

**DERRIMON TRADING COMPANY LIMITED**  
**FINANCIAL STATEMENTS**  
**31 DECEMBER 2013**

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**Derrimon Trading Company Limited**  
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**31 December 2013**

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To the Members of  
Derrimon Trading Company Limited

### **Independent Auditors' Report**

We have audited the accompanying Financial Statements of Derrimon Trading Company Limited which comprise the Company's statement of financial position as at 31 December 2013 and the statement of comprehensive income, statement of changes in shareholders' equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with requirements of the Jamaican Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



To the Members of  
Derrimon Trading Company Limited

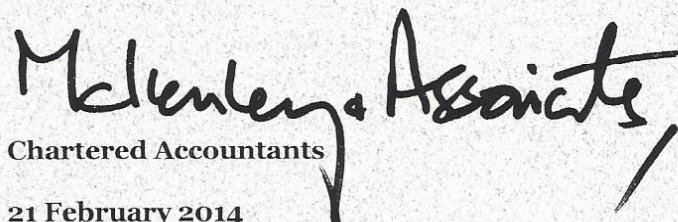
### **Opinion**

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as of 31 December 2013 and of the financial performance and cash flows of the Company for the year then ended, so far as concerns the members of the Company, in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

### **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 financial statements are in agreement therewith and give the information required by the Act, in the manner so required.



Chartered Accountants

21 February 2014  
Kingston, Jamaica



**Derrimon Trading Company Limited**  
**Statement of Comprehensive Income**  
**31 December 2013**

	<u>Note</u>	<u>31 Dec. 2013</u>	<u>31 Dec. 2012</u>
		\$	\$
<b>Revenue</b>			
Trading income	3(e)	5,255,522,855	4,761,308,783
Less cost of sales		<u>4,694,562,085</u>	<u>4,349,307,283</u>
<b>Gross profit</b>		560,960,770	412,001,500
<b>Other income</b>			
Interest income		1,692,504	507,803
Storage space rental		37,677,986	35,125,825
Gain on foreign exchange		-	230,024
		<u>600,331,260</u>	<u>447,865,152</u>
<b>Less operating expenses:</b>			
Administrative		384,086,316	303,921,620
Selling & distribution		115,433,359	99,103,036
		<u>499,519,675</u>	<u>403,024,656</u>
<b>Operating profit before finance costs</b>		100,811,585	44,840,496
Less: finance costs		29,318,763	19,518,435
<b>Profit before taxation</b>		71,492,822	25,322,061
Taxation	5	<u>(21,565,478)</u>	<u>(9,527,294)</u>
<b>Net profit</b>		49,927,344	15,794,767
<b>Other comprehensive Income</b>			
Reversal of deferred taxation	5	14,375,815	-
Revaluation of fixed assets, net of tax		-	17,584,387
<b>Total comprehensive income</b>		<u>64,303,159</u>	<u>33,379,154</u>
<b>Earnings per stock unit</b>	3(t)	\$0.25	\$0.08

**Derrimon Trading Company Limited**  
**Statement of Financial Position**  
**31 December 2013**

	<u>Note</u>	<u>2013</u>	<u>2012</u>
		\$	\$
<b>ASSETS</b>			
<b>Non-current assets:</b>			
Property, plant and equipment	6	141,204,951	129,139,192
Goodwill	7	3,750,000	3,750,000
Investments	8	19,076,356	3,453,668
<b>Current assets:</b>			
Inventories	9	423,225,481	304,974,845
Receivables	10	379,172,198	334,766,392
Related parties	11	6,860,583	28,386,221
Cash & cash equivalents	12	51,190,043	67,728,869
		<u>860,448,305</u>	<u>735,856,327</u>
<b>Current liabilities:</b>			
Payables	13	590,492,468	688,852,901
Current portion of long term loans	18	63,540,509	24,112,919
Bank Overdraft	14	-	3,229,512
Taxation payable		13,685,664	4,684,488
		<u>667,718,641</u>	<u>720,879,820</u>
<b>Net current assets</b>		<u>192,729,664</u>	<u>14,976,507</u>
<b>Total assets less current liabilities</b>		<u>356,760,971</u>	<u>151,319,367</u>
<b>EQUITY</b>			
Share capital	15	140,044,436	1,000
Capital reserve	16	57,503,266	43,127,451
Retained earnings		110,463,143	61,034,799
		<u>308,010,845</u>	<u>104,163,250</u>
<b>Non-current liabilities:</b>			
Shareholders' loans	17	4,889,198	25,471,265
Borrowings	18	43,860,928	7,868,229
Deferred tax	5	-	13,816,623
		<u>48,750,126</u>	<u>47,156,117</u>
<b>Total equity and non-current liabilities</b>		<u>356,760,971</u>	<u>151,319,367</u>

Approved for issue by the Board of Directors on 21 February 2014 and signed on its behalf by:

.....  
 Director

  
 Director

**Derrimon Trading Company Limited**  
**Statement of Changes in Equity**  
**31 December 2013**

	<u>Note</u>	<u>Share Capital</u> \$	<u>Retained Earnings-</u> \$	<u>Capital Reserves</u> \$	<u>Total</u> \$
<b>Balance at 31 December 2010</b>		1,000	21,297,679	-	21,298,679
Net profit for 2011		-	23,942,353	-	23,942,353
Other comprehensive income		-	-	25,543,064	25,543,064
<b>Balance at 31 December 2011</b>		1,000	45,240,032	25,543,064	70,784,096
Net profit for 2012		-	15,794,767	-	15,794,767
Other comprehensive income		-	-	17,584,387	17,584,387
<b>Balance at 31 December 2012</b>		1,000	61,034,799	43,127,451	104,163,250
Capitalization of shareholders loan 17		52,671,860	-	-	52,671,860
Capitalization of reserves		499,000	(499,000)	-	-
Issue of shares net of transaction costs.		86,872,576	-	-	86,872,576
Net profit for 2013		-	49,927,344	-	49,927,344
Other comprehensive income 2013*		-	-	14,375,815	14,375,815
<b>Balance at 31 December 2013</b>		<b>140,044,436</b>	<b>110,463,143</b>	<b>57,503,266</b>	<b>308,010,845</b>

\* Write back of deferred taxation on revaluation, as the Company was listed on the Junior Market of the Jamaica Stock Exchange on 17 Dec 2013, and will be exempt from taxation initially for 5 years.

