Derrimon Trading Company Limited
Financial Statements
31 December 2016

McKENLEY
& ASSOCIATES
CHARTERED ACCOUNTANTS

"Continuous Improvement and Innovation are our Duties......"

Page

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CHARTERED ACCOUNTANTS

Independent Auditor's Report

To the Members of
Derrimon Trading Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Company , which comprise the statement of financial position as at 31 December 2016 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Derrimon Trading Company Limited (the Company) as at 31 December 2016 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under these standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company within the meaning of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatements in the financial statements. In particular, we considered where management made subjective judgments, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters for consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. Key audit matters are selected from the matters communicated with the Audit Committee members (those charged with Governance) but are not intended to represent all matters that were discussed with them. These matters are addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

- **Borrowings**

  See notes 2 (t),19 and 23 to the financial statements for management's disclosures of related accounting policies, judgments and estimates.

  As at 31 December 2016, long and short term borrowings inclusive of preference shares and overdraft facilities represented $703 Million or 55% of the total assets of the Company. This is a leveraged position and represents a liquidity risk.

  We reviewed the loan agreements and repayment schedules and noted that all the loans were being serviced on a timely basis as per the contractual agreements, principally by predetermined monthly deductions from the Company's bank accounts. We confirmed the balances, reviewed the maturity schedule for repayment, tested the interest calculations and determined that the total borrowings represented obligations by the Company. We did not identify any negative correspondence from financial institutions that indicated that the Company was in breach of its stipulated covenants or loan repayment terms. We tested the effectiveness of controls over the timely repayment of loans and other credit facilities and noted that they are compliant with the various agreements.

  We queried management's growth and expansion strategy using debt capital as the principal means of growth and expansion as this strategy has an inherent liquidity risk that the cash generating units acquired may not perform as expected.

  Management is mindful of this inherent liquidity risk however, they are confident that their strategic growth and expansion plan will perform as anticipated. Management is of the opinion that effective safeguards are in place as they have implemented the necessary policies and procedures including scenario analysis and direct monitoring of the individual borrowings.

  We evaluated the performance of the borrowing portfolio subsequent to the end of the reporting period to determine whether there was need for any adjustment or whether there were any default or breach of any terms of covenants during the subsequent period that would permit any lender to demand accelerated repayment and we did not identify any need for adjustment.

• WILFRED M. McKENLEY M.B.A., F.C.C.A., F.C.A. • JANICE E. McKENLEY, BSc., EMBA., F.C.C.A., F.C.A. (Partner on leave)

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Key Audit Matters (continued)

- **Impairment provision on receivables**

  See notes2 (m) and 13 to the financial statements for management's disclosures of related accounting policies, judgments and estimates

  As at 31 December 2016, receivables including advances to staff amounted to $$260 Million with an impairment provision of $6Million representing 2% of this receivables balance. With a net profit of $116 Million, the accounts receivable represent a credit risk. Nonetheless, we have recognized from our Audit that there has been a significant improvement over that which was reported in the 2015 financial year.

  We focused on the method used by management to determine the necessity for a provision against long outstanding debts and customers who are experiencing financial difficulties. We discussed and reviewed the impaired balances and reviewed correspondence from the customers along with agreements reached and the level of subsequent payments after the year end.

  We assessed and tested the fairness of the receivable balances by positive confirmation of certain customers along with reviewing payment pattern and determined that the reported balances were fairly stated. We reviewed subsequent payments and evaluated the payment arrangements with customers with balances over 90 days. The total balances owing to the Company over ninety (90) days amounted to $65 Million and amounts written off during the year was $13 Million.

  We also queried certain assumptions by management as to why no additional increase in the provision is necessary, especially in regards to dormant receivable balances and those customers who continue to access credit from the Company while having significant balances over 90 days. We also evaluated the historical experience for customers within the industry with similar risk characteristics who have long outstanding balances.

  Management has implemented a number of measures to enhance the Company's credit strategy including a zero-credit policy in their retail division. We evaluated the performance of the receivables, had discussions with management and reviewed the new policies established by management along with assessing subsequent receipts to determine whether there was any requirement for further adjustment to the impairment provision.

  Based on our work we consider the impairment provision to be reasonable.

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Independent Auditor's Report

To the Members of
Derrimon Trading Company Limited

Key Audit Matters (continued)

- **Associated Company**

  See notes 2 (c), (d), 6 and 27 to the financial statements for management's disclosures of related accounting policies, judgments and estimates.

  As described in Note 2 (c) and in notes 6 and 27, the Company made an offer to a major stakeholder in its associated company, Caribbean Flavours and Fragrances Limited (CFFL) to acquire additional shares.

  In February 2017, the Company acquired an additional 26% of the issued shares of the CFFL and both entities will be consolidated at the next reporting period unless there are circumstances or events that dictate otherwise.

  We examined the Directors' Circular to the ordinary shareholders of CFFL in response to the offer by Derrimon Trading Company Limited to acquire the remaining ordinary shares, not already held by the Company, and considered the regulatory environment and the steps required to complete the transactions. We challenged management's position through enquiry and by considering guidance in IFRS 10, Consolidated Financial Statements, and based on our independent evaluation, we determined that management's conclusion to continue accounting for CFFL, based on their strategic objectives for the subsequent year, as an equity investment at the reporting date was not unreasonable.

Other Information

Management is responsible for the other information. The other information comprises the Annual Report inclusive of the Director's, Chairman of the Board and the Chief Executive Officer Reports but does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover Other Information and we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information referred to above when it becomes available and, in doing so, we will consider whether the other information is materially consistent with the financial statements or whether knowledge obtained by us from the audit, or otherwise, appear to indicate any material misstatements.

When we read the Annual Report, if we conclude that there are any material misstatements therein, we are required to communicate the matter to those charged with governance.

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Responsibilities of Management and those charged with Governance for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relative to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are not responsible for the direction, supervision and performance of the Company. We remain solely responsible for our audit opinion.

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To the Members of
Derrimon Trading Company Limited

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exist, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with those charged with governance of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosures about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 Jamaican Companies Act, in the manner so required.

The engagement partner on the audit resulting in this independent auditor's report is Wilfred McKenley.

