



# ANNUAL REPORT 2014

Making our mark through  
innovation,  
quality &  
exceptional  
service

## Our 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.

## Our 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.

## Our 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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## FINANCIALS

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# Chairman's Statement

**DERRICK COTTERELL**  
Chairman & CEO

**My fellow shareholders,**

I am pleased to present our Annual Report for 2014. Our Company continued on its growth path as we sought new ways to add value to our shareholders, customers and team.

Despite a challenging operating environment, the Company saw growth in revenue by \$354M and subsequent growth in gross profit by \$65M when compared to the previous year. This resulted in revenues closing the year at \$5.6B and gross profit at \$626M. Our net profit saw an increase of \$1.7M to end the year at \$51.6M.

This could not have been possible without the dedication of our staff at all levels and the continued support of our valuable customers.

Our retail business segment, Sampars, continued its expansion with the opening of a new location in Old Harbour, St. Catherine, which is in keeping with our strategic decision to expand our presence in the retail trade.

This new location is now the fifth Sampars in the chain of stores which include our locations at: Marcus Garvey Drive, Washington Boulevard, Downtown Kingston, and Mandeville.

The distribution business segment was not to be outdone and also continued its expansion, mainly through product innovation. We introduced into our portfolio the Home Choice line of products which includes: Lime Juice, Ginger Extract, Solomon Gundy and the popular Peppered Shrimp.

Our proprietary brand, Delect, launched its Corned Beef and Sea Salt product lines which have been receiving positive customer feedback. We also added Gentle Bathroom Tissue to the portfolio which is our first foray into that market segment.

Derrimon also acquired 49% of Caribbean Flavours and Fragrances (CFF) during the financial year. This investment provides enormous opportunities to be explored through that business and will enhance shareholder value.

The road map for continued success will be driven by our perpetual expansion and innovation along with enhancing efficiencies within our Company. We remain committed to all our stakeholders to employ the best business practices as we continue our journey to become a world class company. Thank you for your support and we look forward to serving you along our journey.



**Derrick Cotterell**  
Chairman & CEO

# 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 10:00 am on Wednesday, August 26, 2015 at The Knutsford Court Hotel 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 2014.
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, 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 Williams as a Director of the Board of the Company.
  - (b) To re-appoint Earl Richards, C.D. as a Director of the Board of the Company.
  - (c) To re-appoint Tania Waldron Gooden as a Director of the Board of the Company.
4. To authorise the Board to fix the remuneration of the directors for the financial year of the Company ending 31 December 2015.

Dated this 7th day of May 2015  
By order of the Board,



Monique Cotterell,  
Company Secretary

"If we can  
laugh together,  
we can work  
together"



# Directors' Report

The Directors of Derrimon Trading Company Limited are pleased to present their report for the financial year ended December 31, 2014. This is our second report since our historic listing on the Junior Market of the Jamaica Stock Exchange.

## FINANCIAL RESULTS

The Statement of Comprehensive Income shows profit after tax of \$51.607 million net of taxation.

During this financial year, this Company has made major strides with the diversification and enhancement of its revenue streams through its expansion under the Sampars foot-prints and its investment in Caribbean Flavours and Fragrances Limited.

The investment in Caribbean Flavours and Fragrances Limited in August 2014 and the accounting treatment as an Associated Company ensured that the Company earned \$8.116 million as share of profits for the four (4) months of ownership period during this financial year.

The Company's profile and image has been enhanced as a result of its 2013 listing on the Jamaica Stock Exchange and as such aided the successful raising of \$200 million in new debt from the Jamaican Capital Markets. The accessing of the Capital Markets and its success assist with the diversification of the Company's funding mix from the traditional dependence on commercial bank loans and solidifies the confidence that investors continue to have in our Company.

## DIRECTORS

The Directors of the Company as at December 31, 2014 are:

Derrick F. Cotterell	Chairman & CEO
Earl A. Richards	Non-Executive Director
Senator Alexander I.E. Williams	Non-Executive Director
Monique Cotterell	Non-Executive Director/ Company Secretary
Winston Thomas	Executive Director
Ian C. Kelly	Executive Director
Tania Waldron-Gooden	Mentor to the Board

## AUDITORS

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

## Thank You

The Directors wish to extend special thanks to all shareholders and bond holders for the confidence that they have placed in Derrimon Trading Company Limited. We look forward to a continued and rewarding relationship for the coming year and beyond.

We acknowledge and extend our appreciation to the committed efforts and hard work of the members of staff and thank our customers, suppliers, consumers and all other stakeholders for your continued support.

Dated this 7th day of May 2015

FOR AND ON BEHALF OF THE BOARD



**Derrick F. Cotterell**  
Chairman/Chief Executive Officer

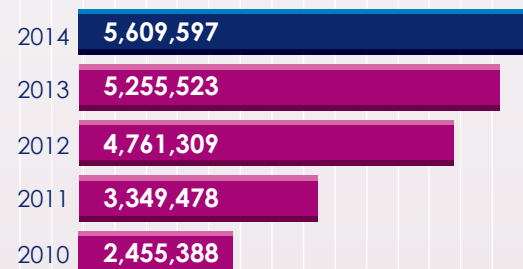


# Five-Year Statistical Highlights

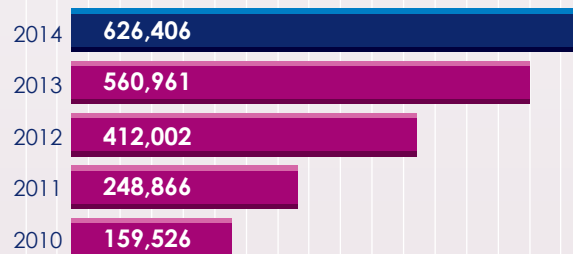
## FIVE YEAR FINANCIAL REVIEW

	2014 (J\$ '000)	2013 (J\$ '000)	2012 (J\$ '000)	2011 (J\$ '000)	2010 (J\$ '000)
<b>Income Statement</b>					
Revenues	5,609,597	5,255,523	4,761,309	3,349,478	2,455,388
Gross Profit	626,406	560,961	412,002	248,866	159,526
Total Operating expenses	585,584	499,520	403,025	259,522	177,297
Profit before taxation	51,667	71,493	25,322	35,914	17,492
Net Profit	51,607	49,927	15,795	23,942	11,661
<b>Balance Sheet</b>					
Total Assets	1,450,767	1,024,480	872,199	622,225	371,517
Capital	852,181	420,301	164,845	154,427	53,661
Total Assets less Current Liabilities	422,991	356,761	151,319	142,822	48,495
<b>Select Ratios</b>					
Gross Profit Margin	11.17%	10.67%	8.65%	7.43%	6.50%
EBITDA Margin	1.97%	2.27%	1.22%	1.72%	1.35%
Current Ratio	1.13	1.32	1.03	1.06	1.08
Quick Ratio	0.54	0.68	0.60	0.62	0.65
Debt to Equity	1.37	0.36	0.58	1.18	1.52

