-
Netbook value								
31 December 2018	165,479	3,324	36,974	40,547	12,520	121,354	380,199	-

16. INTANGIBLE ASSETS

The Group continued to use the name, *Sampars Cash and Carry* to brand six (6) of its retail outlets and the name, Select Grocers, for its supermarket. The business acquisitions of Caribbean Flavours and Fragrances Limited and Woodcats International limited provided intangible assets in the form of *technical formulae* and *special customer relationships*; and general *goodwill*, respectively.

These intangibles are assessed to have indefinite useful lives and their useful lives are dependent on the useful life of the cash-generating unit (CGU) to which they are allocated.

The Group determines whether intangibles, including goodwill, are impaired on an annual basis or when events or changes in circumstances indicate the carrying value may be impaired. This requires an estimation of the recoverable amount of the CGU. The recoverable amount is determined by reference to the value in use which is based on the management's estimate of the expected future cash flows from the CGU using an agreed discount rate to calculate the present value of future cash flows.

For the current period, after review, analysis and assessment, management is of the opinion, that there is no impairment in the total value of intangibles, including goodwill, as the *recoverable amounts* are higher than the *carrying amounts*.

	The Group 2019 $'000		The Company 2019 $'000	
	Intangibles	Goodwill	Intangibles	Goodwill
January 1, 2019	942,541	33,220	-	33,220
-Addition, Business acquisition	256,523	148,899	-	-
-Impairment	-	-	-	-
-Other adjustments	(942,541)	-	-	-
December 31, 2019	256,523	182,120	-	33,220

	The Group 2018 $'000		The Company 2018 $'000	
	Intangibles	Goodwill	Intangibles	Goodwill
January 1, 2018	256,523	33,220	-	33,220
-Addition, Business acquisition	-	130,720	-	-
-Impairment	-	-	-	-
-Other adjustments	(23,045)	-	-	-
December 31, 2018	233,478	163,940	-	33,220

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17. INVENTORIES

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Sampars wholesale outlets and Select Grocers; grocery and household items	636,764	401,967	636,764	401,967
Wholesale bulk commodity food items	1,114,087	709,322	1,114,087	709,322
Subsidiaries: flavours and fragrances and pallet inventories	241,323	169,498	-	-
	1,992,174	1,280,787	1,750,852	1,111,289

18. RECEIVABLES AND PREPAYMENTS

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Receivables				
Trade receivables	966,852	920,602	827,734	745,082
Provision for bad debts	(32,812)	(33,233)	(32,381)	(32,380)
	934,040	887,369	795,353	712,702
Staff advances	10,992	6,911	9,462	4,242
Other receivables	88,037	272,666	40,419	237,036
	1,033,069	1,166,946	845,234	953,980

The following are the trade receivables ageing as of 31 December 2019 and 2018.

The Group
Past due but not impaired

Year	0-60 days $'000	60-90 days $'000	Over 90 days $'000	Total $'000
2019	796,629	67,652	102,571	966,852
2018	778,740	52,479	89,384	920,602

The Company
Past due but not impaired

Year	0-30 days $'000	31-59 days $'000	60-90 days $'000	Over 90 days $'000	Total $'000
2019	561,418	110,498	63,224	92,594	827,734
2018	556,443	110,853	35,608	42,178	745,081

18. RECEIVABLES AND PREPAYMENTS (CONTINUED)

Movement in provision for bad debts against trade receivables:

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
01 January 2019	33,233	31,180	32,380	30,748
Amounts provided for during the year	(421)	2,053	-	1,632
31 December 2019	32,812	33,233	32,380	32,380

During the year, the Company wrote off $ 29,334,673 (2018- $12,256,143) to profit or loss after repeated attempts were made to collect long outstanding amounts. Management has deemed the current receivable balance to be collectable, as all doubtful amounts were written off during the year.

19. RELATED PARTIES AND RELATED PARTIES TRANSACTIONS

Related party balances consist of the following:

(a) Due from related parties

	The Group and the Company	
Convenience Store:	2019 $'000	2018 $'000
Opening balance:	8,166	7,308
Purchases during the year	10,089	12,965
Amounts repaid based on invoices	(5,775)	(12,107)
Balance at the end of the year	12,480	8,166

The Convenience Store is an entity owned by a director. The balance is included in receivables on the Statement of Financial Position.

(b) Key management personnel

During the year the Group paid salaries and repaid loans from key management personnel.