McKenley & Associates

Chartered Accountants

24 February 2017
Kingston, Jamaica

• WILFRED M. McKENLEY M.B.A., F.C.C.A., F.C.A. • JANICE E. McKENLEY, BSc., EMBA., F.C.C.A., F.C.A. (Partner on leave)

Derrimon Trading Company Limited
Statement of Profit or Loss and Other Comprehensive Income
Year ended 31 December 2016

	Note	2016 $	2015 $
Revenue			
Trading income	2(h)	6,176,927,900	6,293,998,467
Less cost of sales		5,242,449,056	5,460,667,436
Gross profit		934,478,844	833,331,031
Other income			
Interest income		794,608	658,624
Rental from warehouse space		18,670,906	6,387,113
Other income: insurance proceeds, bad debts recovered and dividends		8,500	1,174,739
		953,952,858	841,551,507
Less operating expenses:			
Administrative	4	561,460,121	538,261,602
Selling & distribution	4	177,952,349	164,024,700
		739,412,470	702,286,302
Operating profit before finance costs		214,540,388	139,265,205
Finance costs	4	(136,620,681)	(87,084,422)
Share of profit of Associated Company	6	38,186,836	35,949,530
Profit before taxation		116,106,543	88,130,313
Taxation	7	-	-
Net profit		116,106,543	88,130,313
Other comprehensive Income, net of taxes-			
Items that may be reclassified to profit or loss-			
Increase/(decrease) in revaluation of investments	8	-	654,000
Profit, being total comprehensive income for year		116,106,543	88,784,313
Earnings per stock unit	9	0.43	0.32

Derrimon Trading Company Limited
Statement of Financial Position
31 December 2016

	Note	2016	2015
		$	$
ASSETS			
Non-current assets:			
Property, plant and equipment	10	176,130,027	160,324,895
Goodwill	11	15,220,200	15,220,200
Investment in associate	6	194,604,036	160,825,012
Current assets:			
Inventories	12	905,826,549	588,287,002
Receivables	13	680,661,533	505,729,266
Prepayments	13	120,619,131	-
Related parties	14	834,214	14,534,879
Investments	15	12,177,752	2,351,015
Cash and cash equivalents	16	157,933,737	79,387,739
		1,878,052,916	1,190,289,901
Current liabilities:			
Payables	17	772,032,890	560,542,673
Short term loans	18	224,271,780	-
Current portion of borrowings	19	30,900,987	6,658,984
Bank overdraft	20	56,739,976	*19,184,705
		1,083,945,633	586,386,362
Net current assets		794,107,283	603,903,539
Total assets less current liabilities		1,180,061,546	940,273,646
EQUITY			
Share capital	21	140,044,436	140,044,436
Capital reserve	8	57,503,266	57,503,266
Investment revaluation reserve	8	614,000	614,000
Retained earnings		366,306,720	250,200,177
		564,468,422	448,361,879
Non-current liability:			
Borrowings	19	615,593,124	491,911,767
Total equity and non-current liabilities		1,180,061,546	940,273,646

Approved for issue by the Board of Directors on 24 February 2017 and signed on its behalf by:

E A Richards
....
Earl A Richards
Director

....
Alexander Williams
Director

- Reclassified for comparative purposes

Derrimon Trading Company Limited
Statement of Changes in Equity
Year ended 31 December 2016

	Note	Share Capital	Retained Earnings	Investment Revaluation Reserve	Capital Reserves	Total
		$	$	$	$	$
Balance at 31 December 2013		140,044,436	110,463,143	-	57,503,266	308,010,845
Net profit for 2014		-	51,606,721	-	-	51,606,721
Other comprehensive income		-	-	*(40,000)	-	(40,000)
Balance at 31 December 2014		140,044,436	162,069,864	*(40,000)	57,503,266	359,577,566
Net profit for 2015		-	88,130,313	-	-	88,130,313
Other comprehensive income		-	-	*654,000	-	654,000
Balance at 31 December 2015		140,044,436	250,200,177	614,000	57,503,266	448,361,879
Net profit for 2016		-	116,106,543	-	-	116,106,543
Other comprehensive income		-	-	-	-	-
Balance at 31 December 2016		140,044,436	366,306,720	614,000	57,503,266	564,468,422

* Unrealised gain/ (loss) on shares quoted on the Jamaica Stock Exchange classified as available- for- sale

Derrimon Trading Company Limited
Statements of Cash Flows
Year ended 31 December 2016

	Note	2016	2015
		$	$
Cash flows from operating activities:			
Net profit		116,106,543	88,130,313
Items not affecting cash resources:			
Depreciation	10	23,741,119	25,020,448
Gain on sale of fixed assets		(1,250,226)	(300,000)
Share of profit of associated company		(38,186,836)	(35,949,530)
Interest income		(794,608)	(658,624)
Finance costs		136,620,681	87,084,422
Operating income before changes in operating assets and liabilities		236,236,673	163,327,029
Changes in non-cash working capital components:			
Inventories		(317,539,547)	16,391,068
Related company balances		13,700,665	(10,619,492)
Receivables		(174,932,267)	(10,941,021)
Prepayments		(120,619,131)	-
Payables		211,490,217	(38,043,335)
		(387,900,063)	(43,212,780)
Cash (used in)/generated by operations		(151,663,390)	120,114,249
Finance costs		(136,620,681)	(87,084,422)
Net cash (used in)/ provided by operating activities		(288,284,071)	33,029,827
Investment activities:			
Interest income		794,608	658,624
Investments		(9,826,737)	9,689,184
Dividend received from associated company		4,407,812	4,407,512
Proceeds from sale of property, plant and equipment		6,700,000	300,000
Purchase of property, plant and equipment	10	(44,996,025)	(36,484,612)
Purchase cost of goodwill		-	(7,000,000)
Net cash used in investment activities		(42,920,342)	(28,429,292)
Financing activities:			
Loans received during the year		424,325,328	501,000,000
Repayment of loans		(52,130,188)	(445,133,969)
Shareholders' loans advanced		-	(49,898,289)
Net cash provided by financing activities		372,195,140	5,967,742
Net increase in cash and cash equivalents		40,990,727	10,568,277
Net cash balances at beginning of year		60,203,034	49,634,757
Net cash and cash equivalents at end of year		101,193,761	60,203,034

	Note	2016	2015
Represented by:			
Cash and cash equivalents	16	157,933,737	79,387,739
Bank overdraft	20	(56,739,976)	(19,184,705)
		101,193,761	60,203,034

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.*

At the reporting date, 31 December 2016, the Company operated six (6) retail outlets along with its main distribution hub located at Marcus Garvey Drive. Subsequent to the reporting date, the Company acquired two (2) additional outlets (see note 28 for further details).

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements of Derrimon Trading Company Limited are prepared in accordance with International Financial Reporting Standards (IFRS), and their interpretations adopted by the International Accounting Standards Board (IASB) and comply with the provisions of the Jamaican Companies Act.

Basis of measurement

The financial statements of Derrimon Trading Company Limited have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets.

Presentation and functional currency

The financial statements are presented in Jamaican Dollars (J$) which is the functional currency of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (continued)

Key sources of estimation and critical judgments

The preparation of the 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 judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are:-

Estimate

Income taxes

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for possible tax issues based on estimates of whether additional taxes will be due. When 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.