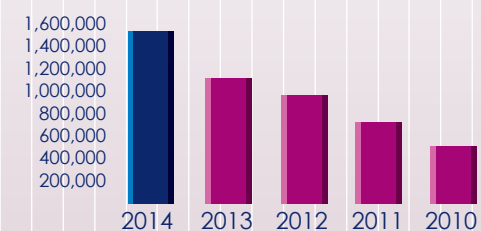
### REVENUES



### GROSS PROFIT



### TOTAL ASSETS



# Corporate Information

## 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

## 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 Old Harbour

3 Arscott Drive  
Old Harbour  
St. Catherine  
Tel: (876) 983-0469  
Fax: (876) 745-2103

### 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.  
Tele (876) 967-5403/948-3517

## Sampars Outlet - Mandeville

26 Hargreaves Ave., James  
Warehouse Complex  
Mandeville  
Manchester  
Jamaica, W.I.  
Tele: (876) 631-1047  
Fax: (876) 631-1048

## 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

### Non - Executive Directors

Monique Cotterell, B.Sc  
Company Secretary,  
Senator Alexander I.E. Williams,  
LL.B (Hons) C.L.E.  
Earl Richards, CD, M.B.A., B.Sc

## LIST OF SENIOR OFFICERS

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

## ATTORNEYS

### Usim, Williams and Company

3rd Floor  
52 Duke Street  
Kingston  
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.

## REGISTRAR AND TRANSFER AGENTS

### Jamaica Central Securities Depository

40 Harbour Street  
Kingston  
Jamaica W.I.

# Corporate Governance

The Board of Directors of Derrimon Trading Company Limited is committed to establishing and maintaining the highest standards of good corporate governance. The fundamental objective of good governance is to ensure transparency and accountability, in an effort to protect shareholders' and stakeholders' value. We continue to practice the Codes of Corporate Governance that have been issued by the Jamaica Stock Exchange and the Financial Services Commission. To this end, the Board is directly responsible for ensuring accountability and objectivity in the Company's activities, all of which are essential to the success of achieving stakeholders confidence and maximizing shareholders value.

The Board delegates the day-to-day responsibility for managing the Company to the Executive Management Team. To enable the Board to discharge its duties effectively, all Directors are provided with the appropriate information on a timely basis. Board and Sub-Committee of the Board packages are distributed to all Directors prior to Board and Committee meetings.

In fulfilling its responsibilities, the Board guarantees compliance with the Company's policies and procedures; the rules of the Jamaica Stock Exchange Junior Markets, Financial Services Commission and the laws and regulations of Jamaica. Additionally, the Board fosters and encourages a culture of good ethical values and requires that this be practiced throughout the Company.

### Board Composition

As at December 31, 2014, a total of six members comprised the Company's Board, three executive and three non-executive Directors. The Company also appointed an external Mentor who also served as a non-executive Director, as required by the Junior Market Rules of the Jamaica Stock Exchange, who assisted with the listing of the shares of the Company on the exchange and also the monitoring of the various regulations.

The members of the Board are experienced professionals with diverse skills and knowledge from varying professions. The expertise of the Board members guarantees that the decisions made are in the best interest of shareholders and the Company's success.

The policy requires that the Board meets for a minimum of six times annually. During this financial period, 10 board meetings were held.

BOARD MEMBER	MEETINGS ATTENDED
Derrick Cotterell	10
Monique Cotterell	10
Earl Richards	8
Winston Thomas	9
Alexander Williams	7
Tania Waldron-Gooden	10
Ian Kelly	8

### Board Sub-Committees

There are two sub-committees of the board. These are the Audit and the Compensation Committees. The members were appointed by the full Board of Directors and any board member may, by invitation, attend each sub-committee meetings.

### The Audit Committee

The Audit Committee appointed by the Board, provides guidance and oversight on strategic matters relating to the company's core operations. The primary role of this committee is to provide the conduit between our internal and external auditors and the Board, regarding the strengthening and maintenance of internal processes, internal controls and operating compliance to established policy.

Our internal and external auditors are Jomil Limited and McKenley and Associates Limited respectively. Chaired by Mr. Earl A. Richards, the other members includes 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 and;
- The independent auditor qualification and independence.

During the period under review, the committee met three (3) times. There were no known reported incidences of fraud or any reported irregularities.

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

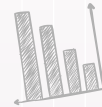
### The Compensation Committee

This Committee has responsibility to advise the Board on all matters relating 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 Mr. Winston Thomas and the Company's Human Resources Manager. The terms of reference require that the committee meet at least once per year to evaluate the performance of the Executive; as well as, to review any matters relating to compensation and benefits and to make its recommendation to the full Board of Directors. The committee met as mandated and made their recommendation to the full Board of Directors.



Derrick Cotterell  
Chairman and Chief Executive Officer

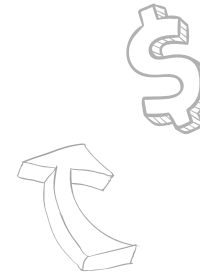
# Board of Directors



## **DERRICK COTTERELL** Chairman & CEO

As Chairman and Chief Executive Officer, Derrick is responsible for the strategic direction and growth of the company. Derrick has over 20 years' experience in the fields of Sales, Marketing and General Management. He also serves as a director of the Governor General of Jamaica's "I Believe Initiative" which seeks to improve the lives of young Jamaicans.

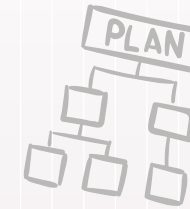
Derrick is a graduate of the University of the West Indies and Florida International University, from which he attained a Bachelor of Science degree in Management Studies and a Master of Business Administration respectively.



## **MONIQUE COTTERELL** Company Secretary

Monique brings to the Board extensive experience in the service and retail industry. She also serves as Managing Director of Cotterell's Texaco Service Station and Director of the Rescue Package Foundation.