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19. RELATED PARTIES AND RELATED PARTIES TRANSACTIONS (CONTINUED)

(c) Transactions with related parties

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Remuneration paid to directors	85,445	61,482	48,927	36,687
Management fees received from subsidiary	-	(5,500)	-	(5,500)
Professional fees paid to a director for legal services	3,126	3,192	3,126	3,192
Fees paid to directors	1,275	1,170	780	360

Due to/(from) CFFL

	2019 $'000	2018 $'000
Credit risk exposures are as follows:		
Opening balance:	-	-
Amounts loaned during the year	56,572	289,060
Amounts repaid during the year	(56,572)	(289,060)
Balance at the end of the year	-	-

Amounts were borrowed from and repaid by the Company to its subsidiary, CFFL during the year. Interest was charged on the loans at market rates.

20. INVESTMENTS

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Bonds	4,956	4,956	4,956	4,956
Bonds – (US$)	6,865	-	6,865	-
Scotia Investment Funds	173,185	-	-	-
Jamaica Money Market Brokers Limited (US$)	21,531	106,639	-	-
NCB Capital Markets (US $)	51,189	49,393	1,636	1,636
Mayberry Structured: Corporate Paper (MSCP)	22,873	9,144	17,873	9,144
	280,599	170,132	31,330	15,736

Interest earned on bonds ranges between 3.9% -5%. The MSCP is at 11%.

21. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Foreign currency accounts	48,872	25,133	41,306	12,811
Cash in hand and Jamaican dollar accounts	460,755	363,618	450,240	285,728
	509,627	388,751	491,546	298,539

The weighted average effective interest rate on Jamaican dollar and US dollar short term deposits was 1.1% (2018 – 2%) and 0.098% (2018 – 1%) respectively. These represent call deposits which are repayable on demand.

22. PAYABLES

	The Group		The Company	
	2019 $ $'000	2018 $ $'000	2019 $ $'000	2018 $ $'000
Local payables and accruals	762,848	975,339	700,135	953,013
Foreign trade payables	194,851	140,733	189,841	120,121
Staff related payables	6,951	19,577	5,339	7,579
Statutory liabilities	12,196	13,895	7,535	9,832
	976,846	1,149,544	902,850	1,090,545

23. SHORT TERM LOANS

	The Group		The Company	
	2019 $ $'000	2018 $ $'000	2019 $ $'000	2018 $ $'000
Credit lines with various financial institutions	536,316	736,416	535,000	736,416

The credit lines are unsecured and used to purchase significant commodities sold by the Group.

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24. NON –CONTROLLING INTEREST

	The Group	
	2019 $ $'000	2018 $ $'000
Non- controlling interest in CFFL subsidiary	163,382	162,597

Set out be below is the summarized financial information for the subsidiary that has a non-controlling interest that is material to the Group.

Summarized statement of financial position included in the consolidated Group results:

	The Group	
	2019 $ $'000	2018 $ $'000
Current -		
Assets	463,587	453,273
Liabilities-	50,880	45,601
Non- current net assets	99,634	21,196
Net asset	512,341	428,868

Summarised comprehensive income included in the consolidated Group results:

	The Group	
	2019 $ $'000	2018 $ $'000
Revenue	462,462	674,298
Cost of sales	(323,302)	(432,190)
Profit before tax	36,807	118,085
Dividends paid to non-controlling interest	8,538	8,538

24. NON –CONTROLLING INTEREST (CONTINUED)

Summarised cash flows included in the consolidated Group results:

	The Group	
	2019 $'000	2018 $'000
Cash generated from operations	33,501	46,912
Net cash generated from operating activities-		
Net cash used in investing activities	(148,619)	(25,160)
Net cash (used in)/provided by financing activities	61,032	(23,948)
Net (decrease)/increase in cash and cash equivalents	(54,086)	(2,196)
Cash and cash equivalents at the beginning of the year	65,632	67,828
Cash and cash equivalents at the end of the year	11,546	65,632

The information relating to non-controlling interest represents amounts before intercompany eliminations.

