



**Derrimon Trading Company Limited  
Report to Stockholders  
Nine months ended September 30, 2015**

The Board of Directors is pleased to present the unaudited results of the Company for the nine (9) months ended September 30, 2015.

**Performance Highlights**

**Nine months ended September 2015 compared with Nine months ended September 2014**

- Revenue of \$4.605 billion, an increase of \$407.447 million, or 9.71%
- Gross Profit of \$572.577 million, an increase of \$133.118 million, or 30.29%
- Net Profit of \$68.686 million, representing a \$60.995 million increase
- Earnings per Stock unit of \$0.25, increased from \$0.03.
- Income from Associated Company of \$30.493 million

The nine months results reflect revenue of \$4.605 billion an increase of \$407.447 million or 9.71% over the \$4.197 billion reported for the corresponding nine months period in 2014. The growth in revenue continues to be influenced by increased sales within both the retail and distribution segment of the business due to our expansion strategy and the addition of new products to the portfolio.

Gross profit reported for the period was \$572.577 million or 30.29% above the \$439.459 million reported for the similar period in 2014. This improvement is mainly attributable to the growth in margins within both segments of the business due to increased sales in the retail segments and the addition of new higher margin products within distribution.

Operating expenses, which include both administrative and selling & distribution expenses was \$477.557 million for the period, this represents a 15.24% or \$63.173 million increase over the \$414.385 million for the similar period in 2014. The major factors for this increase were the increase in cost for utilities, marketing expenses, staff cost and contracted services such as trucking and internal audit.

Finance charges increased from \$50.723 million to \$66.446 million or 31% in the nine (9) months period reported. This was driven by the interest payable on the \$200 million secured note at 12.25% which was refinanced in August 2015 at 11.75%, the quarterly dividend on the 11.75% Preference Shares as well as other debts which have been retired during this period.

Net profit recorded for the first nine months was \$68.686 million representing a \$60.995 million or 793.03% increase over the corresponding period in 2014 when net profit of \$7.691 million was recorded.

We thank our shareholders, employees and other stakeholders for their support as we continue our journey of growth and creating greater value for all stakeholders.



Derrick Cotterell  
Chairman/Chief Executive Officer



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**Derrimon Trading Company Limited**  
**Statement of Profit and Loss & Comprehensive Income**  
**Nine Months Ended September 30, 2015**

	Notes	Unaudited three months ended September 30	Unaudited three months ended September 30	Unaudited nine months ended September 30	Unaudited nine months ended September 30	Audited year ended December 31
	Note	2015	2014	2015	2014	2014
<b>Revenue</b>		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Trading Income	3h	1,725,861,413	1,500,532,123	4,604,781,937	4,197,334,934	5,609,597,370
Less cost of sales		1,512,943,038	1,345,948,523	4,032,205,009	3,757,875,981	4,983,191,683
<b>Gross Profit</b>		<b>212,918,375</b>	<b>154,583,600</b>	<b>572,576,928</b>	<b>439,458,953</b>	<b>626,405,687</b>
<b>Other Income</b>		<b>290,744</b>	<b>9,438,517</b>	<b>9,618,868</b>	<b>33,339,893</b>	<b>48,324,016</b>
<b>Operating Income</b>		<b>213,209,119</b>	<b>164,022,117</b>	<b>582,195,796</b>	<b>472,798,846</b>	<b>674,729,703</b>
<b>Less operating expenses:</b>						
Administrative		141,981,719	116,208,074	386,120,262	343,424,820	471,832,595
Selling & distribution		37,685,679	24,318,894	91,437,073	70,960,001	113,751,327
		179,667,398	140,526,968	477,557,335	414,384,821	585,583,922
<b>Operating profit/ (loss) before finance charges</b>		<b>33,541,721</b>	<b>23,495,149</b>	<b>104,638,461</b>	<b>58,414,025</b>	<b>89,145,781</b>
Less : finance cost		26,032,173	17,542,805	66,445,662	50,722,701	45,594,810
Share of profit of associated	7(b)	9,981,174		30,493,168		8,115,750
Profit/(Loss) before taxation		17,490,722	5,952,344	68,685,967	7,691,324	51,666,721
Taxation ( Estimated)	4	-	-	-	-	(60,000)
Net Profit		17,490,722	5,952,344	68,685,967	7,691,324	51,606,721
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Unrealised loss on AFS investment		-	-	-	-	(40,000)
<b>Total comprehensive income</b>		<b>17,490,722</b>	<b>5,952,344</b>	<b>68,685,967</b>	<b>7,691,324</b>	<b>51,566,721</b>
Earnings per stock unit	5	0.06	0.02	0.25	0.03	0.19