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.

Critical Judgments

In the process of applying the Company's accounting policies, management has not made any judgments that it believes would cause a significant impact on the amounts recognized in the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

Key sources of estimation and critical judgments (Continued)

Critical Judgments (Continued)

Contingencies

In determining the existence of a contingent liability, management assesses the existence of:

- A possible obligation that arises from a past event and which existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or;

- A present obligation that arises from a past event but is not recognized because it is not possible that an outflow of economic benefit is required to settle or the amount of the obligation cannot be measured reliably. In estimating possible outflow of economic benefits In relation to a contingent liability, management, sometimes in consultation with experts such as legal counsel may or may not make provision in the financial statements based on judgments regarding possible outcomes according to specific but uncertain circumstances. Contingent liabilities are disclosed in the financial statements unless immaterial or the possibility of an outflow of economic benefits is remote.

Going concern

The preparation of the financial statements in accordance with IFRS assumes that the Company will continue in operational existence for the foreseeable future. This means, in part, that the statements of profit or loss and comprehensive income and financial position assume no intention or necessity to liquidate or curtail the scale of operations. This is referred to as the going concern basis.

Management principally uses borrowings as a means of growth and expansion. This strategy has an inherent liquidity risk that the cash generating units acquired may not perform as expected. Management is mindful of this inherent liquidity risk however, they are confident that their strategic growth and expansion plan will perform as anticipated, therefore they do not anticipate any going concern challenges within the foreseeable future.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Future accounting standards

Standards, interpretations and amendments to existing standards effective during the current year.

During the reporting period, certain new standards, interpretations and amendments to existing standards that have been published became effective during the current financial year. Management has assessed the relevance of all such new standards, interpretations and amendments, and has concluded that none is relevant to its operations.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company.

At the date of authorisation of the financial statements, certain new standards, amendments and interpretations to existing standards have been issued which are not effective at the date of the statement of financial position, and which the Company has not early adopted. The Company has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be relevant to its operations and has concluded as follows:

IFRS 9, Financial Instruments, *which* is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements.

It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS39. Effectively, IFRS 9 replaces the “incurred loss” model in IAS 39 with an “expected credit loss” model, which means that a loss event will no longer need to occur before impairment is recognized.

IFRS 15, Revenue from Contract with Customers is effective for annual reporting periods beginning on or after January 1, 2018. This applies to nearly all contracts with customers; the main exceptions are leases, financial instruments and insurance contracts. It specifies how and when an entity will recognise revenue as well as requiring entities to provide more informative and relevant disclosures.

The new standard introduces the core principle that revenue must be recognized when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate element. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The adoption of this standard is not expected to have a significant impact on the Company’s financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Future accounting standards (Continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company. (Continued)

IFRS 16, Leases is effective for annual reporting periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15, Revenue from Contracts with Customers, is also applied. The International Accounting Standards Board (IASB) published IFRS 16, which replaces the current guidance in IAS 17. This will principally require changes in accounting by lessees. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as guidance on the combination and separation of contracts), lessors will also be affected by the new standard. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The company is currently assessing the impact of future adoption of the new standard on its financial statements.

Amendment to IAS 27, Associates is effective for annual periods beginning 1 January 2016. The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Company has adopted the equity method to account for its associated company.

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, effective for annual periods beginning on or after 1 January 2016. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The Company is currently assessing the impact of the future adoption of the amendments on its financial statements.

Annual Improvements 2015, effective for annual periods beginning on or after 1 January 2016. The amendments impact the following standards.

- **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations** – amended to clarify changes in methods of disposal
- **IFRS 7 Financial Instruments: Disclosures** – adds guidance to help management determine whether the terms of an engagement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS7*. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34.*

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Future accounting standards (Continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company. (Continued)

- **IFRS 7** to condensed interim financial statements
- **IAS 19 Employee Benefits** – clarifies that for post employment benefit obligations , the decisions regarding discount rate, existence of deep market in high-quality corporate bonds , or which government bonds to use as a basis , should be based on the currency that the liabilities are denominated in, and not the country where they arise.
- **IAS 34 Interim Financial Reporting** – will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report".

The Company is assessing the possible impact that these new standards and the amendments will, when they become effective, have on its financial statements.

(c) Consolidation

(i) The Company has one wholly owned subsidiary, DMC West Bay Limited. This Company, DMC West Bay Limited is not involved in any trading activity and thus no consolidation of this entity is considered necessary.

(ii) On 10 February 2017, the Company acquired an additional 26% of the issued shares of CFFL increasing its holdings from 49.02% to 75.02% of the issued shares. Both entities will be consolidated at the next reporting period. (See note 28 for further details).

(d) Associate

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.. The associate is initially recognized in the company's statement of financial position at cost. Subsequently associates are accounted for using the equity method where the company's share of post-acquisition profits or losses is recognized in the statement of comprehensive income. Losses in excess of the Company's investment in the associate are not recognized unless there is an obligation to make good those losses. Profits or losses arising on transactions between the Company and its associate are recognized only to the extent of unrelated investors' interest in the associate. The investor's share of the associated profit and losses resulting from these transactions is adjusted against the carrying value of the associate.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Associate (Continued)

Any premium paid for an associate above the fair value of the Company's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalized and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Company's Associate Company, incorporated in Jamaica is Caribbean Flavours and Fragrances Limited (CFFL). The Company acquired a 49.02% shareholding in August 2014 by purchasing 44,078,122 shares @ $2.75 in CFFL. Subsequent to the year end, the Company gained control of the CFFL by increasing its shareholdings by the acquisition of shares which increased its shareholdings to 75.02% of the issued capital of CFFL, making it a subsidiary of the Company.

(e) Retail outlets and associate transactions

i. Retail outlets

Transactions between the different retail outlets are undertaken at cost and there is no gain or loss on these transactions. Sale and receivable balances are eliminated at the end of the reporting period.

ii. Associate

During the year, no trading activity was done with the Company's associate.

(f) 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. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the Company's Board of Directors.

(g) 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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Property, plant and equipment (Continued)

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.

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 except certain equipment and freehold buildings which are measured at valuation, 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 vehicles	20%
Computers	33⅓%
Buildings	2.5%
Leasehold improvements	2.5%

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 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.

Interest income

Interest income, is recognized in the statement of comprehensive income for all interest bearing instruments on an accrual basis unless collectability is doubtful.

Dividend income

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

(i) 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 except when deferred in other comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) 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:

The Company classifies its financial assets such as loans and receivables, cash and cash equivalent and investments at fair value. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and reevaluates this designation at every reporting date.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current.