25. BORROWINGS

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
i) 7.5% Mayberry- J$100M	92,380	-	92,380	-
ii) 8.49% Bank of Nova Scotia	21,098	5,520	3,565	5,520
iii) 9.69% National Commercial Bank (NCB)	1,489	2,371	1,489	2,371
iv) 10% First Global Bank (FGB)	1,414	2,856	1,414	2,856
v) Director's loan	-	6,000	-	6,000
vi) 9% Redeemable Preference Shares	350,000	350,000	350,000	350,000
vii) 12% National Commercial Bank	131	1,348	131	1,348
viii) Mayberry- Margin A/C	122,169	-	122,169	-
ix) 7.25% Sagicor $21M	20,271	-	20,271	-
x) 7.25% Sagicor $355M	338,470	-	338,470	-
xi) 8.35%-10% FGB Loan	6,518	10,902	1,685	3,473
xii) 7.25% Sagicor Loan	227,264	243,621	227,264	243,621
xiii) 7.25% FGB Loan	272,903	292,485	272,903	292,485
xiv) 9.5% Jamaica National (JN) Loan	5,256	5,794	5,256	5,794
xv) 9.5% JN Loan	6,214	6,882	6,214	6,882
xvi) 9.5% JN Loan	4,018	4,515	4,018	4,515
xvii) 7.75% JMMB Loan	285,696	-	285,696	-
xviii) 7.25 % Sagicor $100M	98,160	-	98,160	-
Total Borrowings	1,853,451	932,294	1,831,085	924,865
Less: current portion	(122,448)	(69,636)	(119,629)	(67,105)
	1,731,003	862,658	1,711,454	857,760
xix): Lease Liability	1,070,873	-	974,416	-
Less: current portion	(70,601)	-	(66,302)	-
	1,000,272	-	908,116	-

25. BORROWINGS (CONTINUED)

i) This represents a promissory note to be repaid at March 20, 2021
ii) The 8.49% BNS loan monthly repayment is $177,735 and the final payment is scheduled for October 2022
iii) The 9.69% is payable in monthly installments of $73,480, and the final payment is scheduled for June 2022.
iv) The 10% FGB loan is repayable by monthly installment of $148,770 and the final payment is scheduled for September 2020.
v) During the year, the director's loan was repaid.
vi) The 11.75% Redeemable Preference Shares were issued in March 2015 and was redeemed in full in March 2018. The funds raised were used to pay off credit line along with certain shareholders loans and to provide working capital support. During the year, this loan was upsized to $350 million at a reduced rate of 9%
vii) The 12% loan is payable by monthly installments of $50,693 and the final payment is scheduled for May 2020.
viii) This balance represents a margin facility held with Mayberry Investment Limited.
ix) This balance represents a demand loan associated with the refinancing of the full cost associated with the purchase of Woodcats International Limited. The loan is repayable in monthly installments of $246,542 up to 10 years.
x) This represents a demand loan, used to re-finance the bridge loan obtained from Mayberry to acquire Woodcats International Limited. The loan is repayable up to 10 years at $4,167,737 monthly.
xi) The 8.35% - 10% FGB loans were used to purchase motor vehicles and are secured by the said vehicles.
xii) The 7.25% Sagicor loan was used to liquidate bonds at higher rates of interest.
xiii) The 7.25 FCB loan was used to liquidate the 11.25% bond. This loan was re-negotiated with monthly repayments of $3,566,971 up to 8years.
xiv) The 9.5% JN loans were used to purchase motor vehicles.
xv) The 9.5% JN loans were used to purchase motor vehicles
xvi) The 9.5% JN loans were used to purchase motor vehicles
xvii) This balance is comprised of:
(a) 7.75% term loan of $258,800,000 used to refinance US Dollar credit facilities and higher interest term facilities and is re-payable at a monthly installment of $4,001,553.
(b) revolving line of credit of $41,200,000 to provide working capital support at an interest rate of 7.75% per annum.
xviii) This is an amortizing term loan used for renovation and capital expenditure for Sampars stores and information technology capital projects. The loan is repayable up to 9 years with a monthly installment of $1,521,518.

The loans are secured by registered charges over real estate and motor vehicles owned by DTCL, guarantees of certain shareholders, shares of subsidiary, investments and cash deposits.

25. BORROWINGS (CONTINUED)

No borrowings or loans were in default during the period that would permit any lender to demand accelerated repayment

xix) **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	$ 70,601,400
-Long-term	$1,000,272,106
	$1,070,873,506

Principal repayments for each of the next five years:

2020	$ 70,601,400
2021	$ 75,893,561
2022	$ 81,582,413
2023	$ 66,487,807
2024-2039	$776,232,324

26. BANK OVERDRAFT

As at 31 December 2019, the company had no bank account in an overdrawn position.

