



NET PROFIT OF \$7.7M

**Derrimon Trading Company Limited
Report to Stockholders
Nine months ended September 30, 2014**

The Board of Directors is pleased to report the unaudited results of the Company for the nine (9) months ended September 30, 2014.

Performance Highlights

Nine months ended September 2014 compared with Nine months ended September 2013

- **Net Profit of \$7.691M, representing a \$13.249M increase**
- **Earnings per Stock unit of \$0.03, increased from (\$0.03)**
- **Revenue of \$4.208B, an increase of \$355.012M, or 9.21%**
- **Gross Profit of \$418.660M, an increase of \$78.645M, or 23.13%**
- **Acquisition of 49% or 44,078,122 shares in Caribbean Flavours and Fragrances Limited**

The nine months results reflect revenue of \$4.208 billion representing an increase of \$355.012 million or 9.21% over the \$3.853 billion reported for the corresponding nine months period in 2013. The growth in revenue continues to be influenced by increased sales within the retail segment of the business.

Gross profit reported for the period was \$418.660 million or 23.13% above the \$340.015 million reported for the similar period in 2013. This improvement being reported is mainly attributable to the growth in margins within the retail segment of the business.

Operating expenses, which include both administrative and selling & distribution expenses, for the period was \$406.738 million, which represents a 17.13% or \$59.482 million increase over the \$347.256 million reported for the similar period in 2013. 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 \$24.734 million to \$38.835 million or 57.01% in the nine (9) months period reported. This was driven by a \$200 million secured note at 12.25% which was utilized to retire short term bank loans and credit lines as well as to improve working capital. It also represents financing costs associated with the 49% acquisition of Caribbean Flavours and Fragrances Limited.

Net profit recorded for the first nine months was \$7.691 million representing a \$13.249 million increase over the corresponding period in 2013 when a net loss of \$5.558 million was recorded.

Total Assets less Current Liabilities stood at \$685.730 million which represents growth of \$476.841 million or 228.28% when compared to the similar period last year. This increase was mainly driven

by the 49% investment in Caribbean Flavours and Fragrances Limited and growth in current assets, particularly receivables and inventory.

During the quarter under review, the Directors of Derrimon Trading Company Limited approved the acquisition of 44,078,122 million shares at a price of \$2.75 per unit of Caribbean Flavours and Fragrances Limited. We see this acquisition as a strategic long term investment that will bring about positive long term value to our shareholders. Notwithstanding our 49% shareholdings, the Company will continue to operate as a separate legal entity.

We thank our shareholders, employees and other stakeholders for their support as we continue our march to become a world class organization.



Derrick Cotterell

Chairman/Chief Executive Officer



TABLE OF CONTENTS

Unaudited Financial Statements	Page
Statement of Comprehensive Income	4
Statement of Financial Position	5
Statement of Changes in Shareholders' Equity	6
Statement of Cash Flows	7
Notes to the Unaudited Financial Statements	8-13
Shareholdings of top ten (10) stockholders, directors and senior officers	14-15

Derrimon Trading Company Limited
Statement of Profit and Loss & Comprehensive Income
Nine Months Ended September 30, 2014

	Unaudited three months ended September 30 <u>2014</u>	Unaudited three months ended September 30 <u>2013</u>	Unaudited nine months ended September 30 <u>2014</u>	Unaudited nine months ended September 30 <u>2013</u>	Audited year ended December 31 <u>2013</u>
Revenue	\$	\$	\$	\$	\$
Trading Income	1,500,532,123	1,284,994,483	4,207,986,910	3,852,974,663	5,255,522,855
Less cost of sales	1,345,948,523	1,169,676,177	3,789,326,921	3,512,959,256	4,694,562,085
Gross Profit	154,583,600	115,318,307	418,659,989	340,015,407	560,960,770
Other Income	9,438,517	12,138,618	34,603,554	26,417,021	39,370,490
	164,022,117	127,456,925	453,263,543	366,432,429	600,331,260
Less operating expenses:					
Administrative	116,208,074	97,270,892	334,246,046	283,972,011	384,086,316
Selling & distribution	24,318,894	23,283,723	72,491,657	63,284,178	115,433,359
	140,526,968	120,554,615	406,737,703	347,256,189	499,519,675
Operating profits/ (loss) before finance charges	23,495,148	6,902,310	46,525,839	19,176,240	100,811,585
Less : finance cost	17,542,805	8,795,568	38,834,515	24,733,792	29,318,763
Profit/(Loss) before taxation	5,952,344	(1,893,258)	7,691,325	(5,557,552)	71,492,822
Taxation (Estimated)	-	-	-	-	21,565,478
Net Profit	5,952,344	(1,893,258)	7,691,325	(5,557,552)	49,927,344
Other comprehensive income	-	-			
Reversal of deferred taxation	-	-			14,375,815
Total comprehensive income	5,952,344	(1,893,258)	7,691,325	(5,557,552)	64,303,159
Earnings per stock unit	0.02	(0.01)	0.03	(0.03)	0.25

Derrimon Trading Company Limited
Statement of Financial Position
Nine Months ended September 30, 2014

