DERRIMON
TRADING CO. LTD.

Growth through PARTNERSHIP

ANNUAL REPORT 2016

Mission, Vision & Values

MISSION

To provide a wide portfolio of products and services that will add value for our customers and suppliers. We will accomplish this through the empowerment of our staff, encouraging innovation and rewarding productivity in our drive to become a world class company.

VISION

Through God's guidance to become a major company with world class performance standards, demonstrating the highest levels of integrity in all business practices and interactions with customers, suppliers, employees and the society at large.

VALUES

- Our Word is our bond
- We go the Extra Mile for all our stakeholders with a spirit of Love
- We are always Transparent
- We work Together to achieve our goals
- We accept Responsibility
- We display the highest Ethical Standards at all times
- We strive for Excellence in all that we do, We understand that actions speak louder than words. So at Derrimon:
- We inspire trust.
- We keep it simple.
- We are open and inclusive.
- We tell it like it is.
- We lead from the head and the heart.
- We discuss. We decide. We deliver.

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CHAIRMAN OF THE BOARD'S MESSAGE

MY FELLOW SHAREHOLDERS,

The Financial Year of 2016 saw the continued growth of our business. While there are always challenges in any field of business, there are always opportunities as well; and this year was no different. We achieved a record net profit of $116M which represented a 32% increase over the prior year. This was possible due to the relentless work of our team members and the support from our suppliers and customers.

In keeping with our goal of always adding value to our customers, our distribution division introduced another new product into the market with Golden Brand Margarine. The product has received positive reviews mainly due to its convenient packaging options and we expect this product to continue growing in popularity. Over the years, we have deliberately ferreted out products that we believe will add value in the medium and long term. The acquisition of Golden Brand Margarine aligns with that objective. We were happy to add this to the listing of household brands that we already distribute such as Blue Power, Linstead Market, Nestle, Sun Powder, Home Choice, our proprietary brand Delect, along with our chilled beverage line of products - Juciful, Dairy Farmers, Fruta and Joose. These brands will continue to complement our bulk product offering which also contributes significantly to the company's performance.

Our retail arm, which operates as Sampars, has made significant strides over the years and further expansion is planned for 2017. At least two new retail stores will be added: Sampars Cross Roads, which was previously Empire Supermarket, and Select Grocers which will be in Manor Park and formerly operated as Carihome Supermarket. These acquisitions will bring the number of retail stores to eight – Sampars (7) and Select Grocers (1). These two locations present good opportunities in high traffic areas. We have also embarked on the rebranding of our Sampars locations to reflect our new image of "Sampars – Smarter Shopping." Increasing our retail presence is a deliberate strategy which will continue to diversify our income stream and ultimately enhance shareholder value.

The combined divisions helped us to achieve growth in our gross profit by 12%, even though there was a marginal decline in revenue of 2%.

For the upcoming year, we will continue to employ strategies that will enhance revenue and margin, while managing our expenses in order to achieve the best results. We look forward to maintaining and enhancing our relationship with all our stakeholders as we are cognizant that the continued support of all is critical for business success. On behalf of our company's entire team, we thank you for your continued patronage and we look forward to an exciting future.

DERRICK F. COTTERELL
Chairman and Chief Executive Officer

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the annual general meeting of Derrimon Trading Company Limited (the "Company") will be held at the Knutsford Court Hotel on September 20, 2017 at 10:00 a.m. for shareholders to consider and, if thought fit, to pass the following resolutions:

ORDINARY RESOLUTIONS

1. To receive the report of the Board of Directors and the audited accounts of the Company for the financial year ended 31 December 2016.

2. To authorise the Board of Directors to re-appoint McKenley & Associates, Chartered Accountants of 12 Kingslyn Avenue, Kingston as the auditors of the Company, and to fix their remuneration.

3. To re-appoint the following Directors of the Board of the Company ("Board"), who have resigned by rotation in accordance with the Articles of Incorporation of the Company and, being eligible, have consented to act on re-appointment:

(a) To re-appoint Alexander I.E. Williams to the Board.

(b) To re-appoint Earl Richards, C.D., to the Board.

4. To authorise the Board to fix the remuneration of the directors for the financial year of the Company ending 31 December 2017.

Dated this June 29, 2017, By order of the Board,

MONIQUE COTTERELL,
Company Secretary

COMPANY SECRETARY'S MESSAGE


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CORNED BEEF
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BOARD OF DIRECTORS

DERRICK COTTERELL
Chief Executive Officer

As Chairman and Chief Executive Officer, Derrick is responsible for the strategic direction and growth of the company. Derrick has a wealth of experience in the fields of Sales, Marketing and General Management. He is also the Managing Director of Caribbean Flavours and Fragrances. He is a member of the Board for Dupont Primary and serves as a director of the Governor General of Jamaica's "I Believe Initiative" which seeks to improve the lives of young Jamaicans.

Derrick is a graduate of the University of the West Indies and Florida International University, from which he attained a Bachelor of Science degree in Management Studies and a Master of Business Administration respectively.

MONIQUE COTTERELL
Human Resource Manager

Monique serves as the Company Secretary and the Human Resource Manager at Derrimon Trading. She brings to the Board extensive experience in the service and retail industry in particular, Customer Service Delivery. Monique also serves as a Director of the Rescue Package Foundation.

She holds a Bachelor of Science Degree in Business Administration from the University College of the Caribbean (UCC).

WINSTON THOMAS
Chief Operating Officer

Winston brings to the Board over 30 years of expertise in the field of distribution with valuable experience in Fast Moving Consumer Goods (FMCG). Some of the industries that he has covered includes beverages, bulk items, and international household brands. Winston currently serves as the Chief Operating Officer.

He holds a Bachelor of Science Degree in Management Studies from the University of the West Indies.

IAN KELLY
Chief Financial Officer

Ian is an experienced Financial and Risk Manager with senior level experience in the areas of asset management, treasury, corresponding banking, corporate finance and securities trading.

He currently serves in the role of Chief Financial Officer for Derrimon Trading as well as Chief Financial Officer & Company Secretary for Caribbean Flavours and Fragrances

Ian is a Certified Public Accountant and holds a Bachelor of Science degree in Accounting and Master of Science degree in Accounting from The University of the West Indies.

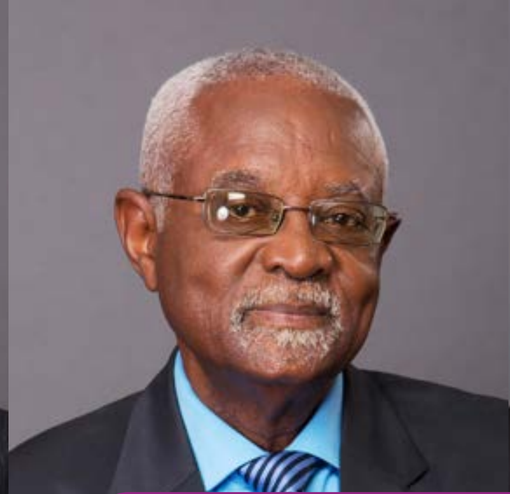
Ian also completed the Executive Development Program at the Wharton Business School, the University of Pennsylvania.

BOARD OF DIRECTORS

ALEXANDER I.E. WILLIAMS
Non-Executive Director

Alexander is an Attorney-At-Law with specialization in civil litigation, constitutional law claims, commercial litigation, judicial review of administrative action and industrial relations and labour law. He currently maintains a private practice and is a member of the Jamaican Bar Association.

He serves as the Chairman of the Jamaica Anti-Doping Commission, Chairman of the Land Divestment Advisory Committee, Chairman of the Land Information Counsel of Jamaica and Chairman of the Tax Incentive Committee of the Urban Development Corporation.