27. SHARE CAPITAL

	Number of shares	Ordinary shares $ $'000
Issued and fully paid:		
At 31 December 2019	2,733,360,670	140,044

The Board of Directors met in November 2019 and approved the payment of a dividend of $0.01 per share to shareholders on record as at 29 November 2019. The payment was made in December 2019.

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28. OPERATING PROFIT BEFORE TAXATION

The following items have been charged/(received) in arriving at operating profit before taxation:

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Auditors' remuneration	7,882	6,628	4,200	3,700
Directors' emoluments:				
Fees	1,275	1,170	780	360
Management remuneration	85,445	61,482	48,927	36,687
Bad debts written off	29,335	12,701	29,335	6,846
Management fees to Parent Company	-	(5,500)	-	(5,500)
Inventory written off during the year	3,339	-	3,339	-
Depreciation	67,088	61,575	51,967	49,498
Depreciation- right of issue	96,618	-	90,918	-
Staff costs (including management remuneration)	799,031	622,971	668,164	409,814

29. CAPITAL AND RISK MANAGEMENT

Capital Management:

The Group defines capital as equity and total borrowings. The Group manages its capital, of $1.9 Billion to support and be responsive to opportunities for its current growth strategy and expansion plans and to maintain its normal operations and remain compliant with various covenants and restrictive rules and regulations of the industry and the financial environment in which it operates.

Capital Management Strategies

The Group's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide specific hurdle returns for its shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital as well as meet externally imposed capital requirements. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity.

Consistent with others in the industry, the Group monitors capital based on the gearing ratio. This ratio is calculated as total borrowings divided by capital as defined above. Total borrowing is calculated as current and non-current borrowings, as shown in the consolidated statement of financial position. Capital is calculated as equity, as shown in the statement of financial position plus total borrowings. The management of the Company remains deliberate in the way it funds its growth strategy and given the present economic environment and the general reduction in the cost of capital in the market; management continues to adjust major debts from a bullet repayment structure to that of amortization and lengthening of tenors.

29. CAPITAL AND RISK MANAGEMENT (CONTINUED)

During 2019, the Group's strategy, which was in principle unchanged from 2018, was to maintain the gearing ratio below 100%. The gearing ratios at 31 December 2019 and 31 December 2018 were as follows:

	The Group		The Company	
	31 Dec 2019 $'000	31 Dec 2018 $'000	31 Dec 2019 $'000	31 Dec 2018 $'000
Total borrowings (excluding lease liability)	2,389,767	1,668,710	2,366,083	1,661,280
Capital and borrowings	3,565,642	2,566,980	3,577,003	2,644,491
Gearing ratio	67%	65%	66%	63%

The Company continues to use debt financing to expand its operations. There have been no significant changes to the Group's overall approach to capital management during the year.

Risk Management:

The Group's activities expose it to a variety of financial risks: market risk (currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. This note presents information about the Group's exposure to each of the above risks as well as its objectives, policies and processes for measuring and managing risk.

The Directors have overall responsibility for the establishment and oversight of the Group's risk management framework. They are responsible for developing and monitoring the Group's risk management policies and through training to develop standards and procedures and a disciplined and constructive control environment in which all employees understand their roles and obligations.

Audit Committee

The Board of Directors has also established an Audit Committee to assist in managing the Group's risk profile. This Committee oversees how management monitors compliance with the Group's risk management policies and reviews the adequacy of the risk management framework. This committee is also assisted by Internal Audit that reports to the Audit Committee after it undertakes regular and ad hoc reviews of risk management controls and procedures, especially over inventories and receivables.

a) Market risk

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks principally arise from changes in foreign currency exchange rates, interest rates and commodity prices. The objective of market risk management is to manage and control market risk exposures within acceptable limits while optimizing returns. This risk is principally monitored by the finance director, along with guidelines from the board of directors.

29. CAPITAL AND RISK MANAGEMENT (CONTINUED)

Audit Committee (continued)

a) Market risk (continued)

There has been no change to the Group's exposure to market risk or how it manages and measures this risk.

i. Commodity Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Company is exposed to price risk principally relating to the importation of rice. The Company enters into commodity contracts in respect of the anticipated future usage requirements and the price on imported rice is tracked and purchased in advance, when necessary, if the price on the international market is increasing. This strategy is used to mitigate this risk.

ii. Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign exchange risk, due to fluctuations in exchange rates on transactions and balances that are denominated in currencies other than the Jamaican dollar. The Group is exposed to foreign exchange risk, arising primarily with respect to the US dollar, from commercial transactions such as the importation and sale of bulk rice that represents a significant percentage of the Group's overall purchase figure. To manage currency risk on imported rice, the Group enters into short and medium-term arrangements with millers and producers at agreed terms primarily in producing countries.