**Derrimon Trading Company Limited**  
**Statements of Cash Flows**  
**31 December 2013**

	<u>Note</u>	<u>2013</u>	<u>2012</u>
		\$	\$
<b>Cash flows from operating activities:</b>			
Net profit		49,927,344	15,794,767
<b>Items not affecting cash:</b>			
Depreciation	6	18,241,261	13,425,836
Loss on sale of fixed assets		-	235,000
Deferred tax		559,192	(2,108,762)
		<u>68,727,797</u>	<u>27,346,841</u>
<b>Changes in non-cash working capital components:</b>			
Inventories		(118,250,636)	(96,779,850)
Related company balances		21,525,638	(4,954,543)
Receivables		(44,405,806)	(136,796,535)
Payables		(98,360,433)	240,603,971
Taxation		9,001,176	(543,576)
		<u>(230,490,061)</u>	<u>1,529,467</u>
Net cash (used in)/provided by operations		<u>(161,762,264)</u>	<u>28,876,308</u>
<b>Investment activities:</b>			
Investments		(15,622,688)	222,485
Proceeds from sale of property, plant and equipment		-	350,000
Purchase of property, plant and equipment	6	(30,307,020)	(12,188,340)
<b>Net cash used in investment activities</b>		<u>(45,929,708)</u>	<u>(11,615,855)</u>
<b>Financing activities:</b>			
Loans received during the year		95,469,000	-
Repayment of Loans		(20,048,711)	(27,437,840)
Net proceeds of share issue		86,872,576	-
Shareholders' loans advanced		32,089,793	1,247,702
<b>Net cash provided by/(used in) financing activities</b>		<u>194,382,658</u>	<u>(26,190,138)</u>
<b>Net decrease in cash balances</b>		<u>(13,309,314)</u>	<u>(8,929,685)</u>
<b>Net cash balance at beginning of year</b>		<u>64,499,357</u>	<u>73,429,042</u>
<b>Net cash balances at end of year</b>	12	<u>51,190,043</u>	<u>64,499,357</u>
<b>Represented by:</b>			
Cash & cash equivalents		51,190,043	67,728,869
Bank overdraft		-	(3,229,512)
		<u>51,190,043</u>	<u>64,499,357</u>



**Derrimon Trading Company Limited**  
**Notes to the Financial Statements**  
**31 December 2013**

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**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. The Company also purchased Kerr’s Enterprise Cold Storage Operations in 2011 at 8-10 Brome Close, Kingston 20 and rebranded same as Sampars Outlet- Washington Boulevard as the main hub for its cold storage distribution. During the year ended 31 December 2012, the Company acquired another distribution outlet in Downtown Kingston and branded it Sampars West Street. In 2013, the Company acquired another outlet in Mandeville, rural Jamaica to further expand its distribution network.

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

**2. BASIS OF PREPARATION, ADOPTION OF STANDARDS, INTERPRETATIONS AND AMENDMENTS**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied over the years presented, unless otherwise stated.

**a) Basis of preparation**

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 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.

**Derrimon Trading Company Limited**  
**Notes to the Financial Statements**  
**31 December 2013**

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**2. BASIS OF PREPARATION, ADOPTION OF STANDARDS, INTERPRETATIONS AND AMENDMENTS**  
**(CONTINUED)**

**a) Basis of preparation (continued)**

**Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued).**

**Income taxes**

The Company recognizes liabilities for possible tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were originally recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The Company was registered on the Junior Market of the JSE 17 December 2013 and this resulted in reversal of certain deferred tax estimates.

**Post employment benefits**

Accounting for some post employment benefits requires the use of actuarial techniques to make a realizable estimate of the amount of benefit that employees have earned in return for their service in the current and prior periods. The Company does not operate a defined benefit contribution pension scheme and therefore no judgement or estimate was required in this regard. The Company has implemented an individual retirement account (IRA) plan operated at a reputable financial institution for some categories of staff. The Company is only responsible to match certain senior employees' contributions to the plan.

**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.

**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.

**Derrimon Trading Company Limited**  
**Notes to the Financial Statements**  
**31 December 2013**

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**2. BASIS OF PREPARATION, ADOPTION OF STANDARDS, INTERPRETATIONS AND AMENDMENTS**  
**(CONTINUED)**

**a) Basis of preparation (continued)**

**Standards, interpretation and amendments to published standards effective in current year**

At the date of authorization of these financial statements, certain new standards and amended standards and interpretations to existing standards have been published that became effective during the current financial year. The Company's management has assessed the relevance of all such new standards, interpretations and amendments and has determined that the following are relevant to the operations of the Company.

- **IAS 19, 'Employee benefits'** (effective for annual periods beginning after 1 January 2013). This amendment will eliminate the corridor approach to recognition of actuarial gains and losses arising from IAS 19 pension valuations and will result in the recognition of all actuarial gains and losses in OCI as they occur. Additionally, all the past service cost will be immediately recognized and interest cost and expected return on plan assets will be placed with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The Company did not operate a defined benefit contribution pension scheme during the year and thus there will be no impact on the financial statements of future adoption of the standard.
- **IFRS 10, 'Consolidated Financial Statements', (effective for annual periods beginning on or after 1 January 2013)**. IFRS 10 replaces all of the guidance control and consolidation in IAS 27, "Consolidated and Separate Financial Statements", and SIC-12, Consolidation- Special Purpose Entities. IAS 27 (Revised) now renamed "Separate Financial Statements". IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provided additional guidance to assist in determining control where this is difficult to assess. The Company is assessing the impact of adoption of the standard on its financial statements relative to its close association with other entities.
- **IFRS 11, 'Joint Arrangements', (effective for annual periods beginning on or after 1 January 2013)**. IFRS 11 is a more realistic reflection of joint arrangements, focusing on the rights and obligations of the arrangements rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities and revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Company currently has no joint arrangements; therefore the standard is not expected to have any significant impact on the Company's financial statements.
- **IFRS 12, Disclosure of Interests in Other Entities', (effective for annual periods beginning on or after 1 January 2013)**. IFRS 12 requires entities to disclose information that helps financial statement users to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. The Company is assessing the impact of adoption of the standard on its financial statements.
- **IFRS 13, 'Fair value Measurement', (effective for annual periods beginning on or after 1 January 2013)**. IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The requirements are similar to those in IFRS 7, 'Financial instruments: Disclosures', but apply to all assets and liabilities measured at fair value, not just financial assets and liabilities. The Company anticipates that application will impact amounts reported in the financial statements, as well as result in extended disclosures



**Derrimon Trading Company Limited**  
**Notes to the Financial Statements**  
**31 December 2013**

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**2. BASIS OF PREPARATION, ADOPTION OF STANDARDS, INTERPRETATIONS AND AMENDMENTS**  
**(CONTINUED)**

**a) Basis of preparation (continued)**

**New and amended standards and interpretations to existing standards that are not effective and have not been early adopted by the Company (Continued)**

The Company's management has concluded that the following standards which are published but not yet effective are relevant to its operations and may impact the Company's accounting policies and financial disclosures. These pronouncements are effective for annual periods beginning on or after the dates noted and will be applied by the Company as of those dates, unless otherwise noted.

