



NET PROFIT OF \$75.987M

Derrimon Trading Company Limited
Report to Stockholders
Nine Months ended September 30, 2016

The Board of Directors is pleased to report the unaudited results of the Company for the nine (9) months ended September 30, 2016.

Performance Highlights

Nine Months Ended September 2016 compared with Nine Months Ended September 2015

- **Net Profit of \$75.987M, representing a \$7.301M increase or 10.63%**
- **Earnings per Stock unit of \$0.28, increase of \$0.03**
- **Revenue of \$4.387B, a decrease of \$217.457M, or 4.72%**
- **Gross Profit of \$579.391M, an increase of \$6.814M, or 1.19%**

Net profit recorded for the nine months period was \$75.987 million representing a \$7.301 million increase over the corresponding period in 2015 when a net profit of \$68.686 million was reported.

The gross profit generated for the period was \$579.391 million or 1.19% above the \$572.577 million reported for the similar period in 2015. The continuous improvement in Gross Profit on a quarterly and annual basis is primarily influenced by the improved performance of the retail business segment as well as the decision taken to realign the portfolio of the Distribution Division.

Total Assets less Current Liabilities was at \$1.030 billion which represents growth of \$73.192 million or 7.65% when compared to the similar period last year. This increase was mainly driven by growth in non-current assets.

Operating expenses for the period was \$479.125 million, which represents an increase of 0.33% or \$1.568 million over the \$477.557 million reported for the same period in 2015. This outcome was as a result of a deliberate strategy of achieving specific efficiencies within the business. We expect that this will continue as each outcome is further refined. There was an increase in the cost for utilities, marketing expenses, staff cost and contracted services such as trucking.

Finance charges decreased by \$3.924 million from \$66.446million to \$62.503 million or by 5.93% in the nine months period reported. This was driven by continuous improvement in the management of credit and receivables and the working capital of the company.

The nine months results reflects revenue generated of \$4.387billion representing a decrease of \$217.457 million or 4.72% over the \$4.605 billion reported for the corresponding nine months period

in 2015. Whilst there continues to be monthly growth in the retail segment of the business, the decision taken to review the Distribution Division's portfolio and to cull specific low margin items has contributed to this 4.72% year over year reduction in revenue.

We continue to 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



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

	Note	Unaudited three months ended September 30 <u>2016</u> \$	Unaudited three months ended September 30 <u>2015</u> \$	Unaudited nine months ended September 30 <u>2016</u> \$	Unaudited nine months ended September 30 <u>2015</u> \$	Audited year ended December 31 <u>2015</u> \$
Revenue						
Trading Income	3h	1,343,944,761	1,725,861,413	4,387,324,743	4,604,781,937	6,293,998,467
Less cost of sales		1,156,082,104	1,512,943,038	3,807,933,960	4,032,205,009	5,460,667,436
Gross Profit		187,862,657	212,918,375	579,390,783	572,576,928	833,331,031
Other Income		3,503,139	290,744	11,125,978	9,618,868	8,220,476
		191,365,796	213,209,119	590,516,761	582,195,796	841,551,507
Less operating expenses:						
Administrative		126,047,369	141,981,719	376,093,288	386,120,262	538,261,602
Selling & distribution		32,862,216	37,685,679	103,032,210	91,437,073	164,024,700
		158,909,585	179,667,398	479,125,498	477,557,335	702,286,302
Operating profits/ (loss) before finance charges		32,456,211	33,541,721	111,391,263	104,638,461	139,265,205
Less : finance cost		(24,898,740)	(26,032,173)	(62,503,238)	(66,445,662)	(87,084,422)
Share of profit of associated company	7b	9,905,996	9,981,174	27,098,626	30,493,168	35,949,530
Profit/(Loss) before taxation		17,463,467	17,490,722	75,986,651	68,685,967	88,130,313
Taxation (Estimated)	4	-	-	-	-	-
Net Profit		17,463,467	17,490,722	75,986,651	68,685,967	88,130,313
Other comprehensive income		-	-	-	-	-
Reversal of deferred taxation		-	-	-	-	-
Increase/(decrease) in revaluation investment						654,000
Total comprehensive income		17,463,467	17,490,722	75,986,651	68,685,967	88,784,313
Earnings per stock unit	5	0.06	0.06	0.28	0.25	0.32

Derrimon Trading Company Limited
Statement of Financial Position
Nine Months ended September 30, 2016