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



## **WINSTON THOMAS** Executive Director

Winston brings to the Board over 30 years of expertise in the field of distribution with valuable experience in Fast Moving Consumer Goods (FMCG). He 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**  
Executive Director

Ian is an experienced financial and risk manager with senior level experience in the areas of treasury, corresponding banking, corporate finance, securities trading and asset management. He currently serves in the role of Chief Financial Officer.

He is a certified public accountant and holds a Bachelor of Science Degree in Accounting and a Master of Science degree in Accounting from The University of the West Indies.



**SENATOR 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 is currently a Senator of the Upper House of the Jamaican Parliament, and Senior Partner at Usim, Williams & Company. He is also a member of the Jamaican Bar Association.



**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 the President of the Airports Authority of Jamaica and Chief Executive Officer of the Norman Manley International Airport (NMA) Limited.

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



**TANIA WALDRON - GOODEN**  
Mentor to the Board (appointed 2013)

As the Mentor of the Company, she is responsible for providing 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.

Tania Waldron-Gooden is the Senior Vice President, Corporate Finance, Research & Special Projects at Mayberry Investments Limited.

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

# Disclosure of Shareholdings

## TOP 10 SHAREHOLDERS AS AT DECEMBER 31, 2014

Name	Volume	Percentage
DERRICK COTTERELL	110,000,000.00	40.24
MONIQUE COTTERELL	40,000,000.00	14.63
MONICA BELL	40,000,000.00	14.63
IAN C. KELLY	15,743,459.00	5.76
WINSTON THOMAS	13,363,979.00	4.89
ESTATE OF E. COTTERELL (DECEASED)	10,000,000.00	3.66
MANWEI INTERNATIONAL LIMITED	10,000,000.00	3.66
MAYBERRY MANAGED CLIENTS ACCOUNT	5,799,363.00	2.12
MAYBERRY WEST INDIES LIMITED	5,625,820.00	2.10
SHARON HARVEY-WILSON	1,958,179.00	0.72

## SHAREHOLDINGS OF DIRECTORS AND CONNECTED PARTIES AS AT DECEMBER 31, 2014

Name	Volume	Percentage
DERRICK COTTERELL	110,000,000.00	40.24
*Monique Cotterell		
MONIQUE COTTERELL	40,000,000.00	14.63
*Derrick Cotterell		
IAN C. KELLY	15,743,459.00	5.76
*Claudia Smith		
WINSTON THOMAS	13,363,979.00	4.89
EARL ANTHONY RICHARDS	500,000.00	0.18
*Elaine Richards		
ALEXANDER I. E. WILLIAMS	100,000.00	0.04

\*Connected party

## SHAREHOLDINGS OF SENIOR OFFICERS AND CONNECTED PARTIES AS AT DECEMBER 31, 2014

Name	Volume	Percentage
SHELDON SIMPSON	245,000.00	0.0896
CRAIG ROBINSON	243,848.00	0.0892

# Management Discussion & Analysis

## Company Overview

Derrimon Trading Company Limited is a major distributor of dry bulk commodities and frozen meats as well as the operators of the Sampars Cash and Carry retail stores. The Distribution Division continues to service clients throughout the fourteen (14) parishes from its Marcus Garvey Drive and Brome Close Distribution Centres. The Retail Division has five operating locations in the parishes of Kingston, St. Catherine and Manchester.

The business was established by Mr. Derrick Cotterell in 1998 and in a relatively short time, the Company rapidly increased its market presence by offering quality products at competitive prices to both the retail and wholesale market segments. Our market positioning and the focus on satisfying consumers in both the wholesale and retail operating space have led to Derrimon and Sampars being market leaders in several major categories in the industry.

The Company was listed on the Jamaica Stock Exchange in December 2013 and is comprised of two divisions – the Distribution Division and the Retail Division. This segmentation is based on product and customer specialization and allows for greater focus to meet each customer segment demand.

## Business Review

The past financial year was the second year under which the country was implementing the agreeable framework under the new target driven IMF program. As such, there was heightened intensity on the government side, which created many challenges for businesses. The distribution and retail business space was not spared as we experienced a reduction in average consumer spend, changes in some regulations which impacted the way business was conducted, increased levels of competition from both formal and informal businesses and the continued depreciation of the Jamaican Dollar. Many of these factors pushed businesses to react in different ways in order to survive.

The depreciation of the Jamaican Dollar and the reduction in disposable income forced consumers to re-evaluate their buying decisions. During the financial year there was a 10.7% depreciation of the Jamaican Dollar against the United States Dollar,

which directly impacted prices in the trade, and thus had a negative impact on consumers.

The Company's market positioning continues to be that of providing good value to our consumers and therefore, our pricing mechanism is even more intricate in this operating environment. We continue to make decisions based on the availability of timely market information and this ensures that there exist stringent controls in the management of our supply chain.

During the past financial year, the Company leveraged the exposure gained from the listing of 20% of its shares on the Junior Market of the Jamaica Stock Exchange.

As such, the decision to access capital from the market through the floating of a \$200 million bond issue fits perfectly with the financial decision taken to:

- Expand the Sampars Cash and Carry's footprint in carefully selected areas within specific geographical markets identified. This was realized through the purchase of the assets of My Neighbourhood Supermarket in Old Harbour in October 2014.

- The acquisition of 49% of Caribbean Flavours and Fragrances Limited.

We continue to review our strategic and operational plan as approved by our Board of Directors. As we streamline our operations, the company utilizes the reports submitted by our internal auditors to enhance the daily operations and processes. Key costs are reviewed and initiatives implemented to address supply chain constraints. Processes are also constantly reviewed so that our staff focus on productivity and efficiency. The Company's core focus was to optimize performance and generate strong return on investments by defending its core business and growing through new areas of opportunity.

## Financial performance

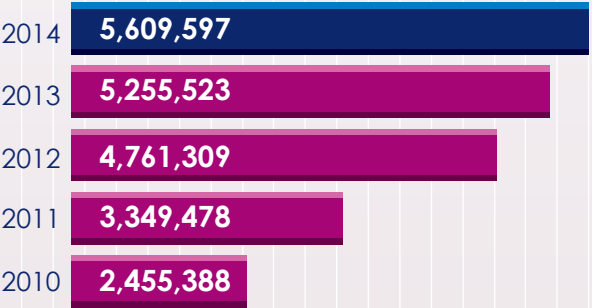
The Company's financial performance for the reporting period ending December 31, 2014 reflected growth in many key areas despite general sluggishness in the macro economy.