- **Amendment to IAS 1, 'Presentation of Financial statements'** (effective for annual periods beginning on or after 1 July 2013). The amendment requires entities to separate items presented in Other Comprehensive Income (OCI) into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled such as revaluation gains on property, plant and equipment will be presented separately from items that may be recycled in the future, such as deferred gains and losses on cash flow hedges. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. Management has determined that the amendment will not be material on the Company's financial statements.
- **IFRS 9, 'Financial instruments' part 1: Classification and measurements** (effective for annual periods beginning on or after 1 January 2015) was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial instruments. Key features are as follows:

Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represents only payments of principal and interest (that is, it has only basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.

All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognize unrealized and realized fair value gains and losses through OCI rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss.

This election may be made on an instrument-by instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

While adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted. The Company is considering the implications of the standard, the impact on the Company and the timing of its adoption by the Company.

**Derrimon Trading Company Limited**  
**Notes to the Financial Statements**  
**31 December 2013**

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**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) Basis of consolidation of divisional amounts:**

**i. Transactions 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.

**ii. Subsidiary**

The Company has one wholly owned subsidiary, DMC West Bay Limited. This Company is not involved in any trading activity and hence no consolidation of entities is considered necessary.

**b) Comparative information**

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

**c) 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.

**d) Property, plant and equipment**

**i. 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.

**Derrimon Trading Company Limited**  
**Notes to the Financial Statements**  
**31 December 2013**

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

**d) Property, plant and equipment (continued)**

**i. Valuation of property, plant and equipment (continued)**

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

The cost of the day to day servicing of property, plant and equipment is recognized in the statement of comprehensive income as incurred.

**ii. 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	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.

**e) 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 five (5) divisions of 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.



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

**e) Revenue recognition (continued)**

**Interest income**

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.

**Dividend income**

Dividend income is recognized when the right to receive payment is established.

**f) Foreign currency translation**

(i) Functional and presentation currency

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.

(ii) 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.

**g) Financial instruments**

A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity. Financial assets and financial liabilities are recognized in the Company's statement of financial position when it becomes a party to the contractual provisions of the instruments.

The financial instruments carried in the statement of financial position are:

**Financial assets:**

These comprise non-derivative financial instruments including trade and other receivables, short term deposits, related parties and cash and bank balances measured at amortized cost using the effective interest method, less impairment losses.

The Company's classification of its financial assets depends on the purpose for which they were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

**Financial liabilities:**

These include non-derivative financial instruments including Long-term loans, payables and accruals and bank overdraft

The Company's financial liabilities are initially recorded at fair value and are subsequently measured at amortized cost using the effective interest method.

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

**h) Inventories**

Inventories are valued at the lower of cost and net realizable value, cost being determined on a first-in-first-out (FIFO) basis. Net realizable value is the estimated selling price in the ordinary course of business, less the cost of selling expenses.

**i) Income taxes**

Taxation expense in the income statement comprises current and deferred tax charges

**i. Current Taxation**

Current tax charges are based on taxable profit for the year, which differs from the reported profit before tax because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The Company's liability for current tax is calculated at tax rates that have been enacted at the date of the statement of financial position.

**ii. Deferred Taxation**

Deferred tax is the tax expected to be paid or received on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax is charged or credited to profit or loss, except where it related to items charged or credited to other comprehensive income or equity, in which cases, deferred tax is also dealt with in other comprehensive income or equity

At the end of the financial year, the deferred tax balance was reversed because the Company was listed on the Junior Market of the JSE, effective 17 December 2013.

**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.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the profit and loss in administration expenses. When a trade receivable is uncollectible, it is written off against the provision for trade receivables. Subsequent recoveries of amounts previously written off are credited in the profit or loss account. During year ended 31 December 2013, the deferred tax balance was reversed because the Company was listed on the Junior Market of the JSE.

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

**k) Investments**

The Company classifies its investments as available-for-sale, due to the purposes for which the investments were acquired. Management determines the classification of investments at initial recognition and re-evaluates such designation at each reporting date. Investments classified as available-for-sale are intended to be held for an indefinite period of time, and may be sold in response to needs for liquidity or change in interest rates. These investments are included in non-current assets unless management has the express intention of holding the investment for less than twelve months from the date of the statement of financial position in which case they are included in current assets.

Purchases and sales of investments are recognized at trade date, which is the date that the Company commits to purchase or sell the asset. Available-for-sale investments are initially recognized at fair value plus transaction costs and are subsequently carried at fair value. Investments are derecognized when the right to receive cash flows have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Changes in the fair value of monetary available-for-sale investments denominated in foreign currencies are analyzed between translation differences resulting in changes in amortised cost of the security and other changes. The translation differences are recognized in profit or loss and other changes in carrying amount are recognized in other comprehensive income. Changes in fair value of other monetary available-for-sale investments and non-monetary available-for-sale investments are recognized in other comprehensive income.

When investments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in other comprehensive income are included in the profit or loss as gains and losses from investment securities. Interest on available-for-sale investments is calculated using the effective interest method and is recognized in profit or loss. Dividends on available-for-sale investments are recognized in profit or loss when the Company's right to receive payments is established.

At each reporting date, the Company assesses whether there is objective evidence that an investment or group of investments is impaired. If any such evidence exists, the cumulative loss, measured as the differences between the acquisition cost and the current fair value less any impairment loss previously recognized in profit or loss, is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity instruments recognized in profit or loss are not reversed through profit or loss.

**l) Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents balances comprise of cash at banks and in hand and other short-term deposits held at financial institutions on call, other liquid cash investments with original maturities of three months or less, net of short term loans and bank overdrafts.

**m) Intangible assets**

**i. Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets acquired at the acquisition date. The useful life of goodwill is reviewed each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment. If not, the change of useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and the appropriate portion is written off during the year.



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

**m) Intangible assets (continued)**

**ii. Computer software**

Acquired computer software licenses are capitalized on the basis of the cost incurred to acquire and bring to use the specific software. These software costs are amortized on a straight line basis over the estimated useful life of four (4) years. Amortization is recognized in the profit or loss in administration expenses.

Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred.

**n) Impairment of financial assets**

Financial assets are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired if there is objective evidence that as a result of one or more events that have occurred after initial recognition of the financial assets, the estimated future cash flows of the asset have been impacted.

The carrying amount of the financial asset is reduced by the impairment directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is deemed uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written-off reduce the amount of the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

**o) Impairment of non-financial assets**

Property, plant and equipment and other non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the greater of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

**p) Employee benefits**

Employee benefits are all forms of consideration given by the Company 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 expense. The expected cost of vacation leave that accumulates is recognized when the employee becomes entitled to the leave.

**Derrimon Trading Company Limited**  
**Notes to the Financial Statements**  
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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**p) Employee benefits (continued)**

(i) Defined Contribution Plan

The employees of the Company also participated in an individual retirement account (IRA) operated by an independent insurance company. The Company makes fixed contributions to the scheme for participating employees. The Company has no obligation for benefits provided under the scheme as these are provided by and accounted for by the Insurance Company.

(ii) Other retirement Benefits

After retirement, the Company does not provide any health benefits to employees and there is no agreed profit share scheme in place for employees.