29. CAPITAL AND RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

ii. Currency risk (continued)

Foreign currency bank accounts are maintained at levels which will meet foreign currency obligations and management also has access to purchase foreign currencies at market or close to market rates thereby reducing or mitigating the Group's exposure to sudden exchange rate fluctuations. The Group manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by closely monitoring currency positions. The Group further manages this risk by maximizing foreign currency earnings and holding foreign currency balances.

As at 31 December 2019, the Group had net foreign currency liabilities of US$1.7 Million (2018-US$1.6 Million) which were subject to foreign exchange rate changes as follows:

Concentrations of currency risks

	The Group		The Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Foreign currency financial assets:				
Cash equivalents and investments	413	101	356	101
Foreign currency financial liabilities:				
Payables and accruals	(2,284)	(953)	(2,111)	(953)
Borrowings	-	(792)	-	(792)
	(2,284)	(1,745)	(2,111)	(1,745)
Total net foreign currency liabilities	(1,870)	(1,644)	(1,755)	(1,644)

A significant portion of the Group's purchases is made using United States (US) dollars. The Group hedges against the movement in the United States dollar principally by holding cash resources in that currency, prompt payment, when necessary, of foreign currency bills as they become due along with maximizing efforts to earn foreign currency by innovating marketing on-line to the Jamaican Diaspora community.

In accordance with accounting policies applied consistently, exchange gains and losses are recognized in the income statement when incurred.

	2019 J$	2018 J$
31 December 2019: exchange rate 1US$	132.57	126.00

29. CAPITAL AND RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

Foreign currency sensitivity analysis

The sensitivity analysis represents the impact on the profit or loss due to the movement in the US dollar exchange rate relative to the Jamaican dollar, with other variables remaining constant.

Due to the nature of the Group's operations and the very short term nature of balances denominated in currencies other than the Jamaican dollar, in the opinion of management, there should be no material impact on the results of the Group's operations as a result of changes in foreign currency rates as sudden changes are promptly adjusted in the selling prices of the Group's imported products, especially bulk rice and red kidney beans that form a significant percentage of the Group's overall purchases.

A 5% (2018-5%) weakening of the Jamaican dollar, with all other variables remaining constant, in particular interest rates, would result in a loss of approximately $12.4 Million (2018 - $10.3 Million) to the Group if all outstanding foreign liabilities are settled at the depreciated rate of the Jamaican dollar. A 5% appreciation of the Jamaican dollar under similar circumstances would result in a profit of $12.4 Million (2018- $10.3Million).

iii. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

The Group invests excess cash in short-term deposits and maintains interest-earning bank accounts with licensed and reputable financial institutions. Short-term deposits are invested for periods of three (3) months or less at fixed rates and are not affected by fluctuations in market interest rates up to the date of maturity. Since interest rates on the Group's short-term deposits are fixed up to maturity and interest earned from the Group's interest-earning bank accounts is immaterial, management is of the opinion there would be no material impact on the results of the Group's operations as a result of fluctuations in interest rates.

29. CAPITAL AND RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

iii. Interest rate risk (continued)

The Group incurs interest on its borrowings. These borrowings are at fixed rates and expose the Group to fair value interest rate risk. Interest rate fluctuations are not expected to have a material effect on the net results or shareholders' equity. The Group reviews its interest rate exposure arising from borrowings on an ongoing basis, taking into consideration the options of refinancing, renewal of existing positions and alternative financing. Management, as a policy, obtains fixed-rate loans when interest rates are expected to rise and floating rate loans when interest rates are expected to fall but generally avoids variable-rate borrowing instruments.

Interest rate sensitivity

The Group's interest rate risk arises from long-term borrowings and available-for-sale debt instruments. The sensitivity of the profit or loss is the effect of the assumed changes in the interest rates on profit before taxation based on floating rate borrowing and available-for-sale debt instruments.

The Group does not have any significant exposure to floating rate borrowings or on investments because the majority of the financial instruments carry fixed rates of interest to maturity.

29. CAPITAL AND RISK MANAGEMENT (CONTINUED)

(b) Credit risk

Credit risk is the risk that one party, which includes customers, clients and counterparties, to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk is an important financial risk for the Group's business, and therefore management meticulously manages the Group's exposure to this risk.