Revenue for the Company at the end of December 31, 2014 was \$5.610 billion an increase of 6.74% or \$354.075 million over the previous year's revenue of \$5.256 billion.

Our revenue growth when compared to previous years was somewhat tempered through a deliberate strategy to discontinue SKU's which were not providing the desired profitability. Additionally revenue was affected by unavoidable supply chain issues in some of our key product categories and a general influx of informal commodity importers who had adopted a bare bones or sometimes a loss making pricing strategy in order to complete a sale.

Despite these challenges, the increase in overall revenues resulted from tactically increasing a marketing presence in key distribution channels, increased revenue from the Sampars retail outfits, targeted marketing activities for specific products, new product additions and the reorganization of the sales team.

## REVENUES



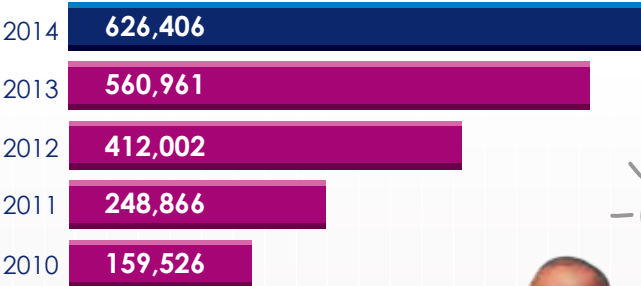
## Gross Profit

The group recorded gross profit of \$626.406 million or an 11.67% growth over the \$560.961 million reported in the comparative 2013 period.

The year-over-year improvement to the gross profit was driven by:

- Broadening of the product mix offered
- Improvement in supplier relationships
- Maintenance of key business partnerships
- Purchasing strategies and
- Realizing benefits from the expansion of the Sampars retail outfits.

## GROSS PROFIT



## Total Comprehensive Income

Total comprehensive income was \$51.567 million, representing a 19.81% decline over the \$64.303 million reported for the comparative period in 2013. It should be noted that in 2013, a one off write back of deferred taxes of \$14.376 million was done. Our profit continues to be directly influenced by movements in commodity prices and the impact of taxation on certain food items. The Company also benefited from the share of profits for the four (4) months ownership of the shares of Caribbean Flavours and Fragrances Limited totaling \$8.116 million.

## Other Income

Other income derived from both the rental of storage space, income earned from investments and insurance proceeds grew by 22.74% to \$48.324 million. The income earned from storage represents warehouse spaces rented to two (2) key business partners.

## Administrative Expenses

Selling and Administrative Expenses increased by \$86.746 million or 17.23 % (2014: \$585.584 million; 2013 \$499.520 million) and is attributable to the following:

- Staff costs of \$214.185 million; a year-over-year increase of \$38.172 million was influenced by the full year expense of staff taken on during the previous

financial year for the expansion of the Sampars retail store and staff taken on to support the company's continued growth. These human resource costs have been geared at improving service delivery and our response time to our customers.

•Professional service cost of \$39.925 million was directly influenced by contracted internal audit services, structuring, legal and audit review fees associated with the \$200 million private bond placement as well as other short term consultancy services.

•Utilities were \$60.301 million and increased by \$6.922 million year-over-year as a result of the full year expense of Sampars outlet in Mandeville as well as, an increase in the cold storage capacity at the Brome Close distribution centre and the new Sampars Old Harbour store.

**Selling and Distribution Expenses**

There was a \$1.682 million reduction in Selling and Distribution expenses during the period as the expense reported was \$113.751 million in 2014 when compared to the \$115.433 million reported in 2013. This was due largely to improved efficiency of the sales team and the reorganization of the trucking fleet.

Finance cost increased by \$16.276 million and was a direct result of the use of credit lines, interest associated with the \$200 million private placement bond and other facilities some of which were paid off during the financial year.

**Profit from Operations**

Operating profit declined from \$100.812 million reported in 2013 to \$89.146 million translating to a 11.57% reduction. As a percentage of net sales, profit from operations was 1.60% at the end of December 2014 compared to 1.91% recorded in December 2013.

**Financial Position**

Non-Current asset stood at \$286.364 million compared to \$144.955 million for the period ending December 31, 2013. This increase was mainly influenced by the investment in Caribbean Flavours and Fragrances and goodwill associated with the purchase of the assets of Sampars Old Harbour.

The current assets of the company increased by \$284.878 million or 32.39% over the corresponding period, ending the financial year at \$879.525 million.

The composition of the increase is outlined below:

•Inventories increased by \$181.453 million over the corresponding period ending December 31, 2013. This increase was within acceptable levels and represents inventory from both the distribution and retail units. Based on the nature of the retail business, our business practice stipulates that we keep fluid economic re-order levels for the major SKU's in order to ensure that just-in-time purchasing is done. This is contrasted by the distribution business whereby long lead-time is often required for the delivery of some of these commodities.

•Trade receivables and other receivables balances, reflect an increase of \$115.616 million over the 2013 financial year. This increase was driven by an increase in the customer base of Derrimon Trading Company Limited and the extension of credit to some of these customers. These arrangements are strictly monitored and the necessary provisions are made where there is any doubt as to collectability. The aging receivables schedule outlines that of the total trade receivables of \$358.578 million, \$266.770 million is within the 30 days bucket translating to 74.40%.

For the Distribution Division, revenue growth, for the period ending December 31, 2014, was flat when compared to the previous year. The objective was to maintain and grow our

major product categories whilst eliminating products which were providing a negative contribution to the business. There were also major accomplishments and improved market acceptance of Delect brand of products.

The Sampars Division's revenue growth, for the period ending December 31, 2014, was an increase of 21.40% and was driven by the introduction of a new Sampars outlet in Old Harbour, as well as an increase in the retail customer base by all other outlets.

**Analysis by Business Segment**

For the financial year ending December 31, 2014, revenue growth from the two business segments are outlined in the table below:

Business Unit	2014 \$'000	2013 \$'000	Variance \$'000	%
Distribution Sampars	3,589,711 2,019,887	3,591,727 1,663,796	(2) 356,091	21.40

**Risk Management**

Risk management continues to be a critical component in managing our business and is structured in our organisation and management processes. At the highest level it involves oversight by the Audit Committee to ensure that our corporate governance objective for effectively managing risks is met. At the organization level, our senior management teams and heads of departments are responsible for identifying, evaluating, assessing, managing and tracking each risk. Internal Audit also performs a critical role and evaluates and makes recommendations based on their findings to the Audit Committee on a quarterly basis.