**q) Borrowings and borrowing costs**

Borrowings are classified as financial liabilities measured at amortized cost and are recognized as the proceeds received, net of transaction costs using the effective yield method.

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 expensed in the income statement in the period in which they are incurred.

**s) Payables and accruals**

Payables for trade and other accounts payable, which are normally settled on 30 to 90 days terms, are recorded at original invoice amount or an amount representing the fair value of the consideration to be paid in the future for goods or services received by the statement of financial position date.

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

**t) Earnings per stock unit**

The earnings per share (EPS) for the prior year were restated to reflect the issue of new shares effective 17 December 2013.

The EPS is computed by dividing the profit for the year by the weighted average number of shares in issue for the year of 203,055,670 (2012 –200,000,000). The weighted average number of shares for both years reflects the increase by 499,000 shares to 500,000 shares and subsequent 400 for 1 split in the number of shares in issue to 200,000,000 which was approved by the shareholders on 20 November 2013.

The weighted average number for the current year also reflects the 73,336,067 shares which were issued as part of the Initial Public Offer (IPO) effective 17 December 2013.

**u) Dividends**

Dividends on ordinary shares are recognized in shareholders equity in the period in which they are approved by the Company's directors. Dividends for the year that are declared after the balance sheet date are dealt with in the subsequent events note. No dividends were declared by the directors during the year.

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

**v) 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.

**4. SEGMENTAL FINANCIAL INFORMATION**

The Company operates two (2) divisions, Distribution and Wholesale/Retail and they are exposed to similar risks as the segments sell household and grocery products. The principal segments are:

- (i) Distribution** – distribution of Nestle household products and bulk products.
- (ii) Wholesale/ retail**- operation of four (4) outlets trading under the name Sampars Cash and Carry.

The distribution centre along with three (3) outlets are in Kinston and Saint Andrew and one (1) is located in rural Jamaica. Financial information relating to the segments is noted below.

4. SEGMENTAL FINANCIAL INFORMATION (CONTINUED)

	<u>2013</u>		
	<u>Distribution</u>	<u>Sampars Outlets</u>	<u>Total</u>
	£	£	£
Revenues	3,591,726,726	1,663,796,129	5,255,522,855
Less cost of sales	3,238,415,703	1,456,146,382	4,694,562,085
Gross profit	353,311,023	207,649,747	560,960,770
Gross profit %	10%	13%	11%
<b>Current liabilities</b>	446,511,280	222,120,678	668,631,958
<b>Current Assets</b>	558,216,210	302,232,095	860,448,305

	<u>2012</u>		
	<u>Distribution</u>	<u>Sampars Outlets</u>	<u>Total</u>
	£	£	£
Revenues	3,336,795,178	1,424,513,605	4,761,308,783
Less cost of sales	3,112,443,978	1,236,863,305	4,349,307,283
	224,351,200	187,650,300	412,001,500
Gross profit %	7%	13%	9%
<b>Current liabilities</b>	587,411,055	133,468,765	720,879,820
<b>Current Assets</b>	502,878,929	232,977,398	735,856,327

5. INCOME TAX

Income tax is based on profit for the 11 ½ months period (2012-12 months) adjusted for taxation purposes and comprises:

	<u>2013</u>	<u>2012</u>
	£	£
Current year's income tax charge	21,006,286	10,736,358
Prior year's under provision	-	899,698
Deferred tax charge/(credit)	559,192	(1,721,370)
Effect of change in tax rate on prior years' deferred tax	-	(387,392)
	<u>21,565,478</u>	<u>9,527,294</u>

**5. INCOME TAX (CONTINUED)**

The income tax charge on the Company's profit differs from the theoretical amount that arose using the statutory tax rate as follows:

	<u>2013</u>	<u>2012</u>
	<u>\$</u>	<u>\$</u>
Profit before taxation	71,492,822	25,322,061
Income tax calculation at 28.75% (2012 – 33 1/3%)	21,447,847	8,440,687
Effect of changes in tax rate (see below)	-	574,301
Net effect of other charges for tax purposes	(441,561)	1,721,370
	<u>21,006,286</u>	<u>10,736,358</u>

Effective 1 April 2013, the Government of Jamaica (GOJ) announced a reduction in the corporate income tax rate for unregulated entities, from 33 1/3% to 25% and a surtax of 5% on the taxable income of large entities. Large entities as defined in Ministry Paper 15 of 2013 issued by the Ministry of Finance and Planning are those companies with gross income equal to or greater than \$500,000,000, that are not regulated by the Financial Services Commission, Bank of Jamaica, the Ministry of Finance and Planning and the Office of Utilities Regulation. As a consequence of the GOJ announced tax changes, in the 2012 financial year, deferred income taxes were calculated in full on temporary differences under the liability method using a principal tax rate of 25%

The charge for deferred tax purposes principally represented the difference between the book written down value of fixed assets and the written down value of the fixed assets for capital allowances at the current tax rate. No account was taken of deferred taxation during the year ended 31 December 2013 because it is not expected that this tax will crystallize in the near future because the Company was granted a remission from income tax during the year. (See note 8(b)). The prior year's deferred tax charges were also reversed as at 31 December 2013.

(b) Remission of income tax:

By notice dated 13 August 2009, the Minister of Finance and the Public Service, issued and gazetted the Income Tax (Jamaica Stock Exchange Junior Market) (Remission) Notice, 2009. The Notice effectively granted a remission of income tax to eligible companies that were admitted to the Junior Stock Exchange (JSE) if certain conditions were achieved after the date of initial admission.

Effective 17 December 2013, the Company's shares were listed on the JSE. Consequently, the Company is entitled to a remission of income taxes for ten years in the proportion set out below, provided the following conditions are met:

- (i) the Company remains listed for at least 15 years and is not suspended from the JSE for any breaches of the rules of the JSE
- (ii) the Subscribed Participating Voting Share Capital of the Company does not exceed \$500 million
- (iii) the Company has at least 50 Participating Voting Shareholders.



**5. INCOME TAX (Continued)**

(b) Remission of income tax (continued)

Years 1 to 5 (17 December 2013- 16 December 2018) - 100%

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

The financial statements have been prepared on the basis that the Company will have the full benefit of the tax remissions. Because the company was listed on the JSE 17 December 2013, half (1/2) month before the end of the Company's financial year end, income taxes were calculated on operating profits for eleven and a half (11½) months of the financial year.

