



NET PROFIT OF \$58.523M

Derrimon Trading Company Limited

Report to Stockholders

Six months ended June 30, 2016

The Board of Directors is pleased to report the unaudited results of the Company for the six (6) months ended June 30, 2016.

Performance Highlights

Six months ended June 2016 compared with six months ended June 2015

- **Net Profit of \$58.523M, representing a \$7.328M increase or 14.31%**
- **Earnings per Stock unit of \$0.21, increase of \$0.02**
- **Revenue of \$3.043B, an increase of \$164.459M, or 5.71%**
- **Gross Profit of \$391.528M, an increase of \$31.870M, or 8.86%**

The six months results reflect revenue of \$3.043 billion representing an increase of \$164.459 million or 5.71% over the \$2.879 billion reported for the corresponding six months period in 2015. The growth in revenue during the period was positively influenced by improved sales within the retail segment of the business as well as a positive contribution from Distribution.

Gross profit reported for the period was \$391.528 million or 8.86% above the \$359.659 million reported for the similar period in 2015. The continuous improvement in margins on a quarterly and annual basis is primarily influenced by the performance of the retail business segment. Distribution also continues to provide a positive contribution despite the extremely competitive landscape.

Operating expenses for the period was \$320.216 million, which represents an increase of 7.49% or \$22.326 million over the \$297.890 million reported for the same period in 2015. The major factors for this increase were the increase in cost for utilities, marketing expenses, staff cost and contracted services such as trucking.

Finance charges decreased by \$2.809 million from \$40.413 million to \$37.604 million or by 6.95% in the six months period reported. This was driven by continuous improvement in the management of credit and receivables and the working capital of the company.

Net profit recorded for the six months period was \$58.523 million representing a \$7.328 million increase over the corresponding period in 2015 when a net profit of \$51.195 million was reported.

Total Assets less Current Liabilities was at \$820.970 million which represents growth of \$44.287 million or 5.70% when compared to the similar period last year. This increase was mainly driven by growth in non-current assets .

We thank our shareholders, employees, customers and other stakeholders for their support as we continue to expand our business and bring greater value to all parties.



Derrick Cotterell

Chairman/Chief Executive Officer



NET PROFIT OF \$58.523M

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Derrimon Trading Company Limited
Statement of Profit and Loss & Comprehensive Income
Six Months Ended June 30, 2016

| Notes | Unaudited three months ended June 30 | | Unaudited three months ended June 30 | | Unaudited six months ended June 30 | Unaudited six months ended June 30 | Audited year ended December 31 |
|---|--|---------------|--|---------------|--|--|---|
| | 2016 | | 2015 | | 2016 | 2015 | |
| | \$ | \$ | \$ | \$ | \$ | \$ | |
| Revenue | | | | | | | |
| Trading Income | 3h | 1,637,580,213 | 1,582,499,339 | 3,043,379,982 | 2,878,920,524 | 6,293,998,467 | |
| Less cost of sales | | 1,432,978,870 | 1,389,141,859 | 2,651,851,856 | 2,519,261,971 | 5,460,667,436 | |
| Gross Profit | | 204,601,343 | 193,357,480 | 391,528,126 | 359,658,553 | 833,331,031 | |
| Other Income | | 5,166,295 | 3,830,640 | 7,622,839 | 9,328,124 | 8,220,476 | |
| | | 209,767,638 | 197,188,120 | 399,150,965 | 368,986,677 | 841,551,507 | |
| Less operating expenses: | | | | | | | |
| Administrative | | 125,506,594 | 125,086,084 | 250,045,919 | 244,138,543 | 538,261,602 | |
| Selling & distribution | | 38,709,969 | 32,038,329 | 70,169,994 | 53,751,394 | 164,024,700 | |
| | | 164,216,563 | 157,124,413 | 320,215,913 | 297,889,937 | 702,286,302 | |
| Operating profits/ (loss) before finance charges | | 45,551,075 | 40,063,707 | 78,935,052 | 71,096,740 | 139,265,205 | |
| Less : finance cost | | (21,220,701) | (21,535,989) | (37,604,498) | (40,413,489) | (87,084,422) | |
| Share of profit of associated company | 7b | 7,987,000 | 12,153,229 | 17,192,630 | 20,511,994 | 35,949,530 | |
| Profit/(Loss) before taxation | | 32,317,374 | 30,680,947 | 58,523,184 | 51,195,245 | 88,130,313 | |
| Taxation (Estimated) | 4 | - | - | - | - | - | |
| Net Profit | | 32,317,374 | 30,680,947 | 58,523,184 | 51,195,245 | 88,130,313 | |
| Other comprehensive income | | - | - | | | | |
| Reversal of deferred taxation | | - | - | | | - | |
| Increase/(decrease) in revaluation investment | | | | | | 654,000 | |
| Total comprehensive income | | 32,317,374 | 30,680,947 | 58,523,184 | 51,195,245 | 88,784,313 | |
| Earnings per stock unit | 5 | 0.12 | 0.11 | 0.21 | 0.19 | 0.32 | |