Available-for-sale

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Financial liabilities:

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

At balance sheet date, the following items were classified as financial liabilities: bank overdraft, long-term loans and trade payables.

(k) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) 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 31 December 2016, no deferred tax was accounted for because the Company was listed on the Junior Market of the JSE, effective 17 December 2013 and is therefore subject to five (5) years tax free status until 17 December 2018 and 50% tax free status until 17 December 2023.

(m) 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 to the profit or loss account.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Investments

The Company classifies its investments securities as financial assets at fair value through profit or loss and available-for-sale are carried at fair value. Realized and unrealized gains and losses arising from changes in the fair value of investments classified as financial assets at fair value through profit or loss are included in the determination of profit or loss in the period in which they arise while unrealized gains and losses are recognized in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in profit or loss.

The fair values of quoted investments are based on current bid prices. If the market for an investment is not active, the Company establishes fair value by using valuation techniques. Where fair values cannot be reliably measured, the Company carries the investment at cost.

(o) 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 bank overdrafts.

(p) 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.

(q) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the lease. All other leases are classified as operating leases.

The company as a lessee

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. Contingent rentals, if any, arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expenses on a straight line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Derrimon Trading Company Limited
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31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) 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.

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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell 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.

(s) 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.

(i) Pension Plan

The Company does not operate a formal pension plan for employees. The employees of the Company participate in an individual retirement account (IRA) scheme 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Borrowings and borrowing costs

Borrowings are classified as financial liabilities measured at amortized cost and are recognized when the proceeds are 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.

(u) Payables and accruals

Payables for trade and other accounts payable at 31 December 2016, 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 Company.

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

(v) Dividends

Dividends on ordinary shares are recorded as a liability and 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 event note.

(w) 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.

3. SEGMENTAL FINANCIAL INFORMATION

The Company operates two (2) divisions and they are exposed to similar risks as they both sell household and grocery products. The principal divisions are:

(i) **Distribution-** distribution of Nestle household products, Sun Power Detergents and bulk food products.

(ii) **Wholesale (including retail)-**operation of six (6) outlets trading under the name *Sampars Cash and Carry and Sampars Outlets.*

The distribution hub along with three (3) outlets is located in Kingston and Saint Andrew and the other three (3) locations are in rural Jamaica.

Derrimon Trading Company Limited
Notes to the Financial Statements
31 December 2016

3. SEGMENTAL FINANCIAL INFORMATION (Continued)

Financial information relating to the segments is noted below:
No reconciliations between segments are presented to the CDM in the Company's monthly financial statements.

2016

	Distribution	Sampars Outlets	Total
	$	$	$
Revenues	2,888,145,610	3,288,782,290	6,176,927,900
Less cost of sales	2,387,443,010	2,855,006,046	5,242,449,056
Gross profit	500,702,600	433,776,244	934,478,844
Gross profit %	17%	13%	15%
Current liabilities	602,191,117	477,764,384	1,079,955,501
Current Assets	1,153,080,670	724,972,246	1,878,052,916

2015

	Distribution	Sampars Outlets	Total
	$	$	$
Revenue	3,614,310,236	2,679,688,231	6,293,998,467
Less cost of sales	3,121,168,799	2,339,498,637	5,460,667,436
Gross profit	493,141,437	340,189,594	833,331,031
Gross profit %	14%	13%	13%
Current liabilities	432,436,208	153,950,154	586,386,362
Current Assets	874,088,503	316,201,398	1,190,289,901

4. EXPENSES BY NATURE

Total direct, administrative, selling and finance expenses

	2016	2015
Direct	$	$
Cost of inventories recognized as an expenses	5,242,449,056	5,460,667,436
Administrative Expense		
Directors fees and expenses	-	500,000
Insurance	27,235,235	19,402,448
Motor vehicle expenses	6,105,699	11,979,006
Professional services	20,006,023	45,452,363
Office expenses	19,939,561	17,817,934
Repairs and maintenance	22,956,614	26,480,322
Rental of equipment and office	60,606,815	54,273,696
Staff costs (note 5)	273,092,165	250,226,460
Security	18,504,912	10,736,966
Utilities	55,934,631	59,736,460
Depreciation	23,741,119	25,020,448
Gain on disposal of fixed assets	(1,250,226)	(300,000)
Travelling and accommodation	9,861,708	15,514,189
Other, including minimum business tax	24,725,865	1,421,310
	561,460,121	538,261,602

4. EXPENSES BY NATURE (Continued)

Selling and distribution	2016 $	2015 $
Advertising and promotion	40,239,222	31,990,187
Commission	31,756,530	29,125,926
Bad debts written off	13,252,868	7,792,247
Trucking and delivery	92,703,729	95,116,340
	177,952,349	164,024,700

Finance costs	2016 $	2015 $
Long term loans: Interest (including preference dividend)	102,906,656	50,425,345
Credit line interest and bank charges	33,714,025	36,659,077
	136,620,681	87,084,422

5. STAFF COSTS

	2016 $	2015 $
Salaries and wages	247,602,418	232,343,054
Staff welfare	16,795,092	12,050,327
Contract services	8,694,655	4,826,629
Training and development	-	1,006,450
	273,092,165	250,226,460

The average number of persons employed full-time by the Company during the year was 243 (2015 – 257). As a policy, the Company does not hire part time employees.

6. INVESTMENT IN ASSOCIATE

Associated acquired: August 2014	2016 $	2015 $
Investment at the beginning of the year	160,825,012	129,282,994
Share of results of associate after tax	38,186,836	35,949,530
Less dividend received	(4,407,812)	(4,407,512)
Balance at the end of the year	194,604,036	160,825,012

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 Jamaican Stock Exchange. The Company participates in the financial and operating policy decisions but it does not control CFFL.

In February 2017, the Company acquired an additional 26% of the issued shares of the CFFL both entities will be consolidated at the next reporting period unless there are circumstances or events that dictate otherwise (see note 28 for further details).