The movement in deferred taxation is as follows:

	<b><u>2013</u></b>	<b><u>2012</u></b>
	<b>\$</b>	<b>\$</b>
Balance at start of the year	(13,816,623)	(14,321,100)
(Credited)/ debited to income statement	(559,192)	2,108,762
Charged to other comprehensive income	<u>14,375,815</u>	<u>(1,604,285)</u>
Balance at the end of the year	<u>-</u>	<u>(13,816,623)</u>

6. PROPERTY, PLANT AND EQUIPMENT

	<u>Furniture. &amp; Equipment</u>	<u>Computer</u>	<u>Motor Vehicles</u>	<u>Building</u>	<u>Land</u>	<u>Lease hold Improvements</u>	<u>Total</u>
	\$	\$	\$	\$	\$	\$	\$
<b>At Cost</b>							
1 January 2013	71,501,795	8,283,629	12,294,105	49,499,997	12,520,000	8,541,765	162,641,291
Additions	16,194,611	777,129	12,302,560	-	-	1,032,720	30,307,020
31 December 2013	87,696,406	9,060,758	24,596,665	49,499,997	12,520,000	9,574,485	192,948,311
<b>Acc. Depreciation</b>							
1 January 2013	16,922,954	5,956,019	8,195,674	2,045,283	-	382,169	33,502,099
Charge for year	10,032,722	1,798,111	4,919,333	1,237,500	-	253,595	18,241,261
31 December 2013	26,955,676	7,754,130	13,115,007	3,282,783	-	635,764	51,743,360
<b>Net book value</b>							
31 December 2013	60,740,730	1,306,628	11,481,658	46,217,214	12,520,000	8,938,721	141,204,951
<b>Net book value</b>							
31 December 2012	54,578,841	2,327,610	4,098,431	47,454,714	12,520,000	8,159,596	129,139,192

In December 2012 the land and buildings which were purchased in the prior year were professionally valued by independent valuers, E.B.I. and Associates Limited (professional evaluators and engineers), and the surplus on revaluation was transferred to capital reserve.

The directors have assessed the values of the land and buildings and are of the opinion that there is no significant change in the values at the reporting date.

**7. GOODWILL**

	<u>2013</u> \$	<u>2012</u> \$
Goodwill on acquisition	<u>3,750,000</u>	<u>3,750,000</u>

During the year ended 31 December 2009, the Company acquired the assets of a distribution outlet, trading under the name Sampars Cash and Carry, paying \$3.75 million for the goodwill. The goodwill was built up by the former owners who operated the Company for many years and had a long list of loyal customers and suppliers. During the year, the Company continued to use the name to brand its retail outlets. After their review, management is of the opinion, that there is no impairment in the value of goodwill and therefore no write down of the amount is considered necessary at year end.

**8. INVESTMENTS**

<b>Available-for-Sale:</b>	<u>2013</u> \$	<u>2012</u> \$
4.4% National Commercial Bank (NCB) Capital Markets	1,509,125	1,463,925
3.9 - 5% Jamaica Money Market Brokers (JMMB)	1,127,412	1,989,743
Mayberry Investment Limited: Jamaican dollar	222,319	-
Mayberry Investment Limited: US dollar	12,815,000	-
Victoria Mutual Building Society : US dollar	3,202,500	-
Caribbean Cream Limited (200,000 shares at \$1.95)	190,000	-
Repurchase Agreement (Stocks and Securities Limited)	10,000	-
	<u>19,076,356</u>	<u>3,453,668</u>

**9. INVENTORIES**

	<u>2013</u> \$	<u>2012</u> \$
Sampars' wholesale outlets	197,717,204	127,186,773
Wholesale bulk inventory items	225,508,277	177,788,072
	<u>423,225,481</u>	<u>304,974,845</u>

The Company undertakes regular monthly stock counts and damaged and obsolete inventory items written off during the year amounted to \$6,549,306 (2012- \$18,065,692). Inventories comprise finished products inclusive of rice, Nestlé and other branded household products, frozen meat, liquor and other grocery items.

**Derrimon Trading Company Limited**  
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**10. RECEIVABLES**

	<u>2013</u>	<u>2012</u>
	\$	\$
Trade receivables	284,730,289	272,593,581
Less provision for bad debt	-	8,978,487
	<u>284,730,289</u>	<u>263,615,094</u>
GCT recoverable	48,457,569	33,164,187
Staff advances	9,453,267	3,091,472
Other receivables	36,531,073	34,895,639
	<u>379,172,198</u>	<u>334,766,392</u>

The following are the trade receivables aging as of 31 December 2013 and 2012.

<u>Year</u>	<b>Past due but not impaired</b>					<u>Total</u>
	<u>0-30 days</u>	<u>31-59 days</u>	<u>60-90 days</u>	<u>Over 90 days</u>		
	\$	\$	\$	\$	\$	
2013	239,977,511	24,448,981	11,784,725	8,519,072	284,730,289	
2012	224,325,235	29,805,122	8,192,721	10,270,503	272,593,581	

During 2013, \$14,617,972 (2012- Nil) was written off to profit and 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.

Movement in provision for bad debts against trade receivables:

	<u>2013</u>	<u>2012</u>
	\$	\$
<b>At the start of the year</b>	8,978,487	-
Amounts set off against customer balances during the year	(8,978,487)	-
Provided during the year	-	8,978,487
<b>At the end of the year</b>	<u>-</u>	<u>8,978,487</u>

**Derrimon Trading Company Limited**  
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**11. RELATED PARTIES**

Related party balances consist of the following:

(a) Due from related party

	<u>2013</u>	<u>2012</u>
	\$	\$
<b>Cotterell's Texaco Gas Station:</b>		
Opening balance	28,386,221	23,431,678
Amount advanced during the year	5,222,800	25,061,069
Amounts repaid based on invoices	(26,748,438)	(20,106,526)
Balance at the end of the year	<u>6,860,583</u>	<u>28,386,221</u>

The Managing Director has significant interest in the related party. The amount due from the related party at the end of the financial year is interest free and has no fixed terms of repayment.

The major shareholder of the Company has given assurance that this amount is recoverable and no provision is necessary against this balance.

(b) Key management personnel

During the year the Company paid salaries and received loans from key management personnel. For details of the movement on the loan accounts refer to note 17.

**12. CASH AND CASH EQUIVALENTS**

	<u>2013</u>	<u>2012</u>
	\$	\$
Foreign currency bank accounts	2,696,422	8,605,482
Jamaican dollar bank accounts	13,465,969	53,518,806
Cash in hand	35,027,652	5,604,581
	<u>51,190,043</u>	<u>67,728,869</u>

The bank accounts are held with various financial institutions and the Company's main current account and other financial obligations are secured by personal guarantee, real estate, hypothecation of funds, debenture over fixed and floating assets and bill of sale over certain equipment owned by the Company. The real estate holdings held as collateral by the financial institutions are registered in the name of the Managing Director.

The Company operates a line of credit with a financial institution and is charged interest at a rate of 17% (2012-17%) per annum for its use.

The short-term deposits are held with reputable financial institutions and can be withdrawn at short notice. These deposits are principally used to ensure that foreign supplier's balances are liquidated within their agreed credit terms.