EARL ANTHONY RICHARDS, CD
Non-Executive Director

Earl brings a wealth of experience in the areas of strategic planning, general management and operations. Earl has a prestigious history of public service and received the Order of Distinction - Commander Class (CD), for Public Service in 2002.

He is a past President of the Airport Authority of Jamaica and former Chief Executive Officer of the Norman Manley International Airport (NMIA) Limited.

Earl is a graduate from the University of Toronto with a Bachelor of Applied Science degree in Civil Engineering. He also received a Master of Business Administration, at the University of the West Indies

PAUL BUCHANAN
Non-Executive Director

Paul is a seasoned Investment Professional who brings years of experience in the areas of portfolio management, client acquisition, sales and marketing. He's currently the Managing Director of Manwei International Limited.

He holds a Bachelor of Business Administration degree, majoring in Finance, from The University of Technology, Jamaica.

TANIA WALDRON-GOODEN
Mentor to the Board

Tania Waldron-Gooden is the Senior Vice President, Corporate Finance, Research & Special Projects at Mayberry Investments Limited and serves as the Mentor of Derrimon Trading.

As the Mentor of the Company, her responsibility is to provide the Board with support in establishing proper procedures, systems and controls for its compliance with the Junior Market Rule requirements for financial reporting, good corporate governance, and the making of timely announcements.

She holds a Bachelor of Science degree in Geology from the University of the West Indies and a Master of Business Administration degree from the University of Sunderland in the U.K.

DIRECTORS' REPORT

as at December 31, 2016

The Directors of Derrimon Trading Company Limited are pleased to present their report for the financial year ended December 31, 2016. This marks our fourth anniversary since our historic listing of 25% of our Company on the Junior Market of the Jamaica Stock Exchange and we remain extremely proud of the growth of our Company, the financial performance of the Company, the diversification of the revenue streams and the future prospect for our Company.

FINANCIAL RESULTS

The Statement of Comprehensive Income shows profit after tax of $116.106 million net of taxation owing to the tax status that accrues to the Company from the listing on The Junior Market of the Jamaica Stock Exchange. This result is a direct outcome for the positive contribution of the two business units. During this financial year, the focus of our team was on the building of a profitable and efficient brand, deepening of our supply and customer relationships, solidifying our market share within the retail space and improvements of our internal controls environment. We can confidently say that many of the established objectives as set out at the beginning of the year have been achieved.

The implementation of our strategic and annual business plans continue to solidify the platform of growth that forms the core of our operations. The strengthening of our internal control environment, improvement of our retail technology software platform, continued negotiations for the deepening of our shareholdings in Caribbean Flavours and Fragrances Limited, new acquisitions to increase the Sampars foot-prints and the continued enhancements to the distribution portfolio were some of the major areas of focus during 2016 financial year.

The Company was very deliberate in its approach to growth and as such the strategy of increasing the debt stock during the year was a specific action taken by the Board. The investment in the Associated Company generated share of profit of $38.186 million in financial year 2016 and $82.250 million since this investment was made in August 2014. We continue to review the financial performance of this Company and are even more encouraged by the confidence that the market has displayed in it, as expressed in the upward movement of the stock price as well as the quarterly financial performances.

AUDITORS

The auditors of the Company, McKenley & Associates of 12 Kingslyn Avenue, Kingston 10, Jamaica have expressed their willingness to continue in office and the Directors recommend their reappointment.

THANK YOU

The Directors wish to extend special thanks to all our shareholders and bondholders for the confidence that they continue to place in Derrimon Trading Company Limited. We continue to be encouraged by the support expressed in your emails and through the various communication channels and look forward to a continued mutually rewarding relationship for the coming year and beyond.

The growth of our company is because of the hard work and sacrifice that we receive from our team on a daily basis. We acknowledge and extend our appreciation to the committed efforts and diligent focus of the members of staff and thank our customers, suppliers, consumers and all other stakeholders for your continued support.

Dated this 12th day of June 2017

FOR AND ON BEHALF OF THE BOARD

DERRICK F. COTTERELL
Chairman/Chief Executive Officer

DIRECTORS as at December 31, 2016

DERRICK COTTERELL
Chief Executive Officer

MONIQUE COTTERELL
Human Resource Manager

WINSTON THOMAS
Chief Operating Officer

IAN C. KELLY
Chief Financial Officer

TANIA WALDRON-GOODEN
Non-Executive Director

EARL A. RICHARDS
Non-Executive Director

SEN. ALEXANDER I.E WILLIAMS
Non-Executive Director

PAUL BUCHANAN
Non-Executive Director

CORPORATE GOVERNANCE

as at December 31, 2016

Derrimon Trading Company Limited is one of Jamaica's leading distributors of bulk dry and cold storage commodities and operator of 6 retail stores. The Company continues to operate in an ethical manner and upholds the highest standard on how it conducts its business with regulators, customers and suppliers in line with clearly defined Corporate Governance policy and the Codes of Corporate Governance published by the Jamaica Stock Exchange and the Financial Services Commission.

The Company Charter approved by the Board, details the functions and responsibilities of the Board, Directors and the Chairman. The provisions of the Charter are consistent with the requirements regarding the Board and board members contained in the Companies Act 2004, regulations of the Jamaica Stock Exchange, the Articles of Incorporation of the Company and those governing the relationships between the Board and its committees. The Board is accountable to the shareholders for the overall performance of the Company and the proper management of its daily operations. The Board is responsible for adjudication and approvals of the following:

REGULATORY/LEGAL REQUIREMENTS

- Interim and preliminary financial results.
- interim dividends and the recommendation of any final dividends.
- Annual Audited Financial Statements and any Summary Financial Statements of the Company.
- Receipt of declaration on interest from Directors.

APPOINTMENTS AND TERMS OF REFERENCE

- Appointment and removal of Directors.
- Determination of the independence of any Director and research on the background on any proposed Director.
- Established the scope of work and authority for the position of Chief Executive Officer and Chief Financial Officer.
- Approval of the terms of reference of all Board Committees.
- Approval by the Chairman and Executive Directors of the remunerations and terms of appointment of Non-Executive Directors.

APPROVAL OF THE STRATEGIC PLAN AND ANNUAL BUDGET

- Approval of any significant changes to company policy on financial and non-financial risk.
- Review and approve any material changes to the Company's insurance cover and other significant and potential risk relating to the Company.
- Annual review of the effectiveness of the Company's Internal controls system.
- Approval of, on the recommendation of the Audit Committee of The Audit Engagement Letter.

Others

- Approval of any substantial transaction as defined by the Jamaica Stock Exchange Listing Rules or any substantial capital and revenue expenditure, including an acquisition or disposal of financial assets.
- Approval of the provision of any guarantee, indemnity or security of the Company.
- Approval of all changes to the issued share capital within the Authorized Share Capital as approved by the shareholders.
- Approval of the issue or repayment of any share capital or debt securities or any other borrowings by the Company other than where such issue, repayment, subscription or borrowing is in the ordinary course of business and has been approved as part on the Company's business plan.

BOARD SIZE AND COMPOSITION

The fundamental objective of good governance is to ensure transparency and accountability, in an effort to continue to protect our shareholders' and stakeholders' value. The Company is committed to ensuring that the composition of the Board continues to comprise Directors who bring the best mix of expertise and skills with wide ranging knowledge in order to assist in the various deliberations and decision making. The full Board continues to review the size and composition of the Board, define the desired profile of any new candidates for selection and assess candidates skills and on their qualifications and background.

> "The Company continues to operate in an **ETHICAL MANNER** and upholds the **HIGHEST STANDARD**"

The Board is led by Executive Chairman, Derrick F. Cotterell who is primarily responsible for the activities of the Board and its committees, acting as the spokesman for the Board and presiding over the Annual General Meeting. During the year, one personnel change was made to the Board's composition with the appointment of Director Paul Buchanan, effective March 1, 2016.