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Notes to the Financial Statements
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6. INVESTMENT IN ASSOCIATE (Continued)

The financial year end of the Associate is 30 June. However, the financial performance represents 12 months to 31 December 2016 of the Associate and the Statement of Financial Position as at 31 December 2016 as reported to the Jamaica Stock Exchange were as follows:

Statement of Financial Position	**2016 $('000)**	**2015 $('000)**
Total assets	336,637	267,361
Total liabilities	26,433	27,795
Equity	310,204	239,566
Statement of Profit or Loss and Other Comprehensive Income		
Revenue	381,911	355,746
Total expenses	303,979	282,379
Net profit	77,932	73,367
Statement of Cash Flows		
Cash from operations	67,284	49,384
Cash used by investing and financing activities	(47,968)	(53,556)
Net cash flow	19,316	(4,172)

7. INCOME TAX

Income tax is based on profit for the year adjusted for taxation purposes and comprises income tax as follows:

	2016 $	**2015 $**
Current year's income tax charge @ 25% (2015 - 25%)	-	-

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

	2016 $	**2015 $**
Profit before taxation	116,106,543	88,130,313
Income tax calculation at 25%	29,026,636	22,032,578
Net effect of other charges for tax purposes	(8,546,705)	(6,698,667)
Remission of tax	(20,479,931)	(15,333,911)
	-	-

The Company was listed on the Junior Market of the Jamaican Stock Exchange on 17 December 2013 and under the Income Tax Act (Jamaica Stock Exchange Junior Market) (Remission) Notice, 2010, 100% of income taxes will be remitted by the Minister of Finance during the first five (5) years of listing on Junior Market (Phase One) of the Jamaica Stock Exchange and 50% of income taxes will be remitted by the Minister of Finance during the second five (5) years of listing on the Junior Market (Phase Two) of the Jamaica Stock Exchange. To obtain the remission of income taxes, the following conditions should be adhered to over the period:

7. INCOME TAX (Continued)

(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.

The financial statements have been prepared on the basis that the Company will have the full benefit of the tax remissions. The period is as follows:

Years 1 to 5 (17 December 2013- 16 December 2018) - 100%
Years 6 to 10 (17 December 2018- 16 December 2023) - 50%

Government of Jamaica (GOJ) new taxes

Effective January 1, 2014, the Government of Jamaica enacted new tax measures to change the tax incentive regimes applicable to various industries. Given the current non-tax position of the Company, these new tax measures have resulted in changes in the income tax and capital allowances computations but will not materially affect the Company's tax position until the end of the tax remission period. Some of these changes are as follows:

- Tax compliant entities are able to claim up to 30% of employer's and employees' statutory contributions (Employment Tax Credit (ETC)) against income tax for the year. Unused ETC , cannot be carried forward or refunded
- The maximum capital allowances on private motor vehicles, which were previously limited to J$3,200, increased to a maximum of US$35,000 and
- No initial allowances are given on the purchase of buildings; however, all other capital expenditure on buildings and other assets continue to attract initial allowances.
- A Minimum Business Tax of $60,000 was enacted, payable in two installments, June 15 and September 15 of each year by registered companies. This tax can be set-off against income tax liability for the financial year but cannot be carried forward if unused in the respective year.

8. CAPITAL RESERVE

	2016	2015
	$	$
Balance: 31 December	57,503,266	57,503,266

	2016	2015
Represented by:	$	$
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
	57,503,266	57,503,266

INVESTMENT RESERVE

	2016	2015
	$	$
Opening balance: 1 January	614,000	(40,000)
Increase in revaluation of investments	-	654,000
Closing balance: 31 December	614,000	614,000

9. EARNINGS PER STOCK UNIT

Basic earnings per stock unit are calculated by dividing the net profit attributable to stockholders by the weighted average number of ordinary stock units in issue during the year.

	2016	2015
	$	$
Net profit attributable to stockholders	116,106,543	88,130,313
Weighted average number of ordinary stock units in issue	273,336,067	273,336,067
Basic earnings per ordinary stock unit	0.43	0.32

Derrimon Trading Company Limited
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31 December 2016

10. PROPERTY, PLANT AND EQUIPMENT

2016

	Furniture. & Equipment	Computer	Motor Vehicles	Building	Land	Lease hold Improvements	Total
	$	$	$	$	$	$	$
Cost or valuation							
1 January 2016	135,106,963	10,800,811	33,796,665	49,499,997	12,520,000	15,732,788	257,457,224
Additions	6,851,721	3,002,204	35,142,100	-	-	-	44,996,025
Disposals	-	-	(17,915,310)	-	-	-	(17,915,310)
31 December 2016	141,958,684	13,803,015	51,023,455	49,499,997	12,520,000	15,732,788	284,537,939
Acc. Depreciation							
1 January 2016	52,955,843	10,272,758	26,866,115	5,757,783	-	1,279,830	97,132,329
Charge for year	12,594,504	773,882	8,931,477	1,093,555	-	347,701	23,741,119
Disposals	-	-	(12,465,536)	-	-	-	(12,465,536)
31 December 2016	65,550,347	11,046,640	23,332,056	6,851,338	-	1,627,531	108,407,912
Net book value							
31 December 2016	76,408,337	2,756,375	27,691,399	42,648,659	12,520,000	14,105,257	176,130,027

In December 2012 the land and buildings which were purchased in the prior year were professionally valued by independent valuators, 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.

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10. PROPERTY, PLANT AND EQUIPMENT (Continued)

2015

	Furniture. & Equipment	Computer	Motor Vehicles	Building	Land	Lease hold Improvements	Total
	$	$	$	$	$	$	$
At Cost							
1 January 2015	112,622,422	9,959,043	26,796,665	49,499,997	12,520,000	9,574,485	220,972,612
Additions	22,484,541	841,768	7,000,000	-	-	6,158,303	36,484,612
31 December 2015	135,106,963	10,800,811	33,796,665	49,499,997	12,520,000	15,732,788	257,457,224
Acc. Depreciation							
1 January 2015	38,316,840	8,292,693	20,106,782	4,520,283	-	875,283	72,111,881
Charge for year	14,639,003	1,980,065	6,759,333	1,237,500	-	404,547	25,020,448
31 December 2015	52,955,843	10,272,758	26,866,115	5,757,783	-	1,279,830	97,132,329
Net book value							
31 December 2015	82,151,120	528,053	6,930,550	43,742,214	12,520,000	14,452,958	160,324,895

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11. GOODWILL

	2016 $	2015 $
Goodwill on acquisition	15,220,200	15,220,200

During the year ended 31 December 2009, the Company acquired the assets of a wholesale 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 ended 31 December 2014, the Company acquired the assets of My Neighborhood Supermarket and rebranded it Sampars Old Harbour. The Company paid $4.47 million for goodwill on acquisition.

During the year ended 31 December 2015, the Company acquired the assets of Northern Cash 'N' Carry Supermarket and rebranded it Sampars St. Ann's Bay. The Company paid $7 million for goodwill on acquisition

During the year, the Company continued to use the name, *Sampars Cash and Carry* to brand all its retail outlets. The performance of these cash generating units were as anticipated by management and after their review, management is of the opinion, that there is no impairment in the total value of goodwill for each respective outlet and therefore no write down of the amount for goodwill is considered necessary at the reporting date.