	Unaudited September 30 <u>2014</u> \$	Unaudited September 30 <u>2013</u> \$	Audited December 31 <u>2013</u> \$
ASSETS			
Non-current assets:			
Fixed Assets	146,204,724	157,273,612	141,204,951
Goodwill	3,750,000	3,750,000	3,750,000
Investment	121,167,244	-	-
Current assets:			
Receivables	686,076,031	405,512,767	379,172,198
Inventories	541,559,723	325,108,577	423,225,481
Related parties	-	-	6,860,583
Investment	33,216,995	25,017,292	19,076,356
Cash & bank	32,734,414	16,038,553	51,190,043
	1,293,587,163	771,677,189	879,524,661
Current Liabilities:			
Payables	792,200,758	620,276,986	590,492,468
Short term loans	86,778,839	103,535,628	-
Current portion of long term loan	-	-	63,540,509
Taxation payable (Estimated)	-	-	13,685,664
	878,979,597	723,812,614	667,718,641
Net current assets	414,607,566	47,864,575	211,806,020
Total assets less current liabilities	685,729,534	208,888,187	356,760,971
EQUITY			
Issued capital	140,044,436	1,000	140,044,436
Retained earnings	118,154,467	55,477,245	110,463,143
Capital Reserve	57,503,266	43,127,451	57,503,266
	315,702,169	98,605,695	308,010,845
Non Current Liability:			
Borrowings	305,138,167	74,226,573	43,860,928
Shareholders Loan	64,889,198	22,239,296	4,889,198
Deferred tax	-	13,816,623	-
	370,027,365	110,282,491	48,750,126
Total equity and none-current liabilities	685,729,534	208,888,187	356,760,971

Approved for issue by the Board of Directors on November 13, 2014 by:



Derrick Cotterell
Chairman/Chief Executive Officer



Ian Kelly
Executive Director

Derrimon Trading Limited
Statement of change in Shareholders' Equity
Nine Months Ended September 30, 2014

	<u>Share Capital</u>	<u>Retained Earnings</u>	<u>Capital Reserves</u>	<u>Total</u>
	\$	\$		\$
Balance at 31 December 2012	1,000	61,034,799	43,127,451	104,163,250
Total comprehensive income		(5,557,552)	-	(5,557,552)
Balance at September 30, 2013	1,000	55,477,247	43,127,451	98,605,698

	<u>Share Capital</u>	<u>Retained Earnings</u>	<u>Capital Reserves</u>	<u>Total</u>
Balance at 31 December 2013	140,044,436	110,463,143	57,503,266	308,010,845
Total comprehensive income	-	7,691,325	-	7,691,325
	-	-	-	-
Balance at September 30, 2014	140,044,436	118,154,468	57,503,266	315,702,170

Derrimon Trading Limited
Statement of Cash flows
Nine Months Ended September 30, 2014

	Note	9 Months ended September 30, 2014 \$	9 Months ended September 30, 2013 \$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net profit/(loss)		7,691,325	(5,557,552)
Adjustments for:			
Depreciation		14,039,743	4,201,774
		<u>21,731,067</u>	<u>(1,355,778)</u>
Changes in non-cash working capital components:-			
Decrease/(Increase):			
Receivables		(306,903,833)	(70,746,375)
Inventory		(118,334,242)	(20,133,732)
Related Company		6,860,583	28,386,221
Increase/(Decrease):			
Payables		201,708,287	(68,575,918)
Taxation		(13,685,664)	(4,684,488)
		<u>(230,354,869)</u>	<u>(135,754,293)</u>
Net funds provided by/(used in) operating activities		(208,623,801)	(137,110,071)
CASH FLOWS FROM INVESTING ACTIVITY:			
Investments		(135,307,884)	(21,563,624)
Acquisition of property, plant and equipment		(19,039,515)	(32,336,194)
Net cash used in investment activities		<u>(154,347,399)</u>	<u>(53,899,818)</u>
Financing activities:			
Loans received during the period		385,770,668	184,193,763
Loans repayments		(101,255,097)	(41,644,678)
Director's loan repayment		60,000,000	-
Net cash provided by financing activities		<u>344,515,571</u>	<u>142,549,085</u>
Net (decrease)/ increase in cash balances		<u>(18,455,629)</u>	<u>(48,460,804)</u>
Net cash balance at beginnig of period		<u>51,190,043</u>	<u>64,499,357</u>
Net cash balance at end of period		<u>32,734,414</u>	<u>16,038,553</u>
 Represented by:			
Cash & cash equivalents		<u>32,734,414</u>	<u>16,038,553</u>
Net cash and cash equivalents at end of period		<u>32,734,414</u>	<u>16,038,553</u>

Notes to the Unaudited Financial Statements

Nine Months Ended September 30, 2014

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 at 8-10 Brome Close, Kingston 20, Sampars Outlet West Street at 60 ½ West and Sampars Outlet Mandeville at Hargreaves, Mandeville.

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, 2013.

New Standards

IAS 1 (Amended)

Presentation of Financial Statements (effective for annual reporting periods beginning on or after 1 July 2012), amendments to revise the way other comprehensive income is presented .

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.

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.

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.

Comparative information

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

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.

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.

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.

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

2014

2013

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

**SHAREHOLDINGS OF TOP TEN (10) STOCKHOLDERS, DIRECTORS AND SENIOR OFFICERS AS AT
SEPTEMBER 30, 2014**

Top (10) Stockholders	Number of Shares Held
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
Mayberry West Indies Limited	6,290,820
Manwei International Limited	5,500,000
Mayberry Managed Clients Account	5,153,096
Sharon Harvey-Wilson	1,958,179
 Directors	
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

Craig Robinson 243,848