BOARD COMPOSITION

As at December 31, 2016, the Board consisted of eight (8) members four (4) Executive Directors including the Executive Chairman and four (4) Independent Non-Executive Directors who help to ensure that values, integrity and customers' trust continue to be the main pillars of Derrimon Trading Company Limited.

The Board has a good mix and diversity of skills which are aligned with the requirements of the Company and which provide essential corporate oversight and the requisite governance. The presentation below outlines the expertise and range of experience of the current Board.

GENERAL - Board efficiency and effectiveness, general management with P&L responsibility, banking, debt and equity financing.

GOVERNANCE - Understanding of the legal, ethical and fiduciary duties Risk Management, Compensation and Audit Committee

TECHNICAL - Supply chain management, sales, marketing and customer service, down trade and retail sales

INDUSTRY EXPERIENCE - Logistics, distribution, international trade, foreign exchange leveraging

The Company continues to benefit from the sterling contribution of its Mentor, a requirement of the Junior Market Rules of the Jamaica Stock Exchange, who also served as a Non-Executive Director. The Board Charter requires that the Board meets a minimum of six (6) times annually. Meetings are scheduled annually in advance according to an annual Board calendar. Meetings are held at the Company's Head Office at 235 Marcus Garvey Drive, Kingston. The agenda for meetings is prepared by the Executive where standing items include the minutes, CEO report, operating report from divisions and associated company, committee minutes and reports and all compliance updates. Submissions, which require the Board approvals, are circulated in advance of committee and board meetings to allow for review and consideration. The Board has direct access to the Company executives and management, and independent advisors if the need arises. Selected member(s) of the senior management team are invitees to Board meetings and provide updates on respective areas of focus and responsibilities.

senior management team are invitees to Board meetings and provide updates on respective areas of focus and responsibilities.

Derrimon Trading Company Limited has established policies and procedures to ensure timely and full disclosure of all material matters concerning the Company to relevant authorities, and to ensure that investors have access to information on the Company's financial performance. These policies and procedures address areas of materiality of any matter, and the impact that such may have on the price of the company's security.

During this financial period, nine (9) board meetings were held and attendance of members are outlined in the table below:

BOARD MEMBER	MEETINGS ATTENDED	BOARD MEMBER	MEETINGS ATTENDED
Derrick Cotterell	9	Earl A. Richards	6
Monique Cotterell	8	Alexander Williams	9
Winston Thomas	9	Tania Waldron-Gooden	6
Ian Kelly	9	Paul Buchanan	4

BOARD COMMITTEES

The Board has specific responsibilities including the oversight of management on behalf of stakeholders. To discharge some of these responsibilities more effectively, the Board has appointed two (2) committees from among its members, chaired by Non-Executive Directors, which operate under specific Terms of Reference. These two committees are:

- The Audit and Finance
- Compensation

The committees are required to promptly update and inform the Board of any actions that it has taken and of any major development that it has become aware of. The members of these committees have access to pertinent information for decision making and all Directors have access to the records of all committee meetings.

THE AUDIT COMMITTEE

The Audit Committee appointed by the Board, provides guidance and oversight on financial and strategic matters relating to the Company's core operations. The primary role of this committee is to:

- Provide conduit direct interface between internal and external auditors and the Board.
- Review and approve the audit plan and fees from external Auditor, Mckenley and Associates, and make recommendations for Board approval.
- Review the effectiveness of internal controls over financial reporting and financial risk management.
- Consider risk areas identified and incorporated for attention into the internal audit plan.
- Receive and consider the audit report and management letter from McKenley and Associates.
- Review and report to the Board on compliance with regulatory disclosures and the filing and payment of all statutory taxes and obligations.

Our external auditors remain McKenley and Associates Limited whilst the Company has in its employment a team of professionals that undertake its internal audit functions. Chaired by Mr. Earl A. Richards, the other members include Mrs. Tania Waldron-Gooden and Mr. Ian Kelly.

The Committee meets quarterly and continues to be guided by its established Terms of Reference to ensure:

- Timely disclosures
- Open and accurate financial reporting, good fiscal discipline.
- Review of Internal Audit Reports and management actions plan.
- Review and recommend quarterly unaudited financial reports and annual audited report to the Board.
- The independent auditor's qualification and independence.

During the period under review, the committee met four (4) times. There were no known reported incidences of fraud or any reported irregularities during this reporting period.

AUDIT COMMITTEE MEMBER	MEETINGS ATTENDED
Earl A. Richards	4
Tania Waldron-Gooden	3
Ian C. Kelly	4

THE COMPENSATION COMMITTEE

This committee has responsibility for providing recommendations to the Board in regards to the remuneration strategy, policies and practices applicable to the compensation of the Executive Chairman, Executive Directors, Non-Executive Directors and Senior Managers. The committee is chaired by Senator Alexander Williams, and includes Executive Director Mr. Winston Thomas. The Terms of Reference require that:

- The committee meet at least once per year to evaluate the performance of the Executive.
- Review any matters relating to compensation and benefits.
- Make its recommendation to the full Board of Directors.

This committee met twice (2) during the period under review and made recommendations that were accepted by the Board of Directors.

RISK MANAGEMENT

The management of the various identifiable risks and ensuring that the systems and policies are strictly adhered to are important aspects of our Company's operations. We understand and recognize that rigorous risk management is vital to the stability of the Company and for maintaining our competitive edge with the market space in which we operate. The robust risk management approach taken by our Company includes:

- Establishing and maintaining practices that foster a culture within the Company, in which personnel at all levels, are aware of the relevant policies, and support high standards of performance and accountability.
- Adoption of an integrated approach to risk management whereby risk management forms part of all key organizational processes.
- Safeguarding of the Company's assets namely human, property, reputation and intellectual.
- Rewarding the achievement of the Company's strategic and operating plan through and effective balance or risk and rewards.
- Rigorous compliance with statutory and regulatory obligations.

The Board has full responsibility for the Company's internal control system and for monitoring the effectiveness through its various established committees. The systems are designed to recognize and manage risk, whilst identifying areas that require continuous attention. Based on these inherent risks, we can only provide a reasonable assurance against material misstatements with respect to the fairness of the Audited Financial Statements. The Board has established a continuous and robust process for monitoring, identifying, evaluating and managing the significant risk that the Company faces. The Audit Committee provides the oversight for this function.

The key areas of the internal controls include:

- The assignment of specific aspects of the Company's operation to members of the executive management team. The team meets on a weekly basis and is responsible for operationalizing overall strategy and for reviewing the outputs of these strategies within the framework of the policies and procedures. The outcomes are submitted to the Board and Board Committee for deliberations.
- There continues to be an established system for the segregation of duties of members of the organization, established authorization limits for expenditure, contracts, IT application and interfaces as outlined in the Delegation of Authority Limits.
- Performance review at executive team level and that with Boards, whereby actual outcomes are reviewed with forecast, budgets and prior reporting year.
- Periodic reviews of identifiable risk through product cycle counts and annual reviews during the annual audit and confirmation exercise.

ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of the Shareholders is the Company's highest decision-making body. It decides the duties for which it is responsible in accordance with the Companies Act 2004 and the Company's Articles of Incorporation. The AGM decides on, among other things, the adoption of the financial statements and the consolidated financial statements contained therein and the approval of dividend payments. It is at the AGM that Members of the Board are elected and auditor's remunerations are approved. Other matters such as the amendments to the Articles of Incorporation, share issues and any acquisition of the Company's own shares are approved.