12. INVENTORIES

	2016 $	2015 $
Sampars wholesale outlets; grocery and household items	481,938,783	279,485,932
Wholesale bulk commodity food items	423,887,766	308,801,070
	905,826,549	588,287,002

13. RECEIVABLES AND PREPAYMENTS

	2016 $	2015 $
Receivables		
Trade receivables	260,331,580	332,609,014
Provision for bad debts	(6,079,046)	(6,079,046)
	254,252,534	326,529,968
GCT recoverable	380,504,732	128,578,189
Staff advances	13,114,494	9,088,155
Other receivables	32,789,773	41,532,954
	680,661,533	505,729,266
Prepayments		
Advance payment on shares	105,206,436	-
Deposit on acquisition of new outlets	15,412,695	-
	120,619,131	-

13. RECEIVABLES (Continued)

The following are the trade receivables aging as of 31 December 2016 and 2015.

		Past due but not impaired			
Year	**0-30 days**	**31-59 days**	**60-90 days**	**Over 90 days**	**Total**
	$	**$**	**$**	**$**	**$**
2016	181,661,783	7,698,533	5,092,644	65,878,620	260,331,580
2015	264,991,923	25,564,875	11,927,566	30,124,650	332,609,014

Movement in provision for bad debts against trade receivables:

	2016	**2015**
	$	**$**
At the start of the year	6,079,046	-
Amounts provided for during the year	-	6,079,046
At the end of the year	6,079,046	6,079,046

During the year $13,252,868 ($1,713,201 – 2015) 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. All remaining doubtful balances over 90 days were reviewed and strategies and agreements implemented with debtors to help them liquidate their long outstanding balances with the Company.

14. RELATED PARTIES AND RELATED PARTIES TRANSACTIONS

Related party balances consist of the following:

(a) Due from related parties

	2016	**2015**
Cotterell's Texaco Gas Station and Long Mountain Convenience Store	**$**	**$**
Opening balance	14,534,879	3,915,387
Amounts advanced during the year	8,869,585	24,507,539
Amounts repaid based on invoices	(22,570,250)	(13,888,047)
Balance at the end of the year	834,214	14,534,879

The Managing Director had significant interest in the related party, Cotterell's Texaco Gas Station. The gas station was sold during the reporting period. The balance at the end of the reporting period related to the Long Mountain Convenience Store.

(b) Key management personnel

During the year the Company paid salaries (see note 22) and repaid loans from key management personnel..

14. RELATED PARTIES AND RELATED PARTIES TRANSACTIONS (Continued)

Transactions with related parties

	2016 $	2015 $
(c) Remuneration paid to management staff	34,664,643	24,702,452
Remuneration paid to directors	34,664,643	24,702,452
Directors' loan received by the Company	25,000,000	-
Fees paid to directors	270,000	500,000

The amounts paid to key staff are included in staff salaries. See note 5.

(d) As at the year end, there were no balances due to or from the Associated Company, Caribbean Flavours & Fragrances Limited.

15. INVESTMENTS

	2016 $	2015 $
Available-for-Sale:		
4.4% National Commercial Bank (NCB) Capital Markets	1,636,476	1,547,015
3.9 - 5% Jamaica Money Market Brokers (JMMB)	4,467,803	-
Mayberry Investments Limited Jamaican dollars	2,644,104	-
Mayberry Investments Limited US $ denominated	2,625,369	-
Caribbean Cream Limited, Ordinary quoted shares	804,000	804,000
	12,177,752	2,351,015

See note 24 for classification of investments.

16. CASH AND CASH EQUIVALENTS

	2016 $	2015 $
Foreign currency bank accounts	5,514,841	9,883,249
Jamaican dollar bank accounts	55,422,819	-
Cash in hand	96,996,077	69,504,490
	157,933,737	79,387,739

The substantial cash balances at 2016 and 2015 year end represented holiday sales of grocery items and liquor on 31 December 2016. The amounts were subsequently lodged.

17. PAYABLES

	2016 $	2015 $
Staff related payables	222,952	503,236
Foreign payables	49,597,254	107,844,260
Local payables and accruals	716,972,431	447,342,470
Statutory liabilities	5,240,253	4,852,707
	772,032,890	560,542,673

18. SHORT TERM LOANS

	2016 $	2015 $
(i) National Commercial Bank Jamaica Limited Credit Line	21,578,835	-
(ii) Sagicor Bank Jamaica Limited Credit Line	24,070,000	-
(iii) Mayberry Investments Limited US$ Credit Line	178,622,945	-
	224,271,780	-

(i) This is a J$25 million unsecured revolving facility expiring 28 February 2017
(ii) This is a J$30 million unsecured revolving facility expiring 30 June 2017
(iii) This is a US1.5$ million unsecured credit line expiring 21 April 2017.

19. BORROWINGS

	2016 $	2015 $
i) 10% Proven Investments Limited – US$ Loan	145,520,989	-
ii) 11.75% Private Placement Notes	198,094,481	198,094,481
iii) 8.49% Bank Of Nova Scotia	9,785,721	-
iv) 9.69% National Commercial Bank (NCB)	3,664,317	-
v) 10% First Global Bank (FGB)	5,562,975	6,640,015
vi) 10.5% Jamaica Money Market Brokers (JMMB)	-	43,622,857
vii) 11.75% Redeemable Preference Shares	246,555,695	246,555,695
viii) 12% National Commercial Bank	1,715,169	-
ix) 9.25% National Commercial Bank	-	2,527,488
x) 11% National Commercial Bank	965,878	1,130,215
xi) 10% First Global Bank	7,846,294	-
xii) 12% National Commercial Bank	1,782,592	-
xiii) Directors' Loan	25,000,000	-
	646,494,111	498,570,751
Less current portion payable within 12 months	(30,900,987)	(6,658,984)
	615,593,124	491,911,767

i) The 10% Proven Investment Limited loan was used to repay other long term liabilities and provide cash for acquisition of additional CFFL shares. The loan is secured on shares owned by the Company.

ii) On 12 August 2015 the Company finalized an agreement with JCSD Trustee Services Limited for the private placement of notes amounting to $200 Million for 18 months at an interest rate of 11.75%. The money raised was used to retire the previous bond of the same principal amount. The notes are secured over fixed and floating assets of the Company.

iii) The 8.49% BNS loan was used to purchase a vehicle and is secured by the said vehicle. The monthly repayment is $177,735 and the final payment is scheduled for October 2022

19. BORROWINGS (Continued)

iv) The 9.69% loan was used to purchase a Mazda Pick Up and is secured by the said vehicle. The loan is payable in monthly installments of $73,480, and the final payment is scheduled for June 2022.

v) The 10% FGB loan was utilized to purchase a motor car. The loan is repayable by monthly installment of $148,770 and the final payment is scheduled for September 2020.