The Group faces credit risk in respect of investment activities and its receivables from customers.

i. Cash, deposits and investments

Credit risk for cash, deposits and investments is managed by investing in mainly liquid securities and maintaining these balances with licensed financial institutions considered to be reputable and stable. Accordingly, management does not expect any counterparty to fail to meet its obligations. The Finance Director, along with the Board of Directors, performs monthly reviews of the investments and securities held as a part of their assessment of the Group's credit risk.

The maximum credit risk faced by the Group is the total of these balances reflected in the financial statements. No provision for impairment is deemed necessary.

ii. Receivables

Credit risk for receivables is mitigated by stringent credit reviews and approval of limits to customers as well as regular credit evaluation of customers. Appropriate credit checks, references and analyses are undertaken in order to assess customers' credit risk profile prior to offering new credit or increasing existing credit limits. Many of the customers who are experiencing cash flow difficulties and are exceeding their credit limits are identified, and the appropriate actions are taken. Key Performance Indicators are reviewed regularly, including cash collected, average debt collection period, percentage of customers with overdue balances and debts deemed uncollectible. Credit limits for all customers inclusive of payment history and risk profile are reviewed annually before the renewal of credit facilities.

29. CAPITAL AND RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

ii. Receivables (continued)

Ageing analysis of trade receivables that are past due but not impaired

Trade receivables that are less than 90 days past due are not considered impaired. As of 31 December 2019, trade receivables of $327,835 (2018 - $365,365) were reviewed for impairment and a provision of $32,812 (2018 - $31,181) was considered necessary.

Management continues to critically review this position as they are aware that many of their customers who are retailers and wholesalers are experiencing difficult economic circumstances. The ageing analysis of these trade receivables is as follows:

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Past due 31 to 60 days	157,611	179,189	110,498	110,853
Past due 61 to 90 days	67,653	52,462	63,225	35,608
Past due over 90 days	102,571	51,123	92,594	42,177
	327,835	365,365	266,316	188,638

Management does not consider that any additional provision is required for long outstanding balances due to the Group or Company, especially those over 90 days as all doubtful balances were written off during the year.

Exposure to credit risk for trade receivables

The following table summarizes the Group and Company's credit exposure for trade receivables at their carrying amounts, as categorized by customer sector.

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Supermarket chains	174,489	157,066	174,489	157,066
Wholesale and retail distributors	655,532	622,827	600,164	540,236
Government entities	18,069	16,265	18,069	16,265
Manufactures	77,600	92,929	-	-
Other	34,236	25,282	28,086	25,282
	959,926	914,369	820,808	738,849
Overseas	6,926	6,233	6,926	6,233
Total (see note 18)	966,852	920,602	827,734	745,082

Overseas customers mainly relate to customers in the United States and the United Kingdom and represent approximately 0.72% (2018 - 0.84%) of the total balance. The currencies of these countries are considered stable and consistently appreciate against the Jamaican dollar, and no risk of any significant loss is anticipated in this category of overseas customers.

There is no change, from the prior, in the Groups exposure to credit risk or the manner in which it manages and measures the risk.

Derrimon Trading Company Limited
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29. CAPITAL AND RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

iii. Total exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was $2.9 Billion (2018- $1.7 Billion) representing the balances as at 31 December 2019 for cash and short-term deposits, investments and receivables as reported in the statement of financial position of the Group.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages its liquidity risk by maintaining an appropriate level of resources in liquid or near liquid form to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's liquidity management process, as carried out within the Group and monitored by the Finance Director and Board of Directors, includes:

i. Monitoring future cash flows and liquidity on an ongoing basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure funding if required.

ii. Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow.

iii. Maintaining committed lines of credit.

iv. Managing the concentration and profile of debt maturities while optimizing cash returns on investments.

At 31 December 2019, the Company's three (3) largest credit suppliers amounted to approximately 41% (2018 - 20%) of the total annual purchases of the Company for the year ended 31 December 2019. Management continues to try to diversify the base of its credit suppliers on a regional basis as well as within intra-geographical regions within the markets in which the Company's major suppliers operate. In addition, the Company's supply chain has been expanded through forging of a new relationship with a major international commodity broker who helps to reduce the risk of depending on a few major suppliers.

The Group also has access to lines of secured credit to facilitate payments to major suppliers according to agreed credit terms should the Group at any time have insufficient cash resources to settle its obligations as they fall due.