DERRICK COTTERELL
Chairman and Chief Executive Officer


Delect®
100% All Natural
VEGETABLE OIL
Net Contents 1.89 Litres
JACK
MACKEREL
MACKEREL
TOMATO
KETCHUP
CORNED BEEF
CORNED BEEF
SEA SALT

MANAGEMENT DISCUSSION & ANALYSIS

COMPANY OVERVIEW

During the financial year ended December 31, 2016, Derrimon Trading Company Limited continued with its growth objective to accelerate the diversification of its revenue streams. The Company has evolved over the past nine (9) years, from a small distributor to become a significant player within the Jamaican food distribution and retail landscape. This has been accomplished through strategic acquisitions, the reorganization of its distribution division and the aggressive expansion of its retail network of Sampars Cash and Carry stores and Sampars outlets. The continuing growth of the Company is primarily the result of successfully implemented strategic plans. Deliberate measures have been taken to achieve continued improvement in shareholders' value, which has been at the forefront of decision making of the Company.

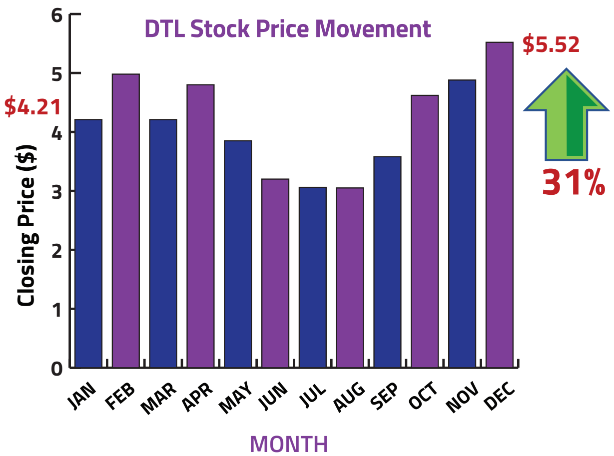
During the year the Company focused on deepening and further diversifying the customer base in the various market segments in which it currently operates. The Marcus Garvey Drive Distribution Centre continues to be the nerve centre of the distribution business, serving customers throughout the fourteen (14) parishes. There were particular challenges with periodic market glut and scarcity of key products during the review period, but the adverse impacts were mitigated by astute purchasing and inventory management. Importantly, the Company continued to implement its strategy of product rationalization and cost management.

The focus of the retail division which operates at six (6) strategic locations in five (5) parishes namely Kingston, St. Andrew, St. Catherine, Manchester and St. Ann was on improving efficiency through integration of systems and technology upgrades in areas of procurement, inventory management, and internal controls. These objectives were achieved through the implementation of a centralized purchasing structure and rigorous inventory monitoring and controls.

It is evident that the decisions taken by the board to broaden and diversify the revenue base of the company, thereby increasing revenues and enhancing profitability has not gone unnoticed by the investing public. Accordingly, the DTL stock price continue to reflect increased investor confidence. The stock closed trading at the end of the year at $5.52 or 36.29% from the $4.05 price at the beginning of the year.

The decisions taken by the Board of Directors to purchase 49% of the shares of Caribbean Flavours and Fragrances Limited (CFF) has proved to be sound and rewarding. The performance of both CFF and DTL have been positively impacted by the mutually compatible affiliation of the companies and the astute contributions

Jan.16	Feb.16	Mar.16	Apr.16	May.16	Jun.16	Jul.16	Aug.16	Sep.16	Oct.16	Nov.16	Dec.16
4.21	4.98	4.21	4.8	3.85	3.2	3.06	3.05	3.58	4.62	4.88	5.52



from DTL. This was evident in both the positive movement of the share price of CFF in particular, and the share-of-profit contribution from CFF to DTL for the financial year. The trading price of the CFF shares as at December 31, 2016, was $12.00; which represented unrealized gains of $9.25 when compared to the acquisition price of $2.75 in August 2015. Share of profit received for the year was $38.186 million or 6.22% above $35.949 million received in 2015. The actions taken by the Board of Directors to commence further negotiation with minority shareholders have been progressing satisfactorily and should be completed early in the first quarter of 2017.

BUSINESS REVIEW

The 2016 financial year yielded mixed financial and operational results for the Company. The combination of increased and sometimes fierce competition within the commodities goods market, an influx of unregulated suppliers and increased levels of down-trade marketing from many of our major suppliers has influenced some of the decisions made to further realign the DTL business model. As such, the culling of unprofitable SKU's, elimination of some product lines, reduced imports of uncompetitive cold storage products were deliberate strategies and have proven to be profitable initiatives undertaken during the year. Whilst these realignment activities were being pursued, the Company was deliberate with the long-term capital debt financing strategies geared at:

- Increasing its equity stake in Caribbean Flavors and Fragrances Limited.
- Expansion of the footprints within the Sampars Cash and Carry retail business.
- Negotiating and purchasing the existing assets of Caribbean Home Entertainment Systems limited, operators of CariHome Supermarket in Upper Manor Park, St. Andrew.
- Creation of a new supermarket brand "Select Grocers" via a Joint Venture Agreement.

During the year, there was a 5.7% devaluation of the Jamaican Dollar against the United States dollar, which propelled inflation to higher than what was expected. Economic growth for the calendar year was 2.9% and was in line with what was projected by the government. Given the fact that the Company continues to import large volumes of staple commodities the annual depreciation of 5.7% of the Jamaican Dollar to the US Dollar had a significant adverse impact on our business. As such, real time focus and attention was given to the management of logistics, demurrage costs, credit risk and receivables - to ensure efficiency within the purchasing chain, inventory management and collections.

Despite these actions, the devaluation of the Jamaican Dollar plus changes in other tax regime such as, the increase in ad valorem tax rate on gasoline, resulted in many businesses, including Derrimon Trading, being forced to absorb these new taxes, resulting in depressed margins. This was more evident on the distribution side of the business. In addition, strong competition within major categories of bulk dry goods and some categories of cold storage products, also negatively impacted margins; this was compounded by the periodic scarcity of some of these products. Revenue growth within the distribution segment of the business was flat due to the above factors, as well as the culling of non-performing SKU's. Growth in the retail market was more bouyant in both revenue and gross profit and was influenced by new and deepening product offerings at several store locations, superior customer service experience, innovation from our team leaders, and targeting different market segments aimed at attracting and serving varied customer categories.

The Group continues to review its market positioning strategies and continues to examine its route to market for both the retail and distribution segments of its business. As such, the new tax regime influenced our decision to enter a partnership with a major sub-distributor whose role includes the servicing of sections of the island on DTL's behalf. This decision will ensure an even deeper penetration by our products while reducing delivery costs.

The focus of the retail side of the business continues to be on the timely availability of goods, provision of excellent value and service to our consumers. In this regard, our pricing mechanism continues to be flexible and ever responsive to market conditions. We continue to make decisions based on timely market information for the various market segments, which helps to exercise stringent controls in the management of our supply chain and inventory.

During the year, the Company debt financing costs grew however, these costs were directly related to asset acquisitions, new product opportunities within the retail space, as well as for working capital support. The longer-term strategies of reducing and rebalancing of these debts will be implemented in the ensuing financial year in order to mitigate the impacts of devaluations and to capitalize on reducing market interest rates.

Our leadership team continues to review the five (5) years strategic plan and one (1) year operational plans and implement strategies toward achieving the set goals. The Company's core focus continues to be efficient growth and increasing market share whilst operating ethically within the market. Our team continues to live the Company's values daily even when uncertain, complex and volatile trading circumstances are encountered. Our team is motivated, driven and continues to be result oriented as we execute on the mandate of improving shareholders value.

FINANCIAL PERFORMANCE

The Company's financial performance for the reporting period ending December 31, 2016 continued to be positively influenced by a combination of strategies that have been employed. Despite not being able to include, in our pricing policy to our consumers, all the additional cost associated from changes in government policies during the year, the Company recorded growth in many key areas. Our 49% investment in Caribbean Flavors and Fragrances has generated profits and capital gain in the share price is evident on the Jamaica Stock Exchange, which was at an all-time high. The improvement in the contributions to the business, in all areas from Sampars Cash and Carry and Outlets, continues to soar in both margins and revenue. The diversification and distribution portfolio performed despite the continued culling and rebalancing that was evident during the year.