	Note	Unaudited September 30 <u>2016</u> \$	Unaudited September 30 <u>2015</u> \$	Audited December 31 <u>2015</u> \$
ASSETS				
Non-current assets:				
Fixed Assets	3f	192,964,653	162,057,080	160,324,895
Goodwill	7(a)	15,220,200	19,542,288	15,220,200
Investment In Associate		187,923,638	159,776,162	160,825,012
Current assets:				
Receivables		845,465,686	785,629,996	505,729,266
Inventories		684,639,300	747,802,916	588,287,002
Related parties		-	-	14,534,879
Investment		21,809,965	15,265,423	2,351,015
Cash & bank		94,204,231	83,446,663	60,203,034
		<u>1,646,119,180</u>	<u>1,632,144,998</u>	<u>1,171,105,196</u>
Current Liabilities:				
Payables		788,892,796	905,403,554	560,542,673
Short term loans		223,192,945	111,167,244	-
Current portion of long term loan		-	-	6,658,984
Taxation payable (Estimated)		-	-	-
		<u>1,012,085,741</u>	<u>1,016,570,798</u>	<u>567,201,657</u>
Net current assets		<u>634,033,439</u>	<u>615,574,200</u>	<u>603,903,539</u>
Total assets less current liabilities		<u>1,030,141,930</u>	<u>956,949,730</u>	<u>940,273,646</u>
Equity				
Issued capital		140,044,436	140,044,436	140,044,436
Retained earnings		326,186,827	230,755,832	250,200,177
Investment revaluation reserve		614,000	-	614,000
Capital Reserve		57,503,266	57,463,266	57,503,266
		<u>524,348,529</u>	<u>428,263,534</u>	<u>448,361,879</u>
Non Current Liability:				
Borrowings		505,793,401	505,882,097	491,911,767
Shareholders Loan		-	22,804,098	-
		<u>505,793,401</u>	<u>528,686,195</u>	<u>491,911,767</u>
Total equity and non-current liabilities		<u>1,030,141,930</u>	<u>956,949,730</u>	<u>940,273,646</u>

Approved for issue by the Board of Directors on November 15, 2016 by:



Derrick Cotterell
Chairman/CEO



Ian Kelly
Executive Director/CFO

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

	<u>Share Capital</u>	<u>Retained Earnings</u>	<u>Investment Revaluation Reserve</u>	<u>Capital Reserves</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Balance at 31 December 2014	140,044,436	162,069,864	(40,000.00)	57,503,266	359,577,566
Total comprehensive income		68,685,968			68,685,968
Balance at September 30, 2015	140,044,436	230,755,832	(40,000.00)	57,503,266	428,263,534

	<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	614,000.00	57,503,266	448,361,879
Total comprehensive income	-	75,986,650	-	-	75,986,650
Balance at September 30, 2016	140,044,436	326,186,827	614,000.00	57,503,266	524,348,529

Derrimon Trading Limited
Statement of Cash flows
Nine Months Ended September 30, 2016

	Note	9 Months ended September 30, 2016 \$	9 Months ended September 30, 2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net profit		75,986,651	68,685,967
Adjustments for:			
Depreciation		11,792,430	19,406,806
Share of profit of associated company		(27,098,626)	(30,493,168)
		<u>60,680,455</u>	<u>57,599,605</u>
Changes in non-cash working capital components:-			
Decrease/(Increase):			
Receivables		(339,736,420)	(290,841,751)
Inventory		(96,352,298)	(143,124,846)
Related Company		14,534,879	3,915,387
Increase/(Decrease):			
Payables		228,350,123	306,817,546
Taxation		-	-
		<u>(193,203,715)</u>	<u>(123,233,664)</u>
Net funds provided by/(used in) operating activities		<u>(132,523,260)</u>	<u>(65,634,059)</u>
CASH FLOWS FROM INVESTING ACTIVITY:			
Goodwill		-	(11,322,088)
Investments		(19,458,950)	(3,879,224)
Acquisition of property, plant and equipment		(44,432,188)	(32,603,155)
Net cash used in investment activities		<u>(63,891,138)</u>	<u>(47,804,467)</u>
Financing activities:			
Loans received during the period		239,540,071	492,367,234
Loans repayments		(9,124,476)	(318,022,611)
Director's loan repayment		-	(27,094,191)
Net cash provided by financing activities		<u>230,415,595</u>	<u>147,250,432</u>
Net (decrease)/ increase in cash balances		<u>34,001,197</u>	<u>33,811,906</u>
Net cash balance at beginnig of period		<u>60,203,034</u>	<u>49,634,757</u>
Net cash balance at end of period		<u><u>94,204,231</u></u>	<u><u>83,446,663</u></u>
 Represented by:			
Cash & cash equivalents		<u>94,204,231</u>	<u>83,446,663</u>
Net cash and cash equivalents at end of period		<u><u>94,204,231</u></u>	<u><u>83,446,663</u></u>

Notes to the Unaudited Financial Statements

Nine Months Ended September 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 St. Ann's Bay at 3 Harbour Street, St. Ann's Bay and Sampars Old Harbour at 3 Arcscott Drive, Old Harbour, St. Catherine.

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

2. BASIS OF PREPARATION

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, 2015.

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%
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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 three months ending September 30, 2016 was \$101.148 million and \$20.216 million respectively.

**SHAREHOLDINGS OF TOP TEN (10) STOCKHOLDERS, DIRECTORS AND SENIOR OFFICERS AS AT
SEPTEMBER 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	2,474,655
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