vi) The 10.5% JMMB loan was used to assist with paying out a Vendor's Mortgage. The loan is payable in monthly installments of $741,870 and the final payment was scheduled for December 2022. This loan was however replaced during 2016 by the new Proven loan in (i) above.

vii) The 11.75% Redeemable Preference shares were issued in March 2015 and are to be redeemed in full in March 2018. The funds raised were used to pay off the 17% NCB credit line along with certain Shareholder loans. The balance was used to buy foreign exchange and provide working capital support.

viii) The 12% loan was used to purchase a delivery van for Sampars West Street, and is secured by the said vehicle. The loan is payable by monthly installments of $50,693 and the final payment is scheduled for May 2020.

ix) The 9.25% NCB loan was used to purchase a motor car. The loan is repayable by monthly installments of $77,470, and this was paid in full before the end of 2016.

x) The 11% NCB loan was utilized to purchase a delivery van and is secured by the said vehicle. The loan is repayable by monthly installments of $41,921 and the final payment is scheduled for July 2017

xi) The 10% FGB loan was used to purchase a delivery truck and is secured by the said vehicle. The loan is repayable by monthly installments of $182,240 and the final payment is scheduled for June 2021.

xii) The 12% loan was used to purchase a delivery van for Sampars St. Ann's Bay, and is secured by the said vehicle. The loan is payable by monthly installments of $50,693 and the final payment is scheduled for July 2020.

xiii) This loan was provided by the Directors. It is interest free with no fixed repayment date. It was used to assist with the acquisition of the new supermarket project at Manor Park. Refer to Subsequent Events, note 27(i).

No borrowings or loans were in default or in breach of any terms of covenants during the period that would permit any lender to demand accelerated repayment. The 11.75% Private Placement Notes matured in February 2017 and was refinanced. (See Subsequent Events note 27 (iii), for further details)

20. BANK OVERDRAFT

	2016	2015
	$	$
NCB and Sagicor Bank	56,739,976	19,184,705
	56,739,976	19,184,705

Bank overdrafts are secured by real estate owned by the Company along with personal guarantee and real estate.

21. SHARE CAPITAL

	2016 $	2015 $
Authorized:		
400,400,000 (2014 – 400,400,000) ordinary shares of no par value		
Issued and fully paid:		
273,336,067 shares net of transaction costs	140,044,436	140,044,436

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 and the authorized and issued share capital were subsequently increased.

22. OPERATING PROFIT BEFORE TAXATION

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

	2016 $	2015 $
Auditors' remuneration	4,250,000	2,950,000
Directors' emoluments:		
Fees	270,000	500,000
Management remuneration	34,664,643	24,702,452
Bad debts written off	13,252,868	1,713,201
Inventory written off during the year	2,123,175	8,271,994
Depreciation	23,741,119	25,020,448
Staff costs (including management remuneration)	273,092,165	250,226,460

23. CAPITAL AND RISK MANAGEMENT

Capital Management:

The Company defines capital as equity and total borrowings. The Company manages its Capital, of $1,267 Million (2015 - $966 Million), to support and be responsive to opportunities for its current growth strategy and expansion plans, and to maintain its normal operations and remain compliant with various covenants and restrictive rules and regulations of the industry and the financial environment in which it operates.

Capital Management Strategies

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 stockholders 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, which the Company defines as net operating income divided by total stockholders' equity.

23. CAPITAL AND RISK MANAGEMENT (Continued)

Capital Management Strategies (continued)

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by capital as defined above. Total borrowing is calculated as current and non-current borrowings as shown in the statement of financial position. Capital is calculated as equity as shown in the statement of financial position plus total borrowings.

During 2016, the Company's strategy, which was in principle unchanged from 2015, was to maintain the gearing ratio below 100%. The gearing ratios at 31 December 2016 and 31December 2015 were as follows:

	31 Dec 2016 $	31 Dec 2015 $
Total borrowings	703,234,087	517,755,456
Capital	1,267,702,509	966,117,335
Gearing ratio	55%	54%

There are certain imposed capital requirements by certain financial institutions which management regularly reviews to ensure compliance at all times. There have been no changes to the Company's overall approach to capital management during the year.

Risk Management:

The Company's activities expose it to a variety of financial risks: market risk (currency risk, fair value interest rate risk, cash flow interest rate risk 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

The Company takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks principally arise from changes in foreign currency exchange rates and interest rates. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while optimizing returns. This risk is principally monitored by the finance director along with guidelines from the board of directors.

23. CAPITAL AND RISK MANAGEMENT (Continued)

a) Market risk (Continued)

i. 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 movements in market prices are not expected to have a significant impact on the net results or stockholders' equity as the Company does not hold significant equity securities.

ii. Currency risk

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 exchange risk, due to fluctuations in exchange rates on transactions and balances that are denominated in currencies other than the Jamaican dollar. The Company is exposed to foreign exchange risk, arising primarily with respect to the US dollar, from commercial transactions such as the importation and sale of bulk rice that represents a significant percentage of the Company's overall purchase figure. To manage currency risk on imported rice, the Company enters into short and medium term arrangements with millers and producers at agreed terms primarily in producing countries.

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. The Company manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by closely monitoring currency positions.

As at 31 December 2016, the Company had net foreign currency liabilities of US$2,846,472 (US$813,494 – 2015) which were subject to foreign exchange rate changes as follows:

Concentrations of currency risks

	2016 US$	2015 US$
Foreign currency financial assets		
Cash equivalents and investments	63,378	82,073
	63,378	82,073
Foreign currency financial liabilities		
Payables and accruals	(386,151)	(895,567)
Short term loans	(1,390,711)	-
Borrowings	(1,132,988)	-
	(2,909,850)	(895,567)
Total net foreign currency liabilities	(2,846,472)	(813,494)

23. CAPITAL AND RISK MANAGEMENT (Continued)

a) Market risk (Continued)

ii. Currency risk (continued)

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.

In accordance with accounting policies applied consistently, exchange gains and losses are recognized in the income statement when incurred.

	2016 J$	2015 J$
31 December 2016 : exchange rate 1US$	128.44	120.42

Foreign currency sensitivity analysis

The sensitivity analysis represents the impact on the profit or loss due to the movement in the US dollar exchange rate relative to the Jamaican dollar.

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, especially bulk rice and red kidney beans that form a significant percentage of the Company's overall purchases.

A 5% (2015-10%) weakening of the Jamaican dollar, with all other variables remaining constant, in particular interest rates, would result in a loss of approximately $18.3 Million (2015-$9.8 Million) if all outstanding foreign liabilities are settled at the depreciated rate of the Jamaican dollar.

As at the date of approval and signature of the financial statements, a significant portion of the liability was already settled at rates approximating to that at the end of the reporting year.