Gross operating revenue generated by the Company, at the end of December 31, 2016 was $6.176 billion and was flat when compared to the $6.293 billion reported for the similar period in 2015. The performance of the retail sector in 2016, which generated $3.288 billion up from the $2.679 billion from last year, represents an increase of $0.609 billion or 22.73% and is the major catalyst. The strategies implemented within the retail stores were deliberate within each store and have been carefully executed. The daily monitoring of the respective categories at each store against the expected budget performance were critical success factors to ensure that the desired objectives were achieved. Corrective actions and programs were implemented as the need arise based on the assessment of the location managers and supported by the executive team. The implementation of the identifiable micro and macro strategies aimed at increasing share of wallet spent in specific operating regions continues to be critical success strategies within the retail space. We continued to be encouraged by deepening and strengthening of the current business partnerships within the retail space and credit this to superior customer service - the path on which our growth is positioned.

The revenue performance within the distribution was $2,888 billion, which represents a decline of $726 million or 20% over the $3,614 billion reported in 2015. This decline was deliberated and was driven by the core objective of distributing goods which brings value to the busines, in terms of a positive contribution to gross profit. This allows for a positive contribution at a minimum hurdle rate to its net profit. As such, decisions taken by the Company to cull the distribution of some categories of products, and in some instances, to reduce the sale of some products that were not meeting the above objectives, were deliberate and hence the reduction in revenue.

Our strategy of maximizing revenues whilst growing market share profitably are a testament that as the Company evolves. The growth of the Company's financial metrics will continue to be examined and through diversification, the various objectives will be achieved.

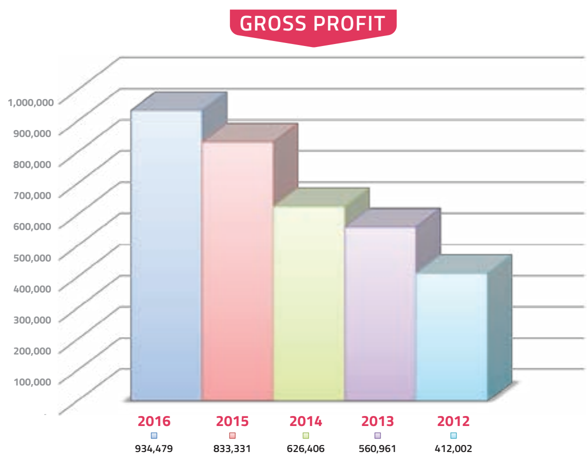
The overall gross revenues posted is a testament that the team continues to be focused on the implementation of strategies that, even in this competitive market, continues to add shareholders value. The strategies identified for both divisions

Lucozade

Energy

were deliberate and continuous adjustments, through careful monitoring ensured that the desired objectives were achieved.

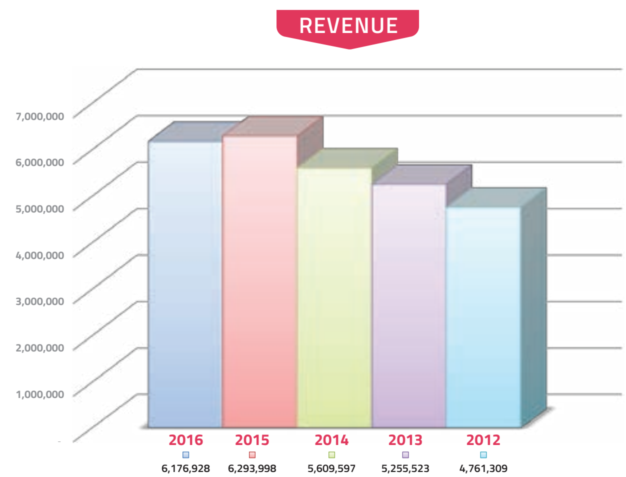
Our supply partners continue to play a critical role in our company's success and the gains made in this area during this financial year were significant. The improvements in logistics and the management of the supply chain ensured that the ratios of cost of sales to revenue were improved during the reporting period.



GROSS PROFIT

The group recorded gross profit of $934.479 million or a 12.00% growth in this financial year over the $833.331million reported in the comparative 2015 period. This continued growth continues is due to the many strategies implemented by the Company in both divisions during the year, in order to achieve specific hurdle rates. This year-over-year improvement to the gross profit was driven by a combination of strategies, which include:

- Culling of non-performing dry and cold SKU's during the year that doesn't generate targeted margins and profitability.
- Elimination of specific SKU's during periods of market instability and product excesses.
- Improvement of margin mining through the centralized purchasing for the six (6) retail stores.
- Continuous review and reduction in shelf space for underperforming products.
- Deepening of relationship with suppliers.
- Engagement of our customers through the sharing of incentives received from principals with our major partners



TOTAL COMPREHENSIVE INCOME

Total comprehensive income was $116.106 million, representing a 31.74% improvement over the $88.130 million reported for the comparative period in 2015.

The major contributing factors includes the full twelve (12) months share of profits of $38.186million from the 49% investments in Caribbean Flavours and Fragrances Limited, continuous management of the company's core expenses despite the growth in finance costs, and improvements in gross margins. We will continue to manage the factors, which are under our control to generate the best returns for our various stakeholders.

OTHER INCOME

The availability of cash, rental of excessive warehouse spaces owing to strategic decision taken by the Company, continues to generate additional revenue to the Company. During the year under review, the income normally generated from the rental of warehouse space increased to $18.670 million in 2016 or $12.283 million or 192.31% when compared to the $6.387 million reported for similar period in 2015. The availability of additional warehouse space was driven by the culling of non-performing SKU's by he Company, improvement in purchasing to just-in-time delivery through centralized purchasing, created additional space which could be leased. Income from other categories were minimal but made a positive contribution, thereby allowing for total other income of $19.474 million compared to $8.220 million reported in 2015.

ADMINISTRATIVE EXPENSES

The total Administrative, Selling & Distribution Expenses increased by $37.126 million or 5% (2016: $739.412 million; 2015 $702.286 million) and is attributable to the following:

- Staff costs comprising salaries and wages, staff welfare, contract services, training and development was $273.092 million reflecting a year-over-year increase of $22.866 million from the $250.226

million reported in 2015. This is the first year that the full annual staff cost has been compared because in 2015 the salary reported for Sampars St. Ann's Bay was for seven (7) months. The Company continues to review its efficiency ratios and ensures that its staff cost to revenue ratio continues to be in standard. These human resource costs continued to be geared at improving service delivery and our response time to our customers. This is extremely important given the competitiveness of our operating environment and the service levels standards, which our customers expect.

- Professional service cost of $20.006 million was directly influenced by contracted internal audit services, audit fees, and structuring and legal cost associated with the various short term refinancing during the financial year. This represents a major reduction over the cost associated with the services incurred in 2015.

SELLING AND DISTRIBUTION EXPENSES

There was a $13.928 million increase in Selling and Distribution expenses during the period as the expense reported was $177.952 million in 2016 when compared to the $164.024 million reported in 2015. The decision taken by the Company during the year to reduce island-wide distribution in some areas, positively impacted trucking costs however, there was a jump in advertising and marketing due to production costs for the annual report, merchandising and promotion costs associated with the growing acceptance of our products.

FINANCE COST

The cost of growth during the financial year was reflected in the finance cost increasing by $49.536 million, and peaked at $136.620 million as a result of the various acquisitions being negotiated as well as the full year impact of some of the credits which were taken during the previous year. This has been a deliberate strategy being approved and implemented by the Board of Directors during the years as the Company continues to grow and implements the strategy of revenue diversification. The decisions taken during the year will have longer-term financial benefits to Derrimon Trading group and will ensure that there is the broadening of the future revenue streams of the Group.