29. CAPITAL AND RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

Undiscounted contractual cash flows of financial liabilities

The Group's financial liabilities comprise long-term loans, payables and accruals, based on undiscounted contractual payments which are due as follows:

Maturity Profile of the Group 2019

	Within 1 year 2019 $'000	Within 1 to 5 years 2019 $'000	Over 5 years 2019 $'000
Long-term loans	122,448	1,072,896	1,728,980
Lease liability	70,601	290,452	709,745
Short term loans	536,316	536,316	-
Payables and accruals	976,846	-	-
Total	1,706,211	1,899,644	2,438,725

Maturity Profile of the Group 2018

	Within 1 year 2018 $'000	Within 1 to 5years 2018 $'000	Over 5 years 2018 $'000
Long-term loans	67,105	321,654	543,535
Short term loans	736,416	736,416	-
Payables and accruals	1,149,544	-	-
Total	1,953,065	1,058,070	543,535

Maturity Profile of the Company 2019

	Within 1 year 2018 $'000	Within 1 to 5years 2018 $'000	Over 5 years 2018 $'000
Long-term loans	119,629	1,039,396	1,646,476
Lease liability	66,602	333,010	574,806
Short term loans	535,000	535,000	-
Payables and accruals	902,850	-	-
Total	1,624,081	1,907,406	2,221,282

Maturity Profile of the Company 2018

	Within 1 year 2017 $'000	Within 1 to 5years 2017 $'000	Over 5 years 2017 $'000
Long-term loans	67,105	857,760	-
Short term loans	736,416	736,416	-
Payables and accruals	1,090,545	-	-
Total	1,894,066	857,760	-

Derrimon Trading Company Limited
NOTES TO THE FINANCIAL STATEMENTS
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29. CAPITAL AND RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

Assets available to cover financial liabilities include cash, short term deposits and available-for-sale investments.

Off-balance sheet items – Commitments

(I) The Company has registered bills of sale over real estate and motor vehicles along with demand debentures to cover asset amounting to $1.6 Billion.

(II) The Group has no significant capital commitments that have been authorized at 31 December 2019.

(III) The Group has long term obligations under long term operating leases for premises. See note 25, borrowings for the future liability of minimum lease payments.

(d) Reputational Risk

The Group is engaged in a business that principally distributes basic food items and flavours to the general consuming population, and its reputation is critical within the market place. The Group's management endeavours at all times to be ethical and adopt international best practices, especially with regard to bulk frozen meats and other bulk commodities such as rice and red kidney beans.

The Group also ensures that the necessary sanitary standards are maintained to guarantee that regular audits by the Bureau of Standards are successfully undertaken. In addition, customer audits are undertaken to facilitate continuous improvement and efficient customer delivery services.

Customer complaints are promptly and properly investigated and appropriately assessed, and transparency is maintained; where necessary customers are promptly compensated if they have suffered a loss. Management considers the Group's reputation secured as they ensure that events that may damage its reputation are immediately investigated. The appropriate action taken to deal with the matter in a manner that satisfies the complainant.

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial instruments that, subsequent to initial recognition, are measured at fair value are grouped into level 1 to 3 based on the degree to which the fair value is observable. The fair value of a liability reflects its non-performance risk.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical instruments. The fair value of financial instruments traded in active markets is based on quoted market prices at the yearend, 31 December 2019. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and frequently occurring market transactions on an arm's length basis. The quoted market price used for financial assets is the current bid price.

At 31 December 2019, these instruments are quoted investment securities (Note 20) which are grouped in level 1.

At the reporting date, the Company's financial assets and liabilities were reported at fair values, and there was no necessity to estimate values using present value or other estimation and valuation techniques based on market conditions existing at the statement of financial position date.

The Group has no financial assets grouped in levels 3.

The following methods and assumptions have been used in determining fair values:

i. The face value, less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year, are estimated to approximate their fair values. These assets and liabilities include cash and bank balances, short term investments, trade receivables and payables.

ii. The carrying values of long term loans approximate their fair values, as these loans are carried at an amortised cost reflecting their contractual obligations and the interest rates reflective of current market rates for similar transactions.

31. CONTINGENT LIABILITIES

In the normal course of business, the Group is subject to various claims, disputes and legal proceedings. Provision is made for such matters when, in the opinion of management and its professional advisors, it is probable that the Group will make a payment, and the amount can be reasonably estimated.