In supporting our continued growth, we have strengthened our internal controls and the organizational structure for credit and collections, internal audit and real-time information flows from

strategic data management, to enable the approach to managing risk. We continue to manage our inventory and logistics process and perform daily cycle counts and 100% validation of the inventory in our various warehouses.

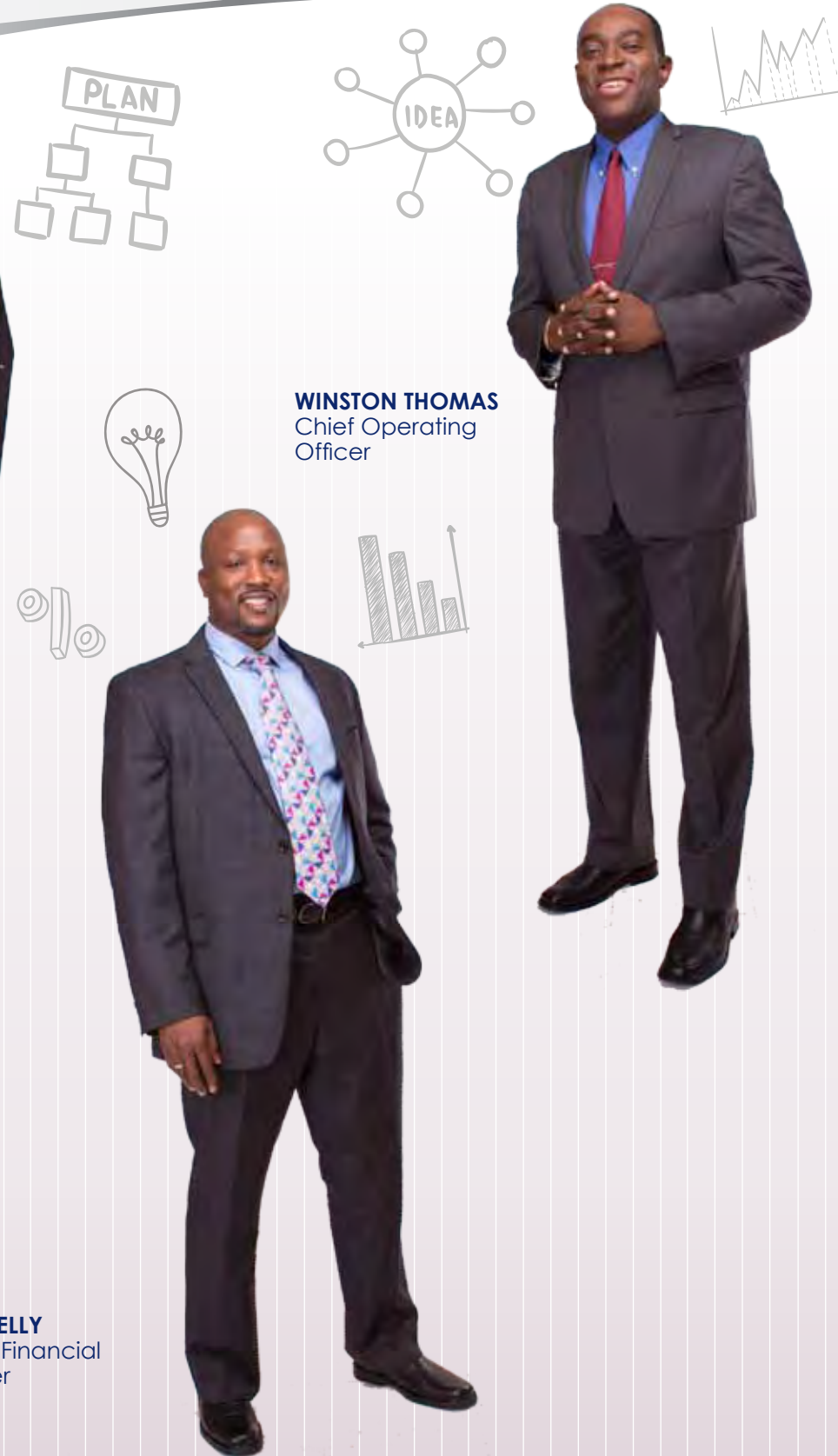
The Company has also signed an agreement for the development and roll out of an integrated wholesale/retail point of sale by mid 2015.

Looking ahead, we have instituted further measures to increase the security of our assets and information, and have completed the data protection infrastructure that will enable us to have business continuity in the event of any catastrophic occurrence. The Company will continue to manage risks to protect its employees, assets and the interests of its stakeholders.

# Executive Management Team



**DERRICK COTTERELL**  
Chief Executive Officer



**WINSTON THOMAS**  
Chief Operating Officer

**IAN KELLY**  
Chief Financial Officer

# Management Team




**SHELDON SIMPSON**  
Divisional Manager  
Derrimon Trading  
Co. Ltd



**CRAIG ROBINSON**  
Divisional Manager  
Sampars

# Derrimon Trading Limited



**OTEMA THOMPSON**  
Manager, Financial Accounting

Hand-drawn icons: a dollar sign, a line graph with an upward arrow, a stack of money, and the equation  $\frac{VAB+CD}{2} = H^2$ .



**VERONA HOWELL**  
Manager, Management Accounting

Hand-drawn icons: a line graph with an upward arrow and a pie chart.




**TERESA MARTINEZ**  
Human Resource Manager

Hand-drawn icons: a clock, a lightbulb, and a laptop.



**KAYLA MORRIS**  
Customer Service Manager

Hand-drawn icon: a printer.




**ROCKY ALLEN**  
Security & Facilities Manager

Hand-drawn icons: an upward arrow and an alarm clock.



**SHEREE GORDON**  
Office Manager / Executive Assistant

Hand-drawn icon: a speech bubble.



**JERMAINE THOMAS**  
Information & Technology Manager

Hand-drawn icons: a bar chart and an envelope.