**Derrimon Trading Company Limited**  
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**13. PAYABLES**

	<u>2013</u>	<u>2012</u>
	\$	\$
Staff related payables	1,149,183	381,860
Foreign payables	151,613,511	168,345,584
Local payables and accruals	413,121,078	515,606,210
Other payables	21,488,989	1,836,133
Statutory liabilities	3,119,707	2,683,114
	<u>590,492,468</u>	<u>688,852,901</u>

**14. BANK OVERDRAFT**

	<u>2013</u>	<u>2012</u>
	\$	\$
National Commercial Bank	<u>-</u>	<u>3,229,512</u>

The Company does not have an overdraft with any of its bankers at year end.

**15. SHARE CAPITAL**

	<u>2013</u>	<u>2012</u>
	\$	\$
<b><u>Authorized:</u></b>		
400,400,000 (2012 - 1,000) ordinary shares of no par value		
<b><u>Issued and fully paid:</u></b>		
273,336,067 (2012 - 1,000) shares net of transaction costs	<u>140,044,436</u>	<u>1,000</u>

On 20 November 2013, the ordinary shareholders of the Company unanimously passed a resolution in accordance with the Articles of Association to be registered as a public company under Section 34 of the Companies Act 2004. In addition the following resolution was passed:

- The allotment of 499,000 bonus shares with immediate effect, pro rata to the holdings of each of the shareholders of the Company by capitalization of the amount of \$499,000 standing to the credit of the Company in the capital reserve account and the application of same to paying up such bonus shares in full at the time of their issue.
- The increase of the authorized share capital of the Company by 1 million ordinary shares from 1,000 ordinary shares to 1.001 million ordinary shares.
- The subdivision of each of the shares into 400 shares with no par value
- The approval of the conversion of certain loans made to the Company amounting to \$52.67 million in the aggregate, that were made to the Company by the Board Reserved Share Applicants into shares at the invitation price
- The admission of the ordinary shares to the Junior Market of the JSE

As noted in the Prospectus, the principal broker, Mayberry Investments Limited client's were allotted 22,000,820 shares while the general public and key partners and staff were allotted 8,568,486 and 17,073,171 respectively and the balance allotted to directors.

**Derrimon Trading Company Limited**  
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**16. CAPITAL RESERVE**

	<u>2013</u>	<u>2012</u>
	\$	\$
<b>Opening balance</b>	43,127,451	25,543,064
Revaluation during the year	-	19,188,672
Deferred taxation	14,375,815	(4,797,168)
Effect of change of tax rate (note 5)	-	3,192,883
<b>Balance at 31 December, 2013</b>	<u>57,503,266</u>	<u>43,127,451</u>

	<u>2013</u>	<u>2012</u>
	\$	\$
<b>Represented by:</b>		
Surplus on revaluation of fixed assets: 2011	38,314,594	38,314,594
Surplus on revaluation of fixed assets: 2012	19,188,672	19,188,672
Less Deferred taxation	-	(14,375,815)
	<u>57,503,266</u>	<u>43,127,451</u>

**17. SHAREHOLDERS' LOANS**

	<u>2013</u>	<u>2012</u>
	\$	\$
<b>Opening balance</b>	25,471,265	24,223,563
Monies advanced during the year	32,089,793	1,247,702
Capitalization of shareholders' loans	(52,671,860)	-
<b>Balance at the end of the year</b>	<u>4,889,198</u>	<u>25,471,265</u>

The shareholders' loans principally represent monies advanced to the Company to assist with working capital.

**Derrimon Trading Company Limited**  
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**18. BORROWINGS**

	<u>2013</u>	<u>2012</u>
	\$	\$
12 % Promissory Note	-	19,851,214
11% Promissory Note	26,900,000	-
18.25% Bank of Nova Scotia (BNS)	1,153,336	2,883,340
22% National Commercial Bank (NCB)	3,803,189	8,602,709
22.88% National Commercial Bank (NCB)	1,310,311	643,885
17% National Commercial Bank	6,458,575	-
17% National Commercial Bank	50,000,000	-
12% National Commercial Bank	11,695,331	-
9.25% National Commercial Bank	4,104,786	-
11% National Commercial Bank	1,975,909	-
	<u>107,401,437</u>	<u>31,981,148</u>
Less current portion payable within 12 months	(63,540,509)	(24,112,919)
	<u>43,860,928</u>	<u>7,868,229</u>

- The 12% Promissory note was obtained during the year ended 31 December 2012 to assist with the acquisition of real estate. The loan was repaid during the year:
- The 11% Promissory note was obtained during the year ended 31 December 2013 to assist with working capital support. The collateral for the loan is real estate along with cold storage and office equipment at 8-10 Brome Close. The loan ranks pari-passu with the existing debts of the Company according to the executed loan agreement, and the principal is repayable in full on 24 May, 2015.
- The 18.25% BNS loan relates to and is secured by the motor car driven by the Managing Director. The loan is repayable by monthly installments of \$144,167.00 and the final payment is scheduled for August 2014.
- The 22% NCB loan was used to assist in the purchase of Sampars Cash and Carry, Marcus Garvey Drive. The loan was secured by unlimited personal guarantee of the Managing Director and real estate owned by the Company and is repayable by monthly installments of \$417,881 and final payment is scheduled for September 2014.
- The 22.88% NCB loan was obtained to provide working capital support. The loan is unsecured and repayable in monthly installments of \$38,160 and the final payment is scheduled for October 2016.
- The 17% loan was obtained to provide working capital support and is due for full payment on February 28, 2014. The loan is secured by debenture over the assets of Derrimon Trading Company Limited.
- The 17% revolving credit line is provide working capital support to Derrimon Trading Company Limited. The facility is to revolve at least twice per year and is secured by a debenture over the full assets of Derrimon Trading Company Limited.
- The 12% loan was secured to assist with the purchase of equipment and machinery and the said assets are used to secure this facility. The loan is payable by monthly installments of \$195,034 and the final payment is scheduled for August 2018.
- The 9.25% NCB loan was used to purchase a motor car. The loan is repayable by monthly installments of \$77,470, and the final payment is scheduled for February 2017.
- The 11% NCB loan is utilized to purchase a delivery van and is secured by the said van. The loan is repayable by monthly installments of \$41,921 and the final payment is scheduled for July 2017.

**Derrimon Trading Company Limited**  
**Notes to the Financial Statements**  
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**19. OPERATING PROFIT BEFORE TAXATION**

The following items have been charged in arriving at operating profit before taxation:

	<u>2013</u>	<u>2012</u>
	\$	\$
Auditors' remuneration	2,400,000	2,250,000
<b>Directors' emoluments:</b>		
Fees	321,000	394,000
Management remuneration	18,524,192	18,408,192
Bad debts expense	14,617,927	8,978,487
Foreign exchange gain	-	(230,024)
Inventory written off during the year	6,549,306	6,793,428
Depreciation	18,241,261	13,425,836
Staff costs (including management remuneration)	176,013,026	146,538,727

**20. STAFF COSTS**

	<u>2013</u>	<u>2012</u>
	\$	\$
Salaries and wages	154,891,654	132,848,344
Staff welfare	17,649,118	9,319,139
Contract services	3,242,078	3,953,940
Training and development	230,176	417,304
	<u>176,013,026</u>	<u>146,538,727</u>

The average number of persons employed full-time by the Company during the year was 186 (2012 - 135), while the use of part time employees were discontinued (2012-17).