PROFIT FROM OPERATIONS

The operating profit reported for the year was $214.540 million which represents a 54.44% improvement over the $75.275 million reported in 2015. As a percentage of net sales, profit from operations was 3.47% at the end of December 2016 compared to 2.21% recorded in December 2015. The improvement in operating profit was driven by improvement in the profitability of revenues and gross margin, improvement in other income and continued management of its operating expenses.

FINANCIAL POSITION

The Company's financial position reflected growth and favorable trends. Total Assets grew by 48.29% or $737.347 million to $2,054 billion in 2016 moving from $1,526.660 million in 2015. Total liabilities reflected an increase of 57.61% or $621.240 million, moving from $1,078.298 million to $1,699.538 million.

Current assets rose by $687.763 million or 57.78% over the same period last year, relating to increases in inventories by 63.156% or $317.539 million, receivables by 34.590% or $174.932 million, prepayments by 100% or $120.619 million and cash and cash equivalent by 98.94% or $78.546 million.

The current liabilities of the Company grew by 84.85% or $497.559 million as a result of increases in all major categories, namely payables, short-term loans and bank overdraft. The increase in payables was 37% or $211.489 million and was driven by the growth in both the distribution and retail segments of the business and is based on the timing that some of these liabilities will fall due for payment. Short-term loans and lines of credits grew by 100% or $224.271 million and are often used to provide supplemental cash flow to our business based on the timing of our operating cash flow as well as growth support. These facilities are often paid out based on the maturity cycle of each drawdown.

CORPORATE SOCIAL RESPONSIBILITY

We believe that for a company to be successful in the long term and create value for its shareholders, it must also create value for society. Therefore Derrimon Trading will continue to support the communities in which we serve, encourage our team members to be agents of change in the lives of others and always inspire the youth to be their best selves.

We have been deliberate in our ongoing support of the below listed initiatives, because we believe that continued commitment is the key to creating long-term, sustainable positive change.

These initiatives include:

EDUCATION

- The Company supports students at the primary, secondary and university levels through financial assistance.
- We sponsor a Back-to-School Treat for the children in the surrounding communities, which takes place every August. This has become an anticipated event for the children that brings the community together in such a positive way.
- The Self Reliance Youth Development Organization continues to support up to 40 school students, per year, with tuition and fee assistance. Sampars also supports by allowing the students to use the facility on Saturdays for extra classes. The annual barbecue fundraiser, put on by the parents in association with Sampars, to raise funds to offset additional school expenses also utilizes the Sampars grounds as the venue.



COMMUNITY DEVELOPMENT & TRANSFORMATION

- Twice for the month, As a part of the Self Reliance Youth Development Organization, the Company hosts a group discussion with the parents of the students to foster better parent child relationships. These discussions help the parents to explore and find solutions to issues they face as mothers, fathers and caregivers. Parents also use this time to get updates on the progress of their children's academics.
- Working with local church ministries such as the Majesty Gardens Transformation Ministry.

DONATIONS

- During the Christmas season the Company provides care baskets for shut-ins and the elderly in nearby communities.
- The Company continuously donates products to Churches, Schools, and Non-Profit Organizations for various purposes.

We have always believed that Derrimon Trading can, and should, have a positive impact on the communities in which we serve. We believe in being a catalyst for positive change by inspiring and encouraging individuals to become their own best selves and will continue to serve the people of our nation.

CORPORATE INFORMATION

CORPORATE DATA

Registered Office
Derrimon Trading Company Limited
235 Marcus Garvey Drive
Kingston 11, Jamaica, W.I.
Tel: (876) 937-4897-8
Fax: (876) 937-0754
Email: info@derrimon.com
Website: www.derrimon.com

ATTORNEYS-AT-LAW
Alexander Williams & Company
Unit 6A, Seymour Park,
2 Seymour Avenue
Kingston 6, Jamaica W.I.

AUDITORS
McKenley & Associates
12 Kingslyn Avenue, Kingston 10
Jamaica W.I.

BANKERS

Bank of Nova Scotia
86 Slipe Road Kingston 5,
Jamaica W.I

National Commercial Bank
37 Duke Street
Kingston Jamaica W.I.

Sagicor Bank
17 Dominica Drive
Kingston 5, Jamaica W.I.

REGISTRAR AND TRANSFER AGENTS

Jamaica Central Securities
Depository
40 Harbour Street
Kingston, Jamaica W.I

BOARD OF DIRECTORS
Executive Directors
Derrick Cotterell, M.B.A., B.Sc. (Hons)
Chairman & CEO

Winston Thomas, B.Sc.
Chief Operating Officer

Ian Kelly, M.Sc., B.Sc. (Hons)
Chief Financial Officer

Monique Cotterell, B.Sc.
Company Secretary &
Human Resource Manager

NON-EXECUTIVE DIRECTORS

Alexander I.E. Williams, LL.B (Hons) C.L.E

Earl Richards, CD, M.B.A, BA.Sc.

Tania Waldron-Gooden, M.B.A., B.Sc.

Paul Buchanan, BBA

LIST OF SENIOR OFFICERS

Derrick Cotterell, M.B.A., B.Sc. (Hons)
Chairman & CEO

Monique Cotterell, B.Sc.
Company Secretary &
Human Resource Manager

Winston Thomas, B.Sc.
Chief Operating Officer

Ian Kelly, M.Sc., B.Sc. (Hons)
Chief Financial Officer

Sheldon Simpson, M.B.A., B.Sc. (Hons)
Divisional Manager - Derrimon

Craig Robinson, M.B.A., B.Sc. (Hons)
Divisional Manager
Sampars Cash and Carry

SEGMENT LOCATION

SAMPARS CASH & CARRY
233 Marcus Garvey Drive
Kingston 11, Jamaica, W.I.
Tel: (876) 923-8733
Fax: (876) 757-8853
Email: contactus@samparsja.com
Website: www.shopsampars.com

SAMPARS OUTLET - MANDEVILLE
26 Hargreaves Avenue
James Warehouse Complex
Mandeville, Manchester
Jamaica, W.I.
Tel: (876) 631-1047
Fax: (876) 631-1048

SAMPARS OLD HARBOUR
3 Arscott Drive, Old Harbour
St. Catherine, Jamaica, W.I.
Tel: (876) 983-0469
Fax: (876) 745-2103

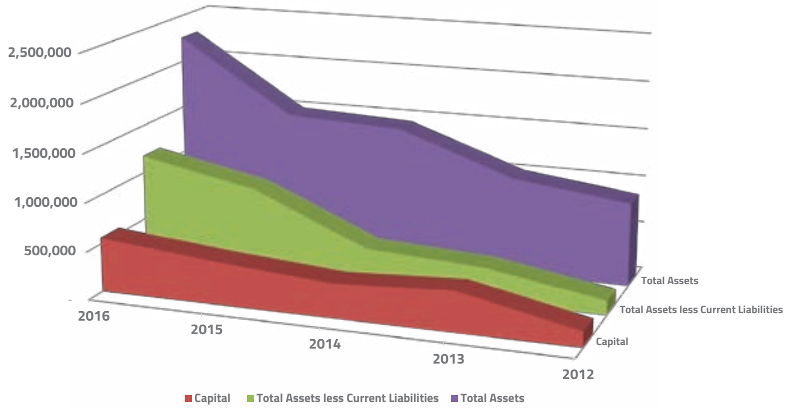
SAMPARS ST. ANN'S BAY
3 Harbour Street
St. Ann's Bay
St. Ann
Jamaica, W.I.
Tel: (876) 972-8825
Fax: (876) 972- 0156

