Consolidated Net Profit After Tax of $68.51M

Consolidated Statements of Derrimon Trading Company Limited

Report to Stockholders
Three (3) months ended March 31, 2019

The Board of Directors is pleased to report the unaudited results and performance of the Company and Group for the three (3) months ended March 31, 2019.

Financial Highlights

Consolidated Group

- **Consolidated Revenue of $3,151.18B, an increase of $1,212.16B or 62.51%**
- **Consolidated Profit before tax of $84,556M, an increase of $27.00M or 46.90%**
- **Consolidated Earnings Per Stock unit of $0.025, up from $0.019**
- **Consolidated Gross Profit of $552.12M, an increase of $198.64M or 56.20%**

For the three months ending March 31, 2019, Derrimon Trading Company Ltd achieved revenue of $3,151.18 billion representing an increase of $1,212.16 billion or 62.51% over the corresponding period of 2018. The Group's Consolidated revenue growth was positively influenced by the contribution from the distribution and retail arms of Derrimon Trading, Caribbean Flavours and Fragrances as well as the new 100% shareholdings in Woodcats International Company Limited.

The Group Consolidated gross profit for this quarter was $552.12 million, which was $196.64 million or 56.20% above the $353.48 million reported for the comparative period last year.

The Consolidated Group expenses was $414.20 million which was $149.93 million or 56.74% above the $264.27 million reported for the similar period in 2018. The full expenses of the new subsidiary, Woodcats International Company Limited, and the related SM Jaleel portfolio expenses are included in this reporting period and were not a part of our operations for the similar period last year

The consolidated net profit after tax for this reporting period was $68.51 million, an increase of $16.91 million or 32.76% over the $51.604million reported for the same period last year.

The consolidated total assets less current liabilities was $2,225.41 million which was flat when compared to the to the $2,276.07 billion reported for similar quarter in 2018.

Retail and Distribution Divisions

The three months results reflect revenue from core activities of $2,880.83 billion which was $1,030.53 billion (55.70%) over the $1,850.30 billion reported for the corresponding three (3) months period in 2018. The growth in revenue was primarily influenced by the addition of the SM Jaleel portfolio and further deepening of the grains, oils and fats portfolio of the distribution business as well as significant generic growth in the Retail Division.

The ongoing road construction at Marcus Garvey Drive continues to present challenges to our Cash and Carry store and our Distribution Operations at this location. Access to the location has been difficult for customers, staff and contractors throughout this period.

Through innovation and adjustments to working hours, we were able to achieve revenue growth in both parts of the business at this location. Understandably, this led to an increase in our delivery and operations costs but the overall impact to net profit was positive.

Gross profit from core operations reported for the period was $472.90 million which was $154.11 million (48.34%) above the $318.79 million reported for the same period in 2018. This performance reflects a combination of improvement in margins arising from strategies employed by the distribution & retail segments of the business and the broadening of the Company's distribution portfolio.

Operating expenses from core activities for the period was $371.79 million which represents an increase of $128.412million or52.77% over the $243.372 million reported for the same period in 2018. The major factors for this increase include the full quarter impact of the cost associated with the new distribution of the SM Jaleel suite of products, increased delivery costs as mentioned above and costs from regular operations such as utilities, internal and external audit fees, marketing expenses, and general staff costs.

Finance charges was $58.55 million up by $18.27 million or 45.37% from the $40.28 million reported in March 2018 and represents cost associated with existing loan portfolio inclusive of financing associated with the purchase of 100% shares of Woodcats International and working capital support which is required for the growth in the business.

Net Profit before tax recorded for the three months period from core business was $43.90 million representing a $2.03 million or 5% increase over the $41.87 million reported for the corresponding period in 2018.

Total Assets less Current Liabilities was at $1,949.93 billion which represents a marginal reduction of $141.84 million or 6.78% when compared to $2,091.77 billion reported for the similar period last year. This rise in payables is driven by the significant increase in inventory in the latter part of March.

As we continue to experience growth whilst building a diversified organization, we acknowledge the contribution of all our stakeholders who continue to support our Company despite the various challenges. The road construction at our Marcus Garvey facilities presented challenges and difficulties for many of our customers, contactors and staff but they have remained dedicated and loyal and for this, we are grateful and wish to thank them for their support.