**21. EXPENSES BY NATURE**

**Total direct, administrative, selling and finance expenses**

	<u>2013</u>	<u>2012</u>
	\$	\$
<b>DIRECT</b>		
Cost of inventories recognized as an expenses	<u>4,694,562,085</u>	<u>4,349,307,283</u>
<b>ADMINISTRATIVE</b>		
Directors fees and expenses	321,000	394,000
Insurance	13,921,399	10,553,349
Motor vehicle expenses	13,807,492	7,174,086
Professional services	18,606,618	8,009,038
Office expenses	8,634,179	7,187,882
Repairs and maintenance	18,664,960	14,234,459
Rental of equipment and office	38,351,957	34,830,732
Staff costs ( note 20)	176,013,026	146,538,727
Security	8,218,648	10,248,353
Utilities	53,378,586	40,481,443
Depreciation	18,241,261	13,425,836
Travelling and accommodation	15,672,415	10,104,121
Other	254,775	739,594
	<u>384,086,316</u>	<u>303,921,620</u>

**Derrimon Trading Company Limited**  
**Notes to the Financial Statements**  
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**21. EXPENSES BY NATURE (CONTINUED)**

**Total direct, administrative, selling and finance expenses (continued)**

	<u>2013</u>	<u>2012</u>
<b>SELLING AND DISTRIBUTION</b>	<b>\$</b>	<b>\$</b>
Advertising and promotion	20,206,077	18,402,659
Commission	22,015,717	17,684,870
Bad debts	14,617,972	8,978,487
Trucking and delivery	58,593,593	54,037,020
	<u>115,433,359</u>	<u>99,103,036</u>
<b>FINANCE COSTS</b>	<b>\$</b>	<b>\$</b>
Long term loans: Interest	5,654,191	9,563,474
Credit line interest and bank charges	23,664,572	9,954,961
	<u>29,318,763</u>	<u>19,518,435</u>

**22. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide 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 on a regular basis.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net borrowings divided by total capital. Net borrowings are calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as shareholders equity as shown in the balance sheet plus net borrowings.

During 2013, the Company's strategy, which was unchanged from 2012, was to maintain the gearing ratio below one (1). The gearing ratio at 31 December 2013 was as follows:

	<u>31 Dec. 2013</u>	<u>31 Dec. 2012</u>
	<b>\$</b>	<b>\$</b>
Total borrowings	112,291,437	57,452,414
Total capital	420,301,480	161,615,663
Gearing ratio	<u>0.27</u>	<u>0.36</u>

There were no changes to the Company's approach to capital management during the year.



**Derrimon Trading Company Limited**  
**Notes to the Financial Statements**  
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**23. RISK MANAGEMENT AND POLICIES**

The Company's activities expose it to a variety of financial risks in respect of its financial instruments: market risk (currency, interest rate and price risk), credit risk and liquidity risk. This note presents information about the Company'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 Company's risk management framework. They are responsible for developing and monitoring the Company'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.

**a) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while optimizing returns.

**i. Foreign Currency risk**

Foreign 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 Company is exposed to foreign currency risk due to fluctuations in exchange rates on transactions and balances that are denominated in currencies other than the Jamaican dollar. 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 Company's exposure to sudden exchange rate fluctuations.

At balance sheet date, the Company had net foreign currency liabilities of US\$1,280,309 (2012- US \$1,724,124) which were subject to foreign exchange rate changes as follows:

**Concentrations of currency risks**

	<u>2013</u> <u>US\$</u>	<u>2012</u> <u>US\$</u>
<b>Financial assets</b>		
- Cash equivalents and investments	144,898	92,882
	<u>144,898</u>	<u>92,882</u>
<b>Financial liabilities</b>		
- Payables and accruals	(1,425,207)	(1,817,006)
<b>Total net liabilities</b>	<u>(1,280,309)</u>	<u>(1,724,124)</u>

A significant portion of the Company's purchases are made using United States (US) dollars. The Company hedges against movement in the United States dollar principally by holding cash resources in that currency and prompt payment of foreign currency bills as they become due.

The exchange rate applicable at statement of financial position date is J\$106.38 to 1 US\$1 (2012- J\$92.65 to US\$1). In accordance with accounting policies applied consistently, exchange gains and losses are recognized in the income statement when incurred (see note 3 (f)).

**Derrimon Trading Company Limited**  
**Notes to the Financial Statements**  
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**23. RISK MANAGEMENT AND POLICIES (CONTINUED)**

**a) Market risk (continued)**

**ii. Foreign currency sensitivity analysis**

Due to the nature of the Company'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 Company's operations as a result of changes in foreign currency rates as sudden changes are promptly adjusted in the selling prices of the Company's imported products.

A 5% (2012-10%) weakening of the Jamaican dollar, with all other variables remaining constant, in particular interest rates, would result in a loss of approximately \$6.8 million (2012- \$16 million) if all outstanding foreign liabilities are settled at the depreciated rate of the Jamaican dollar.

**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. The Company's cash and bank balances are subject to interest rate risk. However, the Company attempts to manage this risk by monitoring its interest-bearing instruments closely and procuring the most advantageous rates under contracts with interest rates that are fixed for the duration of the term of the contract, where possible. When utilized, bank overdrafts are subject to interest rates, which may be varied by appropriate notice by the financial institution granting the facility.

The Company invests excess cash in short-term deposits and maintains interest-earning bank accounts with licensed 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. Interest rates on interest-earning bank accounts are not fixed but are subject to fluctuations based on prevailing market rates.

Due to the fact that interest rates on the Company's short-term deposits are fixed up to maturity and interest earned from the Company's interest-earning bank accounts is immaterial, management is of the opinion there would be no material impact on the results of the Company's operations as a result of fluctuations in interest rates.

**Interest rate sensitivity**

The Company'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 Company 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.

**iv. 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 importation and sale of rice. To manage price risk on imported rice, the Company enters into short and medium term arrangements with millers and producers at agreed terms primarily in producing countries

**Derrimon Trading Company Limited**  
**Notes to the Financial Statements**  
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**23. RISK MANAGEMENT AND POLICIES (CONTINUED)**

**b) Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company faces credit risk in respect of its receivables, cash at bank and short term deposits held with financial institutions.

**i. Cash, bank and short term deposits**

Credit risk for cash at bank and short-term deposits is managed by maintaining these balances with licensed financial institutions considered to be stable. The maximum credit risk faced by the Company 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 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 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 renewal of credit facilities.