I. The Group and Company's attorneys that routinely act on behalf of the Group, by letter dated 12 February 2020, reported with regards to the Company's year ended 31 December 2019, as follows:

- They were not aware of any judgment or settlement or any actual pending or threatened litigation or claim, nor of any outstanding, actual, pending or threatened litigation
- They were not aware of any outstanding tax or other claims against the Company whether pending or threatened nor are they aware of any other contingent liability against the Company.
- They were not aware of any guarantees of indebtedness to others made by the Company, not publicly disclosed
- They hold no trust monies on behalf of the Company

II. Management reported that the Company had no outstanding significant capital commitments in respect of projects being undertaken, nor was there any off-balance sheet transactions as at 31 December 2019 (31 December 2018 - $NIL).

III. As at 31 December 2019, as far as the Board of Directors of the Company are aware, there were no significant legal claims threatened against the Company.

IV. As at 31 December 2019, under the 2016 Income Tax (Amended) Act, as a result of the listing of both DTCL and its subsidiary, CFFL, on the Junior Market of the Jamaican Stock Exchange, The Group has potential contingent liabilities of approximately $270 Million in regards to income tax remissions.

32. SUBSEQUENT EVENTS

At 31 December 2019, to the best of management's knowledge and belief, they were not aware of any events that occurred after the statement of financial position date and through to the date of approval of these financial statements that would require adjustment to or disclosure in the aforementioned financial statements. Also, they were not aware of any event or matter, although not affecting such financial statements or disclosures, have caused or are likely to cause any material change, adverse or otherwise, in the financial position or results of operations of the Company.

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FORM OF PROXY

I/WE[1]____of

____

being a shareholder(s) of DERRIMON TRADING COMPANY LIMITED HEREBY APPOINT:
________________________________ of ______________________________or
failing him/her ____of
____as my/our proxy
to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 25th day of September 2020 at 10:00am at The Knutsford Court Hotel and at any adjournment thereof, to vote for me/us and in my/our name for the said resolutions (either with or without modification, as my/our Proxy may approve) or against the said resolutions as hereby indicated.

I desire this form to be used as follows[2] (unless directed by the proxy will vote as he sees fit):

	For	Against
ORDINARY BUSINESS		
RESOLUTION 1 - To receive the audited accounts for the year ended 31 December 2019.		
RESOLUTION 2(a) - To re-appoint Monique Cotterell to the Board of Directors.		
RESOLUTION 2(b) - To re-appoint Ian Kelly to the Board of Directors.		
RESOLUTION 2(c) - To re-appoint Winston Thomas to the Board of Directors.		
RESOLUTION 2(d) - To re-appoint Paul Buchanan to the Board of Directors.		
RESOLUTION 3 - To fix the remuneration of the Directors.		
RESOLUTION 4 - To re-appoint the Auditors and to fix their remuneration.		
SPECIAL BUSINESS		
RESOLUTION 5 - To approve an Additional Public Offering.		
RESOLUTION 6 - To grant Board authority to determine terms relating to Additional Public Offering.		
RESOLUTION 7 - To dis-apply pre-emption rights.		
RESOLUTION 8 - To convert ordinary shares to stock units on issuance.		

FORM OF PROXY (Cont'd)

Signed: ______________________ Signed[3] : _______________________________

Dated this ________________ day of ____________________________ , 2020

NOTES

(1) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his place. Such proxy need not be a member of the Company.

(2) If the appointer is a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised in that behalf.

(3) Any alteration made in this Form of Proxy should be initialed by the person who signs it.

(4) A member must lodge his From of Proxy with the Secretary at 235 Marcus Garvey Drive, Kingston 11, Jamaica **not less than 48 hours before the Meeting**, but if not so lodged it may be handed to the Chairman of the Meeting.

(5) In the case of joint holders the vote of the senior joint holder who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders(s), and for this purpose seniority will be determined by the order in which the names appear in the books of the Company.

(6) If this form is returned without any indication as to how the person appointed proxy shall vote, he will exercise his discretion as to how he votes or whether he abstains from voting.

(7) **The person to whom this Proxy is given need not be a holder of shares in the Company but must attend the Meeting in person to represent you.**

[1] Full name and address to be inserted in Block Capitals.
[2] Please indicate with an X in the spaces how you wish your vote to be cast.
[3] To be used if under common seal by a corporation.

DERRIMON
TRADING CO. LTD.

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