Derrick Cotterell

Chairman & Chief Executive Officer

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Derrimon Trading Company Limited
Statement of Profit and Loss & Comprehensive Income
Three Months Ended March 31, 2019

Revenue	Notes	Company Unaudited Derrimon Three months ended March 31 2019 $'000	Company Unaudited Derrimon Three months ended March 31 2018 $'000	Group Unaudited Consolidated Three months ended March 31 2019 $'000	Group Unaudited Consolidated Three months ended March 31 2018 $'000	Company Audited year ended December 31 2018 $'000	Group Audited year ended December 31 2018 $'000
Trading Income	3h	2,880,828	1,850,297	3,151,180	1,939,020	8,759,236	9,303,460
Less cost of sales		2,407,933	1,531,508	2,599,058	1,585,541	7,244,705	7,612,427
Gross Profit		472,895	318,789	552,122	353,479	1,514,531	1,691,033
Other Income		1,344	6,729	4,922	6,729	44,406	66,248
		474,239	325,518	557,044	360,208	1,558,937	1,757,281
Less operating expenses:							
Administrative		279,080	209,862	320,681	229,823	964,031	1,069,495
Selling & distribution		92,709	33,510	93,520	34,445	228,106	233,718
		371,789	243,372	414,201	264,268	1,192,137	1,303,213
Operating profits/ (loss) before finance charges		102,450	82,146	142,843	95,940	366,800	454,068
Less : finance cost		(58,552)	(40,279)	(58,277)	(38,374)	(170,376)	(172,223)
Profit before taxation		43,898	41,867	84,566	57,566	196,424	281,845
Taxation (Estimated)	4	5,487	-	10,571		-	4,632
Net Profit		38,411	41,867	73,995	57,566	196,424	277,213
Other comprehensive income		-	-	-	-		
Non-controlling interest				(5,487)	(5,962)		
Reversal of deferred taxation		-	-	-	-		-
Increase in revaluation investment		-	-		-		-
Total comprehensive income		38,411	41,867	68,509	51,604	196,424	277,213
Earnings per stock unit	5	0.014	0.015	0.025	0.019	0.072	0.101

Derrimon Trading Company Limited
Statement of Financial Position
Three Months ended March 31, 2019

	Notes	Company Unaudited Derrimon Three Months March 31	Company Unaudited Derrimon Three Months March 31	Group Unaudited Consolidated Three months ended March 31	Group Unaudited Consolidated Three months ended March 31	Company Audited year ended December 31	Group Audited year ended December 31
		2019	2018	2019	2018	2018	2018
		$'000	$'000	$'000	$'000	$'000	$'000
ASSETS							
Non-current assets:							
Fixed Assets	3f	385,088	379,724	463,480	394,624	380,199	457,651
Goodwill	7 (d)	33,220	33,220	163,940	33,220	33,220	163,940
Intangible	7(a)		-	233,478	227,273		233,478
Investment		148,351			-	148,351	-
Investment in Subsidiary	7(a)	793,722	438,720	156,907	-	793,722	180,411
Current assets:							
Receivables and prepayments		1,358,561	728,385	1,686,697	772,488	953,980	1,166,946
Inventories		1,036,122	686,393	1,158,601	824,014	1,111,289	1,280,787
Investment		13,910	79,763	168,306	225,194	15,736	170,132
Cash & bank		271,484	111,345	324,569	206,885	298,539	388,751
Tax recoverable		-	-	1,283	5,356	-	5,999
		2,680,077	1,605,886	3,339,456	2,033,937	2,379,544	3,012,615
Current Liabilities:							
Payables		1,247,711	362,633	1,283,941	407,769	1,090,545	1,149,544
Short term loans		837,335	-	837,335		736,416	736,416
Current portion of long term loan		-	3,150	-	5,211	67,105	69,636
Taxation payable		5,487	-	10,571		-	8,525
		2,090,533	365,783	2,131,847	412,980	1,894,066	1,964,121
Net current assets		589,544	1,240,103	1,207,609	1,620,957	485,478	1,048,494
Total assets less current liabilities		1,949,925	2,091,767	2,225,414	2,276,074	1,840,970	2,083,974
Equity							
Issued capital		140,044	140,044	140,044	140,044	140,044	140,044
Non-controlling interest		-		168,084	147,534		162,597
Retained earnings		786,326	612,489	888,852	641,961	747,914	820,343
Investment revaluation reserve		614	614	614	614	614	614
Capital Reserve		94,638	133,052	94,638	133,052	94,638	94,638
		1,021,622	886,199	1,292,232	1,063,205	983,210	1,218,236
Non Current Liability:							
Borrowings		928,303	1,205,568	933,182	1,212,869	857,760	862,658
Deferred tax liability		-	-	-	-	-	3,080
		928,303	1,205,568	933,182	1,212,869	857,760	865,738
Total equity and none-current liabilities		1,949,925	2,091,767	2,225,414	2,276,074	1,840,970	2,083,974