**Derrimon Trading Company Limited**  
**Statement of Financial Position**  
**Nine Months ended September 30, 2015**

	Note	Unaudited September 30 <u>2015</u> \$	Unaudited September 30 <u>2014</u> \$	Audited December 31 <u>2014</u> \$
<b>ASSETS</b>				
<b>Non-current assets:</b>				
Fixed Assets	3(f)	162,057,080	146,204,724	148,860,731
Goodwill		19,542,288	3,750,000	8,220,200
Investment in associate	7(a)	159,776,162	121,167,244	129,282,994
<b>Current assets:</b>				
Receivables		785,629,996	686,076,031	494,788,245
Inventories		747,802,916	541,559,723	604,678,070
Related parties		-	-	3,915,387
Investment		15,265,423	33,216,995	11,386,199
Cash & bank		83,446,663	32,734,414	49,634,757
		<u>1,632,144,998</u>	<u>1,293,587,163</u>	<u>1,164,402,658</u>
<b>Current Liabilities:</b>				
Payables		<u>905,403,554</u>	<u>792,200,758</u>	<u>598,586,008</u>
Short term loans		111,167,244	86,778,839	111,167,244
Current portion of long term loan				318,022,612
Taxation payable ( Estimated)		-		-
		<u>1,016,570,798</u>	<u>878,979,597</u>	<u>1,027,775,864</u>
<b>Net current assets</b>		<u>615,574,200</u>	<u>414,607,566</u>	<u>136,626,794</u>
<b>Total assets less current liabilities</b>		<u>956,949,730</u>	<u>685,729,534</u>	<u>422,990,719</u>
<b>Equity</b>				
Issued capital		140,044,436	140,044,436	140,044,436
Retained earnings		230,755,832	118,154,467	162,069,864
Capital Reserve		57,463,266	57,503,266	57,463,266
		<u>428,263,535</u>	<u>315,702,169</u>	<u>359,577,566</u>
<b>Non Current Liability:</b>				
Borrowings		255,882,097	305,138,167	13,514,864
Shareholders Loan		22,804,098	64,889,198	49,898,289
Preference Shares		250,000,000	-	-
		<u>528,686,195</u>	<u>370,027,365</u>	<u>63,413,153</u>
<b>Total equity and none-current liabilities</b>		<u>956,949,730</u>	<u>685,729,534</u>	<u>422,990,719</u>

Approved for issue by the Board of Directors on November 12, 2015 by:



Derrick Cotterell  
Chairman



Ian Kelly  
Director

**Derrimon Trading Limited**  
**Statement of change in Shareholders' Equity**  
**Nine Months Ended September 30, 2015**

	<u>Share Capital</u>	<u>Retained Earnings</u>	<u>Capital Reserves</u>	<u>Total</u>
	\$	\$	\$	\$
<b>Balance at 31 December 2013</b>	140,044,436	110,463,143	57,503,266	308,010,845
Total comprehensive income		7,691,324		7,691,324
<b>Balance at September 30, 2014</b>	<u>140,044,436</u>	<u>118,154,467</u>	<u>57,503,266</u>	<u>315,702,169</u>

	<u>Share Capital</u>	<u>Retained Earnings</u>	<u>Capital Reserves</u>	<u>Total</u>
<b>Balance at 31 December 2014</b>	140,044,436	162,069,864	57,463,266	359,577,566
Total comprehensive income	-	68,685,967	-	68,685,967
	-	-	-	-
<b>Balance at September 30, 2015</b>	<u>140,044,436</u>	<u>230,755,831</u>	<u>57,463,266</u>	<u>428,263,533</u>