**DONNA SMITH**  
Inventory & Storage Manager

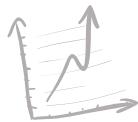


**STEWART JACOBS**  
Sales Manager

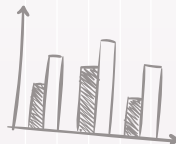


Sampars

  
[www.shopsampars.com](http://www.shopsampars.com)



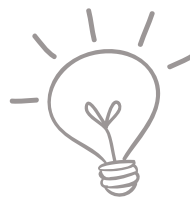
**MARVETTE DIXON**  
Manager - Sampars  
Cash & Carry



**ORVILLE WILSON**  
Manager - Sampars  
Washington Blvd



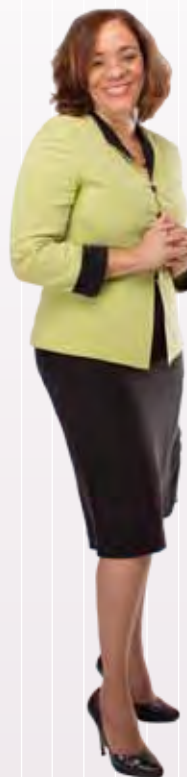
**SHAWN LAWRENCE**  
Web Store Business  
Manager



**GENEVIEVE CHRISTIE**  
Depot Manager -  
Sampars



**ROMAINE DAWSON**  
Manager - Sampars  
Old Harbour



**SHARON CHRISTIE**  
Manager - Sampars  
West Street



**MISCHELLE REID**  
Manager - Sampars  
Mandeville



# Corporate Social Responsibility

For the financial year 2014, we at Derrimon Trading Ltd, continued to affirm our philosophy of contributing positively to the communities that we serve. Our good neighbour philosophy of bringing people together, inspiring change and encouraging individuals to become their own best selves, guides our corporate social responsibility initiatives yet again.

## Transforming Lives Through Giving Back

In an effort to positively transform lives in our communities, the Company continues to invest in several high-impact outreach activities spanning education and training, community development and sports. These initiatives include:

- Sponsoring of Clarendon College's Football Team for their Lime Cup and Dacosta Cup campaign



- Providing care baskets for the elderly and shut-ins in nearby communities during the Christmas season.
- Working with local church ministries such as the Majesty Gardens Transformation Ministry.
- Sponsoring an Annual August Back-to-School Treat for the children in the surrounding communities.
- Sponsoring an initiative called "God Fridays", where once per month a street dance is held, using reggae gospel music as a medium through which to convey a message to change negative mindsets.
- Providing financial assistance for primary, secondary and university students in the neighbouring community
- Donating products to Churches, Schools, and Non-Profit Organizations for their various initiatives

Given the many communities in which we serve, our efforts are focused and deliberate to ensure that our activities have maximum impact. Therefore, we pay special attention to the youth in our neighboring communities with several youth development programs.

Our ongoing relationship with the Self Reliance Youth Development Organization continues to support up to 40 school students, per year, with tuition and fee assistance.

The Company also continues to host its twice monthly group discussions with the parents to explore and find solutions for common parental issues, as well as to get updates on the progress of their children's academics.

Additionally, Sampars opens its gates to the students on Saturdays to host extra classes. The annual barbecue fundraiser, put on by the parents, to raise funds to offset additional school expenses also utilizes the Sampars grounds as the venue.

As corporate citizens, we are committed to being catalysts for positive change in our community and ultimately our nation. We will therefore continue to support outreach initiatives that empower and inspire our people to be their best selves.



# FINANCIAL STATEMENTS



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12 Kingslyn Avenue  
Kingston 10, Jamaica  
Telephone: (876) 968-3117-8  
Fax: (876) 929-7041  
Website: www.wmckenley.com

To the Members of  
Derrimon Trading Company Limited

### Independent Auditors' Report

We have audited the accompanying Financial Statements of Derrimon Trading Company Limited which comprise the Company's statement of financial position as at 31 December 2014 and the statement of comprehensive income, statement of changes in shareholders' equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with requirements of the Jamaican Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



12 Kingslyn Avenue  
Kingston 10, Jamaica  
Telephone: (876) 968-3117-8  
Fax: (876) 929-7041  
Website: www.wmckenley.com

To the Members of  
Derrimon Trading Company Limited

### Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as of 31 December 2014 and of the financial performance and cash flows of the Company for the year then ended, so far as concerns the members of the Company, in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

### 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 Act, in the manner so required.

*McKenley & Associates*  
Chartered Accountants

24 February 2015  
Kingston, Jamaica



Derrimon Trading Company Limited  
**STATEMENT OF COMPREHENSIVE INCOME**  
 31 DECEMBER 2014

	<u>Note</u>	<u>31 Dec. 2014</u>	<u>31 Dec. 2013</u>
		<u>\$</u>	<u>\$</u>
<b>Revenue</b>			
Trading income	2(g)	5,609,597,370	5,255,522,855
Less cost of sales		4,983,191,683	4,694,562,085
<b>Gross profit</b>		626,405,687	560,960,770
<b>Other income</b>			
Interest income		723,046	1,692,504
Rental from warehouse space		39,653,307	37,677,986
Other income: insurance proceeds and bad debts recovered		7,947,663	-
		674,729,703	600,331,260
<b>Less operating expenses:</b>			
Administrative		471,832,595	384,086,316
Selling & distribution		113,751,327	115,433,359
		585,583,922	499,519,675
<b>Operating profit before finance costs</b>		89,145,781	100,811,585
Finance costs		(45,594,810)	(29,318,763)
Share of profit of associated company	8	8,115,750	-
<b>Profit before taxation</b>		51,666,721	71,492,822
Taxation	4	(60,000)	(21,565,478)
<b>Net profit</b>		51,606,721	49,927,344
<b>Other comprehensive Income</b>			
Reversal of deferred taxation		-	14,375,815
Unrealised losses on available-for-sale investments	16	(40,000)	-
<b>Total comprehensive income</b>		51,566,721	64,303,159
<b>Earnings per stock unit</b>	23	\$0.19	\$0.25

Derrimon Trading Company Limited  
**STATEMENT OF FINANCIAL POSITION**  
 31 DECEMBER 2014