SAMPARS OUTLET WASHINGTON BOULEVARD
8-10 Brome Close
Kingston 20 Jamaica, W.I.
Tel: (876) 931-9121-2
Fax: (876) 941-3862

SAMPARS OUTLET - WEST STREET
62 West Street
Kingston, Jamaica, W.I.
Tel: (876) 967-5403/948-3517

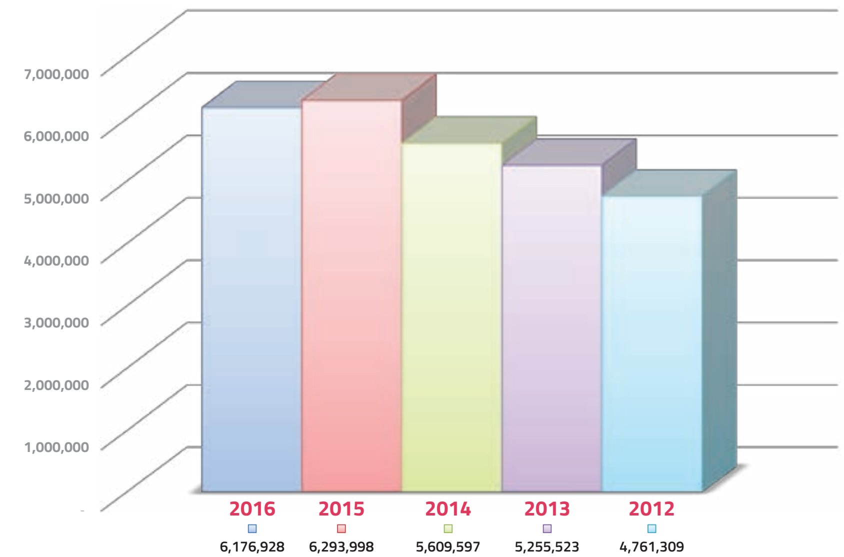
FIVE YEAR STATISTICAL HIGHLIGHTS

BALANCE SHEET

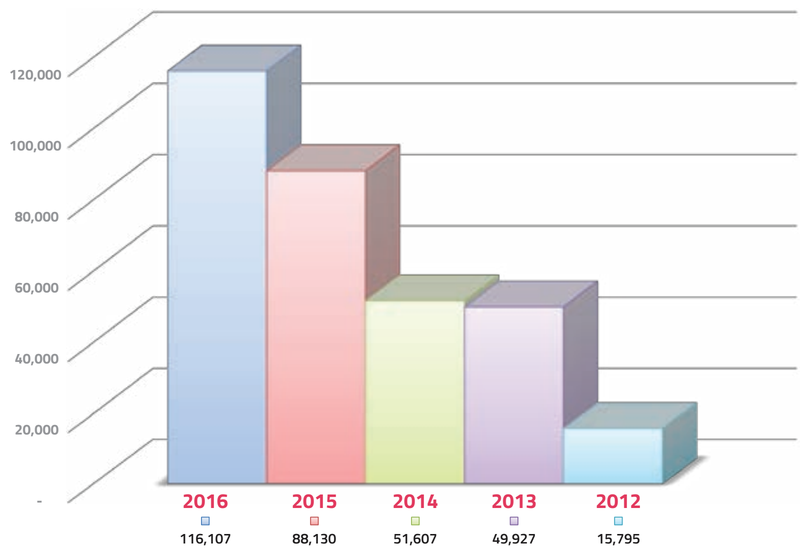


	2016	2015	2014	2013	2012
Balance Sheet	**(J$ '000)**	**(J$ '000)**	**(J$ '000)**	**(J$ '000)**	**(J$ '000)**
Capital	564,468	448,362	359,578	420,301	164,845
Total Assets less Current Liabilities	1,180,062	940,274	422,991	356,761	151,319
Total Assets	2,264,007	1,507,475	1,450,767	1,024,480	872,199

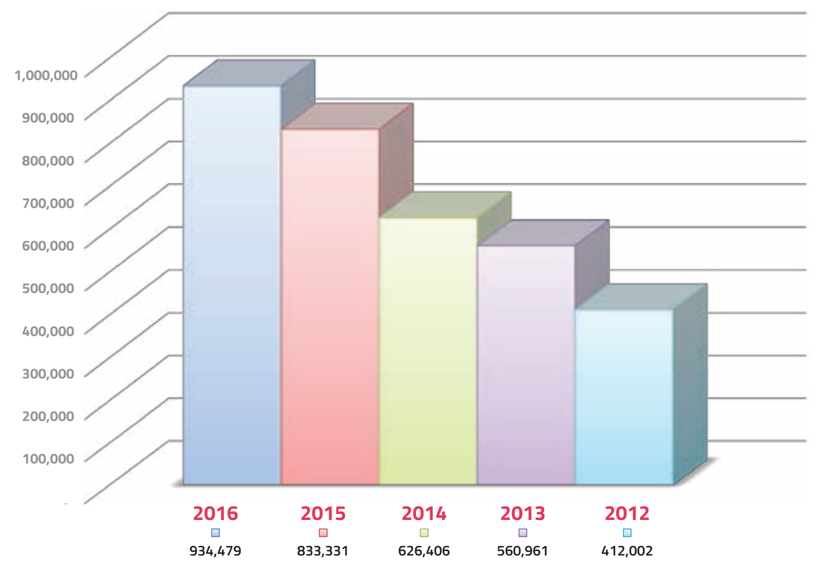
REVENUE



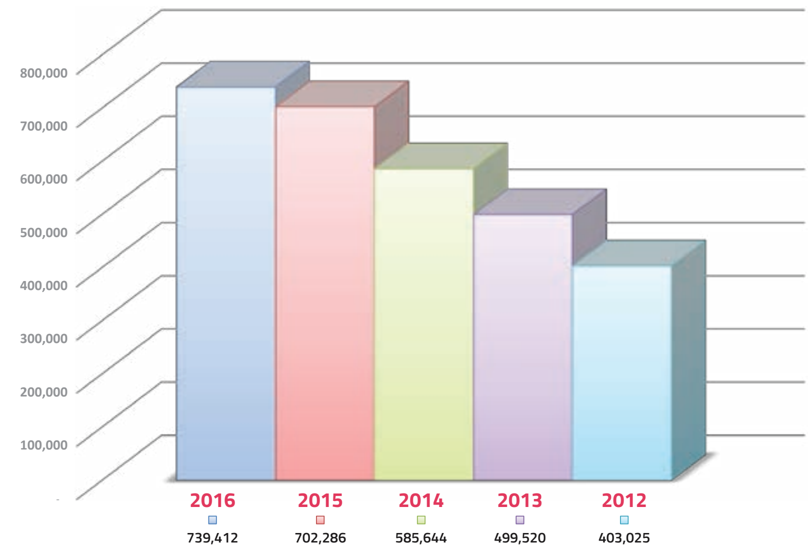
NET PROFIT



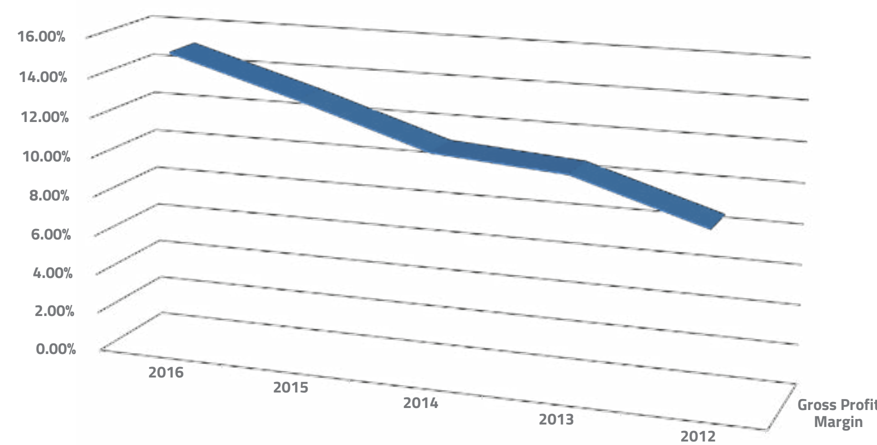
GROSS PROFIT



TOTAL OPERATIONS EXPENSE



GROSS PROFIT MARGIN



SELECT RATIOS	2016	2015	2014	2013	2012
Gross Profit Margin	15.13%	13.24%	11.17%	10.67%	8.65%
EBITDA Margin	3.79%	2.61%	1.97%	2.27%	1.22%
Current Ratio	1.73	2.03	1.13	1.32	1.03
Quick Ratio	0.90	1.03	0.54	0.68	0.60
Debt to Equity	3.01	2.40	3.03	0.36	0.58