**Derrimon Trading Limited**  
**Statement of Cash flows**  
**Nine Months Ended September 30,2015**

	Note	9 Months ended September 30,2015 \$	9 Months ended September 30,2014 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net profit/(loss)		68,685,967	7,691,325
Adjustments for:			
Depreciation		19,406,806	14,039,743
Share of profit of associated company		(30,493,168)	-
		<u>57,599,605</u>	<u>21,731,068</u>
Changes in non-cash working capital components:-			
Decrease/(Increase):			
Receivables		(290,841,751)	(306,903,833)
Inventory		(143,124,846)	(118,334,242)
Related Company		3,915,387	6,860,583
Increase/(Decrease):			
Payables		306,817,546	201,708,287
Taxation		-	(13,685,664)
		<u>(123,233,664)</u>	<u>(230,354,869)</u>
Net funds provided by/(used in) operating activities		(65,634,059)	(208,623,801)
<b>CASH FLOWS FROM INVESTING ACTIVITY:</b>			
Goodwill		(11,322,088)	-
Investments		(3,879,224)	(14,140,639)
Investment in associate		-	(121,167,244)
Acquisition of property, plant and equipment		(32,603,155)	(19,039,515)
<b>Net cash used in investment activities</b>		<u>(47,804,467)</u>	<u>(154,347,398)</u>
<b>Financing activities:</b>			
Loans received during the period		492,367,234	385,770,667
Loans repayments		(318,022,611)	(101,255,097)
Director's loan repayment		(27,094,191)	60,000,000
<b>Net cash provided by financing activities</b>		<u>147,250,432</u>	<u>344,515,570</u>
<b>Net (decrease)/ increase in cash balances</b>		33,811,906	(18,455,629)
<b>Net cash balance at beginnig of period</b>		49,634,757	51,190,043
<b>Net cash balance at end of period</b>		<u><u>83,446,663</u></u>	<u><u>32,734,414</u></u>
<b>Represented by:</b>			
Cash & cash equivalents		83,446,663	32,734,414
Net cash and cash equivalents at end of period		<u><u>83,446,663</u></u>	<u><u>32,734,414</u></u>



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

### **Nine Months Ended September 30, 2015**

#### **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 St. Ann's Bay at 3 Harbour Street, St. Ann and Sampars Old Harbour at 3 Arscott Drive, Old Harbour, St. Catherine.

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, 2014.

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 best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are noted below:

##### **Critical Accounting Estimates and Judgements in Applying 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 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.

#### **c) Basis of consolidation of divisional amounts**

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.

**d) Comparative information**

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

**e) Segment reporting**

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 wholesale chain of outlets trading as Sampars Cash and Carry.

**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 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**

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%

Leasehold Improvement is amortized over period of lease.

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.

#### **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.

### **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.

### **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.

## **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%

## **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

2015

2014

### **Authorised:**

400,400,000 ordinary shares of no par value

### **Issued and fully paid:**

273,336,067 (2013 – 1,000) shares net of

transaction costs

140,044,436

140,044,436

## 7. Investment in Associate

a) Investment at beginning of year

129,282,994

-

Share of results after tax

30,493,168

-

b) In August 2014, the Company acquired 49% of Caribbean Flavours and Fragrances Limited (CFFL) a company incorporated in Jamaica and listed on the Junior Market of the Jamaica Stock Exchange. The Company participates in the financial and operating policy decisions but does not control CFFL.

**SHAREHOLDINGS OF TOP TEN (10) STOCKHOLDERS, DIRECTORS AND SENIOR OFFICERS AS AT  
SEPTEMBER 30, 2015**

<b>Top (10) Stockholders</b>	<b>Number of Shares Held</b>
Derrick Cotterell	110,000,000
Monique Cotterell	40,000,000
Monica Bell	40,000,000
Ian C. Kelly	15,743,459
Winston Thomas	13,363,979
Estate of E. Cotterell (Deceased)	10,000,000
Manwei International Limited	10,000,000
Mayberry Managed Clients Account	5,811,263
Mayberry West Indies Limited	5,750,133
Sharon Harvey-Wilson	1,958,179
<b>Directors</b>	
Derrick Cotterell	110,000,000
Monique Cotterell	40,000,000
Ian C. Kelly	15,743,459
Winston Thomas	13,363,979
Earl Anthony Richards	500,000
Alexander I. E. Williams	100,000

**Senior Officers**

Sheldon Simpson	245,000
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Craig Robinson	243,848
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