	<u>Note</u>	<u>2014</u>	<u>2013</u>
		<u>\$</u>	<u>\$</u>
<b>ASSETS</b>			
<b>Non-current assets:</b>			
Property, plant and equipment	5	148,860,731	141,204,951
Goodwill	6	8,220,200	3,750,000
Investment in associate	8	129,282,994	-
<b>Current assets:</b>			
Inventories	9	604,678,070	423,225,481
Receivables	10	494,788,245	379,172,198
Related parties	11	3,915,387	6,860,583
Investments	7	11,386,199	*19,076,356
Cash & bank	12	49,634,757	51,190,043
		1,164,402,658	879,524,661
<b>Current liabilities:</b>			
Payables	13	598,586,008	590,492,468
Short Term Loan	14	111,167,244	-
Current portion of long term loans	18	318,022,612	63,540,509
Taxation payable		-	13,685,664
		1,027,775,864	667,718,641
<b>Net current assets</b>		136,626,794	211,806,020
<b>Total assets less current liabilities</b>		422,990,719	356,760,971
<b>EQUITY</b>			
Share capital	15	140,044,436	140,044,436
Capital reserve	16	57,463,266	57,503,266
Retained earnings		162,069,864	110,463,143
		359,577,566	308,010,845
<b>Non-current liabilities:</b>			
Shareholders' loans	17	49,898,289	4,889,198
Borrowings	18	13,514,864	43,860,928
		63,413,153	48,750,126
<b>Total equity and non-current liabilities</b>		422,990,719	356,760,971

Approved for issue by the Board of Directors on 24 February 2015 and signed on its behalf by:

Derrick F. Cotterell Director

Earl A Richards Director

\*Reclassified for comparative purposes. Investments reclassified from non-current to current assets



Derrimon Trading Company Limited  
**STATEMENT OF CHANGES IN EQUITY**  
31 DECEMBER 2014

	<u>Share Capital</u> \$	<u>Retained Earnings</u> \$	<u>Capital Reserves</u> \$	<u>Total</u> \$
<b>Balance at 31 December 2011</b>	1,000	45,240,032	25,543,064	70,784,096
Net profit for 2012	-	15,794,767	-	15,794,767
Other comprehensive income	-	-	17,584,387	17,584,387
<b>Balance at 31 December 2012</b>	1,000	61,034,799	43,127,451	104,163,250
Capitalization of shareholders loan	52,671,860	-	-	52,671,860
Capitalization of reserves	499,000	(499,000)	-	-
Issue of shares net of transaction costs.	86,872,576	-	-	86,872,576
Net profit for 2013	-	49,927,344	-	49,927,344
Other comprehensive income	-	-	14,375,815	14,375,815
<b>Balance at 31 December 2013</b>	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)
<b>Balance at 31 December 2014</b>	140,044,436	162,069,864	57,463,266	359,577,566

\* Unrealised loss on shares quoted on the Jamaica Stock Exchange classified as available for sale

Derrimon Trading Company Limited  
**STATEMENT OF CASH FLOWS**  
31 DECEMBER 2014



	<u>Note</u>	<u>2014</u> \$	<u>2013</u> \$
<b>Cash flows from operating activities:</b>			
Net profit		51,606,721	49,927,344
<b>Items not affecting cash resources:</b>			
Depreciation	5	21,599,697	18,241,261
Gain on sale of fixed assets		(320,623)	-
Share of profit of associated company		(8,115,750)	-
Deferred tax		-	559,192
<b>Operating income before changes in operating assets and liabilities</b>		64,770,045	68,727,797
<b>Changes in non-cash working capital components:</b>			
Inventories		(181,452,589)	(118,250,636)
Related company balances		2,945,196	21,525,638
Receivables		(115,616,047)	(44,405,806)
Payables		8,093,540	(98,360,433)
Income tax paid		(13,685,664)	9,001,176
		(299,715,564)	(230,490,061)
Net cash used in operations		(234,945,519)	(161,762,264)
<b>Investment activities:</b>			
Investments		7,650,157	(15,622,688)
Purchase cost of associated company		(121,167,244)	-
Proceeds from sale of property, plant and equipment		1,154,447	-
Purchase of property, plant and equipment	5	(30,089,301)	(30,307,020)
Purchase cost of goodwill		(4,470,200)	-
<b>Net cash used in investment activities</b>		(146,922,141)	(45,929,708)
<b>Financing activities:</b>			
Loans received during the year		517,832,569	95,469,000
Repayment of loans		(182,529,286)	(20,048,711)
Net proceeds of share issue		-	86,872,576
Shareholders' loans advanced		45,009,091	32,089,793
<b>Net cash provided by financing activities</b>		380,312,374	194,382,658
<b>Net decrease in cash balances</b>		(1,555,286)	(13,309,314)
<b>Net cash balance at beginning of year</b>		51,190,043	64,499,357
<b>Net cash balances at end of year</b>	12	49,634,757	51,190,043



Derrimon Trading Company Limited  
**NOTES TO THE FINANCIAL STATEMENTS**  
 31 DECEMBER 2014

**1. IDENTIFICATION AND PRINCIPAL ACTIVITIES**

Derrimon Trading Company Limited ("the Company") is a company limited by shares, incorporated and domiciled in Jamaica. Its registered office is located at 233 and 235 Marcus Garvey Drive, Kingston 11.

The principal activity of the Company is distribution of bulk household food items inclusive of meat products. The Company also distributes branded products on behalf of a major global corporation.

In 2009, the Company purchased the assets of a wholesale distribution company and continued to operate from its original location at 233 Marcus Garvey Drive, Kingston 11. The Company maintained the entity's trading name, Sampars Cash & Carry. The Company also purchased Kerr's Enterprise Cold Storage Operations in 2011 at 8-10 Brome Close, Kingston 20 and rebranded same as Sampars Outlet-Washington Boulevard as the main hub for its cold storage distribution. During the year ended 31 December 2012, the Company acquired another distribution outlet in Downtown Kingston and branded it Sampars West Street. In 2013, the Company acquired another outlet in Mandeville, rural Jamaica to further expand its distribution network. In October 2014, the Company acquired My Neighbourhood Supermarket in Old Harbour and rebranded it as Sampars Old Harbour.

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 over the years presented. Where necessary, prior year comparatives have been restated and reclassified to conform to the current year presentation.

**a) Basis of preparation**

The financial statements of Derrimon Trading Company Limited have been prepared in accordance with and compliance with International Financial Reporting Standards (IFRS) under the historical cost convention, as modified by the revaluation of certain financial assets. The Company's financial statements are presented in Jamaican Dollars which is the functional currency of the Company.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are noted below:

**Critical 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.

**Key sources of estimation uncertainty.**

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Derrimon Trading Company Limited  
**NOTES TO THE FINANCIAL STATEMENTS**  
 31 DECEMBER 2014



**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**a) Basis of preparation (Continued)**

**Key sources of estimation uncertainty. (Continued)**

**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. Where 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.

**Fair value measurement**

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. A number of assets and liabilities included in the Company's financial statements require measurement or disclosure at fair value.