DISCLOSURE OF SHAREHOLDINGS

as at December 31, 2016

Top 10 Shareholders for Derrimon Trading Company Limited

NAME	VOLUME	PERCENTAGE
DERRICK COTTERELL	110,000,000.00	40.2435
MANWEI INTERNATIONAL LIMITED	50,019,790.00	18.2997
MONIQUE COTTERELL	40,000,000.00	14.6340
IAN C. KELLY	15,743,459.00	5.7597
WINSTON THOMAS	13,363,979.00	4.8892
ESTATE OF E. COTTERELL (DECEASED)	10,000,000.00	3.6585
SAGICOR POOLED EQUITY FUND	5,875,692.00	2.1496
JCSD Trustee Services – Sigma Venture	3,732,015.00	1.3654
MAYBERRY MANAGED CLIENTS ACCOUNT	2,483,021.00	0.9084
Sharon Harvey-Wilson	1,958,179.00	0.7164

Directors and their Connected Parties Report Derrimon Trading Limited

NAME	VOLUME	PERCENTAGE
DERRICK COTTERELL	110,000,000.00	40.2435
IAN C. KELLY	15,743,459.00	5.7597
WINSTON THOMAS	13,363,979.00	4.8892
MONIQUE COTTERELL	40,000,000.00	14.6340
EARL ANTHONY RICHARDS	500,000.00	0.1829
ALEXANDER I. E. WILLIAMS	100,000.00	0.0366

Senior Managers Report for Derrimon Trading Company Limited

NAME	VOLUME	PERCENTAGE
SHELDON SIMPSON	245,000.00	0.0896
CRAIG ROBINSON	000000.00	0.0000

EXECUTIVE MANAGEMENT TEAM

DERRICK COTTERELL
Chief Executive Officer

MONIQUE COTTERELL
Human Resource Manager

IAN C. KELLY
Chief Financial Officer

WINSTON THOMAS
Chief Operating Officer

DIVISIONAL MANAGERS

SHELDON SIMPSON
Divisional Manager
Derrimon Trading Co. Ltd

Sheldon has oversight for the distribution of the product portfolio as well as the operational execution of the Division. He holds a Bsc. in Management Studies & Accounts from the University of the West Indies and an MBA from Florida International University.

CRAIG ROBINSON
Divisional Manager Sampars

Craig oversees the strategic performance of the Sampars stores. Craig graduated from the University of the West Indies with a Bachelor of Science Degree in Zoology. He later received a Master's in Business Administration from the University of New Orleans.

DERRIMON MANAGEMENT TEAM

STEWART JACOBS
Sales Manager

ROCKY ALLEN
Security & Facilities Manager

VERONA HOWELL
Manager - Management Accounting

JERMAINE THOMAS
Information & Technology Manager

OTEMA THOMPSON
Manager - Financial Accounting

SHEREE GORDON
Office Manager/ Executive Assistant

DONNA SMITH
Inventory & Storage Manager

CAROL WILSON
Credit Manager

SAMPARS MANAGEMENT TEAM

ORVILLE WILSON
Manager
Sampars Washington Blvd

MARVETTE DIXON
Manager
Sampars Cash & Carry

JODY-ANN JONES
Manager
Sampars Mandeville

GENEVIEVE CHRISTIE
Depot Manager
Sampars

CARLOS DUHANEY
Manager
Sampars West Street

VENICE ROSE
Manager
Sampars St. Ann's Bay

ROMAINE DAWSON
Manager
Sampars Old Harbour

McKENLEY & ASSOCIATES
CHARTERED ACCOUNTANTS
"Continuous Improvement and Innovation are our Duties......"

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS	
STATUTORY FINANCIAL STATEMENTS	

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& ASSOCIATES

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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.

• 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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CHARTERED ACCOUNTANTS

Independent Auditor's Report

To the Members of
Derrimon Trading Company Limited

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.

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CHARTERED ACCOUNTANTS

Independent Auditor's Report

To the Members of
Derrimon Trading Company Limited

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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CHARTERED ACCOUNTANTS

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.

McKENLEY
& ASSOCIATES

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CHARTERED ACCOUNTANTS

To the Members of
Derrimon Trading Company Limited

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.

• 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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CHARTERED ACCOUNTANTS

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

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:

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.

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

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

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).

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

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:

	2016 $('000)	2015 $('000)
Statement of Financial Position		
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

Represented by:	2016 $	2015 $
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

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ements

AND EQUIPMENT

2016

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

e land and buildings which were purchased in the prior year were professionally valued by independent valuators, E.B.I. d (professional evaluators and engineers), and the surplus on revaluation was transferred to capital reserve.

sessed the values of the land and buildings and are of the opinion that there is no significant change in the values at the

AND EQUIPMENT (Continued)

2015

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

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

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.

FORM OF PROXY

A form of proxy accompanies this Notice of Annual General Meeting. A shareholder who is entitled to attend and vote at the Annual General Meeting of the Company may appoint one or more proxies to attend in his/her place. A proxy need not be a shareholder of the Company. All completed original proxy forms must be deposited together with the power of attorney or other document appointing the proxy, at the registered office of the Company at least 48 hours before the Annual General Meeting.

"I/We ____(insert name) of ___________________
____(address) being a shareholder(s) of the above-named Company, hereby appoint: ____ (proxy name)
of ____(address) or failing him, _________
____(alternate proxy) of ____
____(address) as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 10:00am on September 20, 2017 at The Knutsford Court Hotel and at any adjournment thereof. I desire this form to be used for/against the resolutions as follows (unless directed the proxy will vote as he sees fit):

NO.	RESOLUTION DETAILS	VOTE FOR OR AGAINST (TICK AS APPROPRIATE)
	ORDINARY RESOLUTIONS	
1.	To receive the report of the Board of Directors and the audited accounts of the Company for the financial year ended31 December 2017	☐ FOR ☐ AGAINST
2.	To re-appoint McKenley & Associates, Chartered Accountants of 12 Kingslyn Avenue, Kingston as the auditors of the Company, and to fix their remuneration.	☐ FOR ☐ AGAINST
3.	To re-appoint the following Directors of the Board, who have resigned by rotation in accordance with the Articles of Incorporation of the Company and, being eligible, have consented to act on re-appointment:	
3(a).	To re-appoint Senator Alexander I.E. Williams to the Board.	☐ FOR ☐ AGAINST
3(b).	To re-appoint Earl A. Richards, C.D. to the Board.	☐ FOR ☐ AGAINST
4.	To authorise the Board to fix the remuneration of the Directors for the financial year of the Company ending 31 December 2017.	☐ FOR ☐ AGAINST

Signed this day of 2017:

Signed: ____ (signature of primary shareholder)

Name: ____ (print name of primary shareholder)

Signed: ____ (signature of joint shareholder, if any)

Name: ____ (print name of joint shareholder, if any)

NOTES

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