**Aging analysis of trade receivables that are past due but not impaired**

Trade receivables that are less than 180 days past due are not considered impaired. As of 31 December 2013, trade receivables of \$44,752,778 (2012-\$ 48,268,345) were reviewed for impairment. No provision was considered necessary as all doubtful debts were written off to profit and loss during the year. Management continues to critically review this position as they are aware that many of their customers who are wholesalers are experiencing difficult economic circumstances.

	<u>2013</u>	<u>2012</u>
	\$	\$
Past due 31 to 60 days	24,448,981	29,805,122
Past due 61 to 90 days	11,784,725	8,192,721
Past due over 90 days	8,519,072	10,270,502
	<u>44,752,778</u>	<u>48,268,345</u>

**Derrimon Trading Company Limited**  
**Notes to the Financial Statements**  
**31 December 2013**

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**23. RISK MANAGEMENT AND POLICIES (CONTINUED)**

**b) Credit risk (Continued)**

**ii. Receivables (Continued)**

**Exposure to credit risk for trade receivables**

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

	<u>2013</u>	<u>2012</u>
	\$	\$
Supermarket chains	40,478,413	77,225,965
Wholesale and retail distributors	186,607,902	149,000,173
Government entities	1,848,782	3,769,087
Other	50,725,945	38,123,663
	<u>279,661,042</u>	<u>268,118,888</u>
Overseas	5,069,247	4,474,693
Total (see note 10)	<u>284,730,289</u>	<u>272,593,581</u>

Overseas customers in 2013 and 2012 mainly relates to customers in the United States and United Kingdom. The currencies of these countries are considered stable and consistently appreciate against the Jamaican dollar and no risk of loss is anticipated in this category of customers.

**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 \$449,438,597 (2012 - \$402,719,417), representing the balances on the balance sheet for cash and short term deposits and receivables.

**c) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company 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 Company's reputation.

The Company's liquidity management process, as carried out within the Company and monitored by the Treasury function, includes:

- i. Monitoring future cash flows and liquidity periodically. This incorporates an assessment of expected cash flows.
- 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.

**Derrimon Trading Company Limited**  
**Notes to the Financial Statements**  
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**23. RISK MANAGEMENT AND POLICIES (CONTINUED)**

**c) Liquidity risk (Continued)**

iv. Managing the concentration and profile of debt maturities.

At 31 December, 2013, the Company had three (3) major credit suppliers' relationships which did not exceed 30% (2012 – 20%) of the total purchases of the Company. Management continues 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 the forging of a new relationship with a major international commodity broker who helps to reduce dependency risk on a few major suppliers.

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

**Undiscounted contractual cash flows of financial liabilities**

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

	<b>Maturity Profile of the Company</b>					
	<b><u>Within 3 Months</u></b>		<b><u>4 to 12 Months</u></b>		<b><u>Over 12 Months</u></b>	
	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>
	<b><u>\$</u></b>	<b><u>\$</u></b>	<b><u>\$</u></b>	<b><u>\$</u></b>	<b><u>\$</u></b>	<b><u>\$</u></b>
Long-term loans	58,783,347	1,065,426	4,757,162	23,047,493	43,860,928	7,868,229
Payables and accruals	590,492,468	688,852,901	-	-	-	-
<b>Total</b>	<b>649,275,815</b>	<b>689,918,327</b>	<b>4,757,162</b>	<b>23,047,493</b>	<b>43,860,928</b>	<b>7,868,229</b>

Assets available to cover financial liabilities include cash and investment. The contractual outflows for the accounts payable and the current portion of long-term loans are represented by the carrying amounts at the reporting date and require settlement within 12 months of the statement of financial position date.

**Derrimon Trading Company Limited**  
**Selling, Distribution and Finance Expenses**  
**31 December 2013**

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**23. RISK MANAGEMENT AND POLICIES (CONTINUED)**

**d) Reputational Risk**

The Company is engaged in a business that principally distributes basic food items, and its reputation is critical within the market place. The Company's management endeavors at all times to be ethical and adopts international best practices especially with regard to bulk frozen meats and other bulk commodities such as rice.

The Company 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 customer delivery.

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

**24 .FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Market price is used to determine fair value where an active market (such as a recognized stock exchange) exists as it is the best evidence of the fair value of a financial instrument.

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 balance sheet date.

- i. The fair value of financial liabilities approximates carrying value as the contractual cash flows are at current market interest rates that are available to the Company for similar financial instruments.
- ii. The amounts included in the financial statements for receivables, cash and short term investments, payables and short term borrowings reflect their fair values due to the short term maturity of these instruments.

**25. COMMITMENTS**

As at the date of the signing of the financial statements, there has not been any approval for any material committed capital expenditure. Therefore these financial statements do not include any provision for capital expenditure commitments.

**26. CONTINGENT LIABILITY**

The Company 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 a payment will be made by the Company, and the amount can be reasonably estimated.

At the year end, the Company had no significant outstanding legal matters being pursued in the Courts. In addition, representations from the Managing Director along with the Company's attorneys indicated that they were not aware of any potential contingent liability that may negatively affect the Company.

**Derrimon Trading Company Limited**  
**Selling, Distribution and Finance Expenses**  
**31 December 2013**

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**27. SUBSEQUENT EVENTS**

**i. Devaluation of the Jamaican Dollar.**

During the period 1 January 2014 to 15 February 2014, the value of the Jamaican dollar depreciated against the United States dollar, moving from US\$1 from J\$106.38 to J\$107. At 31 December, 2013 the Company had net foreign currency liabilities of US\$1,280,309 (2012- US\$1,724,124) and settlement of these liabilities would result in an exchange loss of approximately \$0.8 million dollars. A significant percentage of the bills denominated in US\$ were liquidated within six (6) weeks of the reporting date and the Company did not suffer any significant realized foreign currency losses.

The risk of the continued depreciation of the Jamaican dollar against the major international currencies, principally the US\$ is significant to the Company. Management has implemented the necessary strategies not only to price its products in line with the prevailing rate of exchange but to access the necessary foreign currency on a timely basis to settle its liabilities according to the agreed terms with suppliers. Management continues to have good relationships with its foreign suppliers and do not expect to experience any reputational damage should there be any late payment of bills as a consequence of the local financial system being unable to supply foreign currency on a timely basis.

**ii. Change in Income Tax Regulations**

Effective 1 January 2014, during the 2013/2014 budget presentation in Parliament, the government of Jamaica (GOJ) announced an Employment Tax Credit (ETC) amounting to a maximum of 30% of any tax liability of companies. This will be available to companies who pay their statutory liabilities on time throughout the 2014 financial year. This change will not benefit the Company because the Company's shares were listed on the Junior Market on 17 December 2013 resulting in 100% exemption of taxable profits for the next five (5) years.

**iii. Private Bond Placement of J\$200 Million**

On 6 February 2014 the Company finalized an agreement with Mayberry Investments Limited for the private placement of a bond for \$200 Million for 18 months at an interest rate of 12.25%. The money raised will be used by management to retire certain high interest rate liabilities, working capital support and future capital expansion.