The fair value measurement of the Company's financial and non-financial assets and liabilities utilizes market observable inputs and data as far as possible. Inputs used in determining fair value measurement are categorized into different levels based on how observable the inputs that are used in the valuation technique. The fair value hierarchy is:

- Level 1 Quoted unadjusted prices in active markets for identical assets or liabilities
- Level 2 Observable direct or indirect inputs other than level 1 input
- Level 3 Unobservable inputs that are not derived from market data

The classification of an item into the above level is based on the lowest level of inputs used that has a significant effect on the fair value measurement of the item. Transfer of items between levels is recognized in the period that they occur. The Company measures a number of items at fair value:

- Investment securities
- Financial Instruments

For more detailed information in relation to the fair value measurement of the items above, please refer to applicable notes.



Derrimon Trading Company Limited  
**NOTES TO THE FINANCIAL STATEMENTS**  
 31 DECEMBER 2014

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**a) Basis of preparation (Continued)**

**Standards, interpretation and amendments to published standards effective in current year**

At the date of authorization of these financial statements, certain new standards and amended standards and interpretations to existing standards have been published that became effective during the current financial year. The Company's management has assessed the relevance of all such new standards, interpretations and amendments and has determined that the following are relevant to the operations of the Company.

**Amendment to IAS 1, 'Financial Statement Presentation'** regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially subsequently reclassifiable to profit or loss. Management has determined that the adoption of the amendment will not be material on the Company's financial statements.

- **IFRS 12, 'Disclosure of interests in Other Entities'**. IFRS 12 requires entities to disclose information that helps financial statement users to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint ventures and unconsolidated structured entities. As the new standard affects only disclosure, there is no effect on the figure's of the Company's financial statements.
- **IFRS 10, 'Consolidated Financial Statements'**. IFRS 10 replaces all of the guidance control and consolidation in IAS 27, "Consolidated and Separate Financial Statements", and SIC-12, Consolidation-Special Purpose Entities. IAS 27 (Revised) is now renamed "Separate Financial Statements". IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provided additional guidance to assist in determining control where this is difficult to assess. The Company is assessing the impact of adoption of the standard on its financial statements relative to its close association with other entities.
- **IFRS 11, 'Joint Arrangements'**. IFRS 11 is a more realistic reflection of joint arrangements, focusing on the rights and obligations of the arrangements rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities and revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Company currently has no joint arrangements; therefore the standard is not expected to have any significant impact on the Company's financial statements.
- **IFRS 13, 'Fair value Measurement'**. IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The requirements are similar to those in IFRS 7, 'Financial instruments: Disclosures', but apply to all assets and liabilities measured at fair value, not just financial assets and liabilities. The Company anticipates that application will impact amounts reported in the financial statements, as well as result in extended disclosures
- **Amendment to IAS 16. Property, Plant and Equipment'(PP&E)** which clarifies that spare parts and servicing equipment are classified as PP&E rather than inventory when they meet the definition of PP&E.

Derrimon Trading Company Limited  
**NOTES TO THE FINANCIAL STATEMENTS**  
 31 DECEMBER 2014



**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**a) Basis of preparation (Continued)**

**New and amended standards and interpretations to existing standards that are not effective and have not been early adopted by the Company**

The Company's management has concluded that the following standards which are published but not yet effective are relevant to its operations and may impact the Company's accounting policies and financial disclosures. These pronouncements are effective for annual periods beginning on or after the dates noted and will be applied by the Company as of those dates, unless otherwise noted.

- **IFRS 9, 'Financial instruments' part 1: Classification and measurements** (effective for annual periods beginning on or after 1 January 2015) was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial instruments. Key features are as follows:

Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represents only payments of principal and interest (that is, it has only basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.

All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognize unrealized and realized fair value gains and losses through OCI rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss.

This election may be made on an instrument-by instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

While adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted. The Company is considering the implications of the standard, the impact on the Company and the timing of its adoption by the Company.

- **IFRS 15, 'Revenue from Contracts from Customers'** (effective for annual accounting periods beginning on or after 1 January 2017) IFRS 15 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 recognize revenue as well as requiring entities to provide more informative, relevant disclosures. The Company is assessing the impact of future adoption of the standard.



Derrimon Trading Company Limited  
**NOTES TO THE FINANCIAL STATEMENTS**  
 31 DECEMBER 2014

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**b) Consolidation**

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

**c) Associate**

Where the Company has the power to participate in (but not control) the financial and operating policy decisions of another entity, that entity is classified as an associate. 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 and 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 and 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.

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% shareholding in August 2014 by purchasing 44,078,122 shares @ \$2.75 in CFFL.

**d) Divisional amounts:**

**i. Transactions are eliminated on consolidation of divisional accounts**

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

**ii. Associate**

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

**e) Segment reporting**

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

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

Derrimon Trading Company Limited  
**NOTES TO THE FINANCIAL STATEMENTS**  
 31 DECEMBER 2014



**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**f) 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 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 vehicle	20 %
Computers	31/3%
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.



Derrimon Trading Company Limited  
**NOTES TO THE FINANCIAL STATEMENTS**  
 31 DECEMBER 2014

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**g) 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.

**h) 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.

**i) 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.



Derrimon Trading Company Limited  
**NOTES TO THE FINANCIAL STATEMENTS**  
 31 DECEMBER 2014

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**i) Financial instruments (Continued)**

**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.

**j) 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.

**k) Income taxes**

Taxation expense in the income statement comprises current and deferred tax charges



Derrimon Trading Company Limited  
**NOTES TO THE FINANCIAL STATEMENTS**  
 31 DECEMBER 2014

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**k) Income taxes (Continued)**

**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 2014, 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.

**l) 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.

**m) 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.

Derrimon Trading Company Limited  
**NOTES TO THE FINANCIAL STATEMENTS**  
 31 DECEMBER 2014



**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**n) 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.

**o) Intangible assets**

**i. 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.

**ii. Computer software**

Acquired computer software licenses are capitalized on the basis of the cost incurred to acquire and bring to use the specific software. These software costs are amortized on a straight line basis over the estimated useful life of four (4) years. Amortization is recognized in the profit or loss in administration expenses.

Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred.

**p) 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.



Derrimon Trading Company Limited