Derrimon Trading Company Limited
Statement of Financial Position
Six Months ended June 30, 2016

| | Unaudited June 30 2016 | Unaudited June 30 2015 | Audited December 31 2015 |
|--|-------------------------------------|-------------------------------------|---------------------------------------|
| | \$ | \$ | \$ |
| ASSETS | | | |
| Non-current assets: | | | |
| Fixed Assets | 3(f) | 188,808,587 | 160,324,895 |
| Goodwill | 7(a) | 15,220,200 | 15,220,200 |
| Investment | | 178,017,642 | 160,825,012 |
| Current assets: | | | |
| Receivables | | 599,264,765 | 505,729,266 |
| Inventories | | 670,437,903 | 588,287,002 |
| Related parties | | - | 14,534,879 |
| Investment | | 17,672,641 | 2,351,015 |
| Cash & bank | | 130,983,350 | 60,203,034 |
| | | <u>1,418,358,659</u> | <u>1,835,950,340</u> |
| | | | 1,171,105,196 |
| Current Liabilities: | | | |
| Payables | | 778,859,528 | 560,542,673 |
| Short term loans | | - | 138,167,244 |
| Current portion of long term loan | | 200,576,000 | 6,658,984 |
| Taxation payable (Estimated) | | - | - |
| | | <u>979,435,528</u> | <u>1,403,044,586</u> |
| Net current assets | | <u>438,923,131</u> | <u>603,903,539</u> |
| Total assets less current liabilities | | <u>820,969,560</u> | <u>940,273,646</u> |
| Equity | | | |
| Issued capital | | 140,044,436 | 140,044,436 |
| Retained earnings | | 308,723,361 | 250,200,177 |
| Investment revaluation reserve | | 614,000 | (40,000) |
| Capital Reserve | | 57,503,266 | 57,503,266 |
| | | <u>506,885,063</u> | <u>410,772,810</u> |
| | | | 448,361,879 |
| Non Current Liability: | | | |
| Borrowings | | 314,084,497 | 491,911,767 |
| Shareholders Loan | | - | 49,898,289 |
| Preference Shares | | - | - |
| | | <u>314,084,497</u> | <u>365,909,489</u> |
| Total equity and none-current liabilities | | <u>820,969,560</u> | <u>776,682,299</u> |
| | | | <u>940,273,646</u> |

Approved for issue by the Board of Directors on August 10, 2016 by:

Derrick Cotterell

Chairman/Chief Executive Officer

Ian Kelly

Executive Director

Derrimon Trading Limited
Statement of change in Shareholders' Equity
Nine Months Ended June 30, 2016

| | <u>Share Capital</u> | <u>Retained Earnings</u> | <u>Investment Revaluation Reserve</u> | <u>Capital Reserves</u> | <u>Total</u> |
|------------------------------------|----------------------|------------------------------|---------------------------------------|-------------------------|------------------------------|
| Balance at 31 December 2014 | \$ 140,044,436 | \$ 162,069,864 51,195,245 | \$ (40,000.00) | \$ 57,503,266 | \$ 359,577,566 51,195,245 |
| Total comprehensive income | | | | | |
| Balance at June 30, 2015 | 140,044,436 | 213,265,108 | (40,000.00) | 57,503,266 | 410,772,810 |

| | <u>Share Capital</u> | <u>Retained Earnings</u> | <u>Investment Revaluation Reserve</u> | <u>Capital Reserves</u> | <u>Total</u> |
|------------------------------------|----------------------|-----------------------------------|---------------------------------------|-------------------------|-----------------------------------|
| Balance at 31 December 2015 | 140,044,436 | 250,200,177 58,523,184 | 614,000.00 | 57,503,266 | 448,361,879 58,523,184 |
| Total comprehensive income | | | | | |
| Balance at June 30, 2016 | 140,044,436 | 308,723,361 | 614,000.00 | 57,503,266 | 506,885,063 |