23. CAPITAL AND RISK MANAGEMENT (Continued)

a) Market risk (Continued)

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. Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk.

The Company invests excess cash in short-term deposits and maintains interest-earning bank accounts with licensed and reputable 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. 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.

The Company incurs interest on its borrowings. These borrowings are at fixed rates and expose the Company to fair value interest rate risk. Interest rate fluctuations are not expected to have a material effect on the net results or stockholders' equity. The Company reviews its interest rate exposure arising from borrowings on an ongoing basis, taking into consideration the options of refinancing, renewal of existing positions and alternative financing. Management, as a policy, avoids variable rate borrowing instruments.

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 to maturity.

23. CAPITAL AND RISK MANAGEMENT (Continued)

b) Credit risk

Credit risk is the risk that one party, which includes customers, clients and counterparties, to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk is an important financial risk for the Company's business and therefore management meticulously manages the Company's exposure to this risk.

The Company faces credit risk in respect of its receivables from customers and investment activities.

i. Cash, deposits and investments

Credit risk for cash, deposits and investments is managed by maintaining these balances with licensed financial institutions considered to be reputable and stable. Accordingly, management does not expect any counterparty to fail to meet its obligations. The Finance Director along with the Board of Directors performs monthly reviews of the investments and securities held as a part of their assessment of the Company's credit risk.

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.

23. CAPITAL AND RISK MANAGEMENT (Continued)

b) Credit risk (Continued)

ii. Receivables (Continued)

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

Trade receivables that are less than 90 days past due are not considered impaired. As of 31 December 2016, trade receivables of $78,669,797 ($67,617,091 – 2015) were reviewed for impairment and a provision of $6,079,046 ($6,079,046 – 2015) was considered necessary.

Management continues to critically review this position as they are aware that many of their customers who are retailers and wholesalers are experiencing difficult economic circumstances. The ageing analysis of these trade receivables is as follows:

	2016 $	2015 $
Past due 31 to 60 days	7,698,533	25,564,875
Past due 61 to 90 days	5,092,644	11,927,566
Past due over 90 days	65,878,620	30,124,650
	78,669,797	67,617,091

Management, based on past experience, does not consider that any additional provision is required for long outstanding balances due to the Company, especially those over 90 days.

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.

	2016 $	2015 $
Supermarket chains	54,106,730	41,334,126
Wholesale and retail distributors	92,594,774	178,563,429
Government entities	2,840,752	1,653,365
Other	104,081,224	109,122,094
	253,623,480	330,673,014
Overseas	6,708,100	1,936,000
Total (see note 13)	260,331,580	332,609,014

Overseas customers mainly relate 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 overseas customers.

There is no change from the prior year in the nature of the company's exposure to credit risk or the manner in which it manages and measures the risk.

23. CAPITAL AND RISK MANAGEMENT (Continued)

b) Credit risk (Continued)

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 $850,773,022 ($587,469,020 – 2015) representing the balances as at 31 December 2016 for cash and short term deposits, investments 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 Finance Director and Board of Directors, includes:

i. Monitoring future cash flows and liquidity on an ongoing basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure funding if required.

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.

iv. Managing the concentration and profile of debt maturities while optimizing cash returns on investments.

At 31 December, 2016, the Company's three (3) largest credit suppliers' amounted to approximately 32 % of the total annual purchases of the Company for the year ended 31 December 2016. Management continues to try 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 forging of a new relationship with a major international commodity broker who helps to reduce the risk of depending 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.

23. CAPITAL AND RISK MANAGEMENT (Continued)

c) Liquidity risk (continued)

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:

Maturity Profile of the Company

	Within 1 year		Within 1 to 5years		Over 5 years	
	2016 $	2015 $	2016 $	2015 $	2016 $	2015 $
Long-term loans	33,706,361	64,619,602	620,639,597	522,200,359	-	17,804,871
Short term loans	224,271,780	-	-			
Bank overdraft	56,739,976	19,184,705				
Payables and accruals	772,032,890	560,542,673	-	-	-	-
Total	1,086,751,007	644,346,980	620,639,597	522,200,359	-	17,804,871

Assets available to cover financial liabilities include cash, short term deposits and available-for-sale investments.

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 and red kidney beans.

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 efficient customer delivery services.

Customer complaints are promptly and properly investigated and appropriately assessed and transparency is maintained; where necessary customers are promptly 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 immediately investigated and the appropriate action taken to deal with the matter in a manner that satisfies the complainant.

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial instruments that, subsequent to initial recognition, are measured at fair value are grouped into level 1 to 3 based on the degree to which the fair value is observable. The fair value of a liability reflects its non-performance risk.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical instruments. The fair value of financial instruments traded in active markets is based on quoted market prices at the year end, 31 December 2016. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets is the current bid price. At 31 December 2016, these instruments are quoted investment securities (Note 15) which are grouped in level 1.

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.

The Company has no financial assets group in levels 3.

The following methods and assumptions have been used in determining fair values:

i. The face value, less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are estimated to approximate their fair values. These assets and liabilities include cash and bank balances, short term investments, trade receivables and payables.

ii. The carrying values of long term loans approximate their fair values, as these loans are carried at amortised cost reflecting their contractual obligations and the interest rates reflective of current market rates for similar transactions.

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. These financial statements do not include any provision for capital expenditure commitments.

26. CONTINGENT LIABILITIES

In the normal course of business, 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.

27. SUBSEQUENT EVENTS

Up to the date of the signing of these financial statements the directors reported that

(i) The Company acquired two (2) supermarket as follows:

- Empire Supermarket located at 1-3 Retirement Road, Kingston 5. This retail outlet started operations on 1 January 2017.
- Cari-Home Supermarket located, Manor Park, Kingston 8. As at the date of signing the audit report, the negotiations relating to the acquisition of this entity were incomplete.

(ii) On 17 January 2017, Derrimon Trading Company Limited announced that it would make an offer to purchase the 45,841,911 Caribbean Flavours and Fragrances Limited (CFFL) shares, being all the CFFL Shares not already held by the Company. The price offered was $4.50 per CFFL Share. The offer opened on 20 January 2017 and closed on 10 February 2017.

CFFL, by letter dated 23 January 2017, issued a director's circular to all shareholders outlining the details of the "Take- Over Bid". This circular is available at the offices of both CFFL and the Company.

At the date of closure of the offer, only the Founders of CFFL accepted the offer increasing the Company's total ownership interest to 75.02%.The companies will be consolidated at the next reporting date unless there are circumstances or events that dictate otherwise.

(iii) In February 2017, $200 Million of Private Placement Loans (PPL) at 11.75% matured and the Company issued a 24 months Secured Commercial Paper (SCP) at 11% of equal value to retire the maturing PPL notes.