Approved for issue by the Board of Directors on May 13, 2019 by:

Derrick Cotterell
Chairman

Ian Kelly
Director

Derrimon Trading Limited
Company Statement of change in Shareholders' Equity
Three Months Ended March 31, 2019

	Share Capital	Retained Earnings	Investment Revaluation Reserve	Capital Reserves	Non-controlling interest	Total
Balance at 31 December 2017	140,044	570,622	614	133,053	-	844,333
Total comprehensive income	-	41,867	-	-		41,867
Non-controlling interest					-	-
Balance at March 31, 2018	140,044	612,489	614	133,053	-	886,199

	Share Capital	Retained Earnings	Investment Revaluation Reserve	Capital Reserves	Non-controlling interest	Total
Balance at 31 December 2018	140,044	747,914	614	94,638		983,210
Total comprehensive income	-	38,411	-	-		38,412
Non-controlling interest					-	-
Balance at March 31, 2019	140,044	786,326	614	94,638	-	1,021,622

Derrimon Trading Limited
Group Statement of change in Shareholders' Equity
Three Months Ended March 31, 2019

	Share Capital	Retained Earnings	Investment Revaluation Reserve	Capital Reserves	Non-controlling interest	Total
Balance at 31 December 2017	140,044	590,357	614	133,053	171,107	1,035,175
Total comprehensive income	-	51,604	-	-		51,604
Non-controlling interest					(23,573)	(23,573)
Balance at March 31, 2018	140,044	641,961	614	133,053	(23,573)	1,063,205

	Share Capital	Retained Earnings	Investment Revaluation Reserve	Capital Reserves	Non-controlling interest	Total
Balance at 31 December 2018	140,044	820,343	614	94,638	162,597	1,218,236
Total comprehensive income	-	68,509	-	-		68,509
Non-controlling interest					5,487	5,487
Balance at March 31, 2019	140,044	888,852	614	94,638	168,084	1,292,232

Derrimon Trading Limited
Company Statement of Cash flows
Three Months Ended March 31,2019

	Note	3 Months ended March 31,2019 $'000	3 Months ended March 31,2018 $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net profit		38,411	41,867
Adjustments for:			
Depreciation		11,690	7,283
Share of profit of associated company		-	-
		50,101	49,150
Changes in non-cash working capital components:-			
Decrease/(Increase):			
Receivables		(404,581)	92,023
Inventory		75,167	24,202
Related Company		-	-
GCT recoverable		-	-
Increase/(Decrease):			
Payables		157,166	(417,842)
Taxation		5,487	-
		(166,761)	(301,617)
Net funds provided by/(used in) operating activities		(116,660)	(252,467)
CASH FLOWS FROM INVESTING ACTIVITY:			
Investments		(1,826)	44,599
Investments in Subsidiary			
Acquisition of property, plant and equipment		(16,579)	(15,450)
Net cash used in investment activities		(18,405)	29,149
Financing activities:			
Loans received during the period		164,462	424,424
Loans repayments		(56,452)	(248,952)
Net cash provided by financing activities		108,010	175,471
Net (decrease)/ increase in cash balances		(27,055)	(47,847)
Net cash balance at beginning of period		298,539	159,191
Net cash balance at end of period		271,484	111,345
Represented by:			
Cash & cash equivalents		271,484	111,345
Net cash and cash equivalents at end of period		271,484	111,345

Derrimon Trading Limited
Group Statement of Cash flows
Three Months Ended March 31,2019

	Note	3 Months ended March 31,2019 $'000	3 Months ended March 31,2018 $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net profit		73,995	51,604
Adjustments for:			
Deferred Tax		(3,080)	
Prior Year Adjustment		-	-
Depreciation		15,405	3,150
Gain on sale of fixed assets			
Share of profit of associated company		-	(789)
Interest income			
Finance costs		58,277	38,374
		144,597	92,339
Changes in non-cash working capital components:-			
Decrease/(Increase):			
Receivables		(519,751)	114,724
Inventory		122,186	(28,463)
Related Company		-	-
Short term loan		-	31,782
GCT recoverable		4,716	(147)
Increase/(Decrease):			
Payables		134,397	(383,267)
Taxation		2,046	-
Current portion of long term borrowings		-	-
		(256,406)	(265,371)
Net funds provided by/(used in) operating activities		(111,809)	(173,032)
CASH FLOWS FROM INVESTING ACTIVITY:			
Interest income		-	789
Investments		1,826	
Investments in Subsidiary		23,504	
Acquisition of property, plant and equipment		(21,234)	(10,767)
Net cash used in investment activities		4,096	(9,978)
Financing activities:			
Loans received during the period		101,807	307,518
Loans repayments		-	(278,613)
Interest expense		(58,277)	(72)
Net cash provided by financing activities		43,530	28,833
Net (decrease)/ increase in cash balances		(64,183)	(154,177)
Net cash balance at beginning of period		388,751	265,521
Net cash balance at end of period		324,569	111,345
Represented by:			
Cash & cash equivalents		324,569	111,345
Bank overdraft		-	-
Net cash and cash equivalents at end of period		324,569	111,345

Notes to the Unaudited Financial Statements

Three (3) Months Ended March 31, 2019

1. IDENTIFICATION AND PRINCIPAL ACTIVITIES

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

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

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

2. BASIS OF PREPARATION

Statement of Compliance

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

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

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

2. BASIS OF PREPARATION (continued)

Critical Accounting Estimates and Judgements in Appling Accounting Policies.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Depreciable assets

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

b) Allowance for losses

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Basis of consolidation of divisional accounts

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

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

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

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

Entity	**Principal Activity**	**% Ownership by Company at 31 March 2019**	**% Ownership by Company at 31 December 2018**
CFFL	Manufacture of Flavours and Fragrances the Group at 31 December 2018	62.02%	62.02%
Select Grocers	Operation of Supermarket	60%	60%
Woodcats International Limited	Manufacturers of wooden pallets	100%	0%

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

(a) Joint arrangement

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

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

(b) Business combination

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

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

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

(c) Business combination (continued)

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Comparative information

Comparative figures have been reclassified, where necessary, to conform to changes in presentation in the current year.

e) Segment reporting

An operating segment is a component of the Company:

a. That engages in business activities from which it may earn revenues and incur expenses (including intra-company revenues and expenses),
b. Whose operating results are regularly reviewed by the Company's Board of Directors to make decisions about resources to be allocated to the segment and assess its performance, and
c. For which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year. Management considers the Company to have three (3) (2017- three (3)) strategic business units which offer differentiated volume and price to its customers.

The primary operating segments (reportable business units) are:

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Segmental Financial Information

	The Group 2019			
	Distribution	**Sampars Outlets**	**Other Operations**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Revenue from external customers	1,767,440	1,113,388	270,352	3,151,180
			-	-
Depreciation	6,695	4,995	3,715	15,405
				-
Current Liabilities	1,642,130	448,403	41,314	2,131,847
				-
Current Assets	2,182,075	646,351	511,030	3,339,456

	The Company 2019	
	Distribution	**Sampars Outlets & Select Grocers**	**Total**
	$'000	**$'000**	**$'000**
Revenue from external customers	1,767,440	1,113,388	2,880,828
			-
Depreciation	6,695	4,995	11,690
			-
Current Liabilities	1,642,130	448,403	2,090,533
			-
Current Assets	2,033,726	646,351	2,680,077

f) Valuation of property, plant and equipment

Items of property, plant and equipment are measured at cost, except for certain plant and equipment and freehold land and buildings which are measured at valuation, less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self- constructed assets includes the cost of material and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use.

The market value of freehold land and building is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

transaction considering its existing condition and location. The market value of plant and equipment is estimated using depreciated replacement cost approach. Gains or losses arising from changes in market value are taken to capital reserve.

g) Depreciation and amortization

Property, plant and equipment are stated at historical cost, less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items. Depreciation is calculated on the straight-line basis at such rates that will write off the carrying value of the assets over the period of their estimated useful lives. Each financial year, the depreciation methods, useful lives and residual values, although consistently applied are reassessed to ensure that the assets are fairly stated. Annual depreciation rates are as follows:

Furniture, fittings & fixtures	20%
Machinery & equipment	10%
Motor vehicle	20%
Computers	33 1/3%
Buildings Leasehold improvements	2.5%
Leasehold improvements	2.5%
Goodwill and Intangibles	

Leasehold Improvement is amortized over period of lease. Goodwill and Intangibles are tested annually for impairment or when circumstances and events give rise to a reassessment.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognized in other income in the income statement.

Repairs and maintenance expenditure is charged to the income statement during the financial period in which they are incurred.

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

h) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's activities. Revenue is shown net of General Consumption Tax, returns and discounts and after eliminating inter-division sales within the Company.

The Company recognizes revenue in the income statement when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company, where the significant risks and rewards of ownership have been transferred to the buyer and specific criteria have been met in relation to the Company's activities as described below:

Sale of goods

Sales are recognized upon delivery of products and customer acceptance of the products and collectability of the related receivables is reasonably assured.

Interest income, is recognized in the statement of comprehensive income for all interest-bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investments.

i) Foreign currency translation

The financial statements are presented in the functional currency of the Company which is the Jamaican dollar. The Jamaican dollar is the currency of the primary economic environment in which the Company operates.

Transactions and balances

Foreign currencies are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from transactions at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

j) Trade receivables

Trade receivables are carried at original invoice amounts less provision made for impairment of these receivables. The Company's policy is not to provide credit beyond thirty (30) days. If customers do not comply with the credit terms and limits, supplies are discontinued. A provision for impairment of these receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the transactions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Business combination

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

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

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

4. TAXATION

The Company's shares were listed on the Junior Market of the Jamaica Stock Exchange on December 17, 2013. Consequently, the Company is entitled to a remission of taxes for ten (10) years in the proportions set out below, provided the shares remain listed for at least fifteen (15) years:

Years 1 to 5 (December 18, 2013 - December 16, 2018) – 100%

Years 6 to 10 (December 17, 2018 - December 16, 2023) - 50%

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

5. EARNINGS PER STOCK UNIT

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

6. SHARE CAPITAL

	2017	2016
<u>Authorised:</u>		
400,400,000 ordinary shares of no par value		
<u>Issued and fully paid:</u>		
273,336,067 (2013 – 1,000) shares net of		
transaction costs	140,044,436	140,044,436

The net profit after tax reported by CFFL for the three (3) months ending March 31, 2019 was $19.934 million.

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

Control of Caribbean Flavours and Fragrances Limited (CFFL)

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

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

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

Consideration transferred

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

Previously held investment in CFFL

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

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

Non-controlling interest in CFFL

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

Identifiable net assets

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

Goodwill and Intangible assets

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

Changes in goodwill

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

	2017	2016
	$'000	$'000
Gross carrying amount		
Balance, beginning of the year	15,220	15,220
Acquired through business combination		
Net exchange difference		
Balance, end of the year	15,220	15,220
Accumulated impairment		
Balance, beginning of the year	0	0
Net exchange difference		
Balance, end of the year	0	0
Carrying amount at the end of the year	15,220	15,220

DERRIMON TRADING

SHAREHOLDINGS OF TOP TEN (10) STOCKHOLDERS, DIRECTORS AND SENIOR OFFICERS AS AT MARCH 31, 2019

Top (10) Stockholders	Number of Shares Held
Derrick Cotterell	1,115,000,000
Manwei International Limited	419,998,240
Monique Cotterell	400,000,000
Ian C. Kelly	157,373,169
Estate of E. Cotterell (Deceased)	100,000,000
Winston Thomas	72,351,180
Sagicor Pooled Equity Fund	58,756,920
JCSD Trustee Services – Sigma Global Venture	36,962,100
Nigel Coke	35,807,960
Sharon Harvey-Wilson	29,163,580

Directors	
Derrick Cotterell	1,115,000,000
Monique Cotterell	400,000,000
Ian C. Kelly	157,373,169
Winston Thomas	72,351,180
Earl Anthony Richards	5,000,000
Alexander I. E. Williams	500,000
Paul Buchanan	424,820

DERRIMON TRADING

SHAREHOLDINGS OF TOP TEN (10) STOCKHOLDERS, DIRECTORS AND SENIOR OFFICERS AS AT MARCH 31, 2019 (continued)

Senior Officers	Number of Shares Held
Sheldon Simpson	2,539,728
Craig Robinson	120,000