Statement of Cash flows
Six Months Ended June 30, 2016

| | Note | 6 Months ended June 30, 2016 <u>3</u> | 6 Months ended June 30, 2015 <u>\$</u> |
|--|------|---|--|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net profit | | 58,523,184 | 51,195,245 |
| Adjustments for: | | | |
| Depreciation | | 6,262,863 | 6,275,375 |
| Share of profit of associated company | | (17,192,630) | (20,511,994) |
| | | <u>47,593,417</u> | <u>36,958,626</u> |
| Changes in non-cash working capital components:- | | | |
| Decrease/(Increase): | | | |
| Receivables | | (93,535,499) | (386,472,798) |
| Inventory | | (82,150,901) | (212,700,059) |
| Related Company | | 14,534,879 | 3,915,387 |
| Increase/(Decrease): | | | |
| Payables | | 218,316,855 | 466,291,335 |
| Taxation | | - | - |
| | | <u>57,165,334</u> | <u>(128,966,135)</u> |
| Net funds provided by/(used in) operating activities | | <u>104,758,751</u> | <u>(92,007,509)</u> |
| CASH FLOWS FROM INVESTING ACTIVITY: | | | |
| Goodwill | | - | (11,322,088) |
| Investments | | (15,321,626) | (16,460,867) |
| Acquisition of property, plant and equipment | | (34,746,555) | (31,853,914) |
| Net cash used in investment activities | | (50,068,181) | (59,636,869) |
| Financing activities: | | | |
| Loans received during the period | | 22,172,730 | 329,496,336 |
| Loans repayments | | (6,082,984) | (118,022,612) |
| Director's loan repayment | | - | - |
| Net cash provided by financing activities | | 16,089,746 | 211,473,723 |
| Net (decrease)/ increase in cash balances | | 70,780,316 | 59,829,345 |
| Net cash balance at beginning of period | | 60,203,034 | 49,634,757 |
| Net cash balance at end of period | | 130,983,350 | 109,464,102 |
| Represented by: | | | |
| Cash & cash equivalents | | 130,983,350 | 109,464,102 |
| Net cash and cash equivalents at end of period | | <u>130,983,350</u> | <u>109,464,102</u> |

Notes to the Unaudited Financial Statements

Six Months Ended June 30, 2016

1. IDENTIFICATION AND PRINCIPAL ACTIVITIES

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

The Company maintained the entity's trading name, Sampars Cash & Carry as well as its operating Outlets: Sampars Outlet Washington Boulevard at 8-10 Brome Close, Kingston 20; Sampars Outlet West Street at 60 ½ West Street, Kingston; Sampars Outlet Mandeville at 26 Hargreaves Avenue, Mandeville; Sampars Old Harbour at 3 Arscott Drive, Old Harbour, St. Catherine; and Sampars St. Ann's Bay at 3 Harbour Street, St. Ann's Bay.

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

2. BASIS OF PREPARATION

a) Statement of Compliance

The financial statements of Derrimon Trading Company Limited have been prepared in accordance with and compliance with International Financial Reporting Standards (IFRS) under the historical cost convention, as modified by the revaluation of certain financial assets. The same accounting policies and methods of computation are followed in the unaudited financial statements as were applied in the audited financial statements for the year ended December 31, 2014.

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.

a) Depreciable assets

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

b) Allowance for losses

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

c) Basis of consolidation of divisional amounts

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

d) Comparative information

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

e) Segment reporting

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

The business segments are distribution and the operation of a wholesale chain of outlets trading as Sampars Cash and Carry.

f) Valuation of property, plant and equipment

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

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

The market value of freehold land and building is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction considering its existing condition and location. The market value of plant and equipment is estimated using depreciated replacement cost approach. Gains or losses arising from changes in market value are taken to capital reserve.

g) Depreciation

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

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

Leasehold Improvement is amortized over period of lease.

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

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

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

h) Revenue recognition

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

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

Sale of goods

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

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

Foreign currency translation

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

Transactions and balances

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

Trade receivables

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

4. TAXATION

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

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

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

5. EARNINGS PER STOCK UNIT

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

6. SHARE CAPITAL

| | 2015 | 2014 |
|---|-------------|-------------|
| <u>Authorised:</u> | | |
| 400,400,000 ordinary shares of no par value | | |
| <u>Issued and fully paid:</u> | | |
| 273,336,067 (2013 – 1,000) shares net of | | |
| transaction costs | 140,044,436 | 140,044,436 |

7. Investment in Associate

- a) Investment at beginning of year 129,282,994 -
Share of results after tax 20,511,994 -
- b) In August 2014, the Company acquired 49% of Caribbean Flavours and Fragrances Limited (CFFL) a company incorporated in Jamaica and listed on the Junior Market of the Jamaica Stock Exchange. The Company participates in the financial and operating policy decisions but does not control CFFL.

The revenue and net profit reported by CFFL for the six months ending June 30, 2016 was \$174.856 million and \$38.089 million respectively.

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

JUNE 30, 2016

Top (10) Stockholders

Number of Shares Held

| | |
|---------------------------------------|-------------|
| Derrick Cotterell | 110,000,000 |
| Manwei International Limited | 50,019,790 |
| Monique Cotterell | 40,000,000 |
| Ian C. Kelly | 15,743,459 |
| Winston Thomas | 13,363,979 |
| Estate of E. Cotterell (Deceased) | 10,000,000 |
| Sagicor Pooled Equity Fund | 5,875,692 |
| JCSD Trustee Services - Sigma Venture | 3,732,015 |
| Mayberry Managed Clients Account | 3,064,706 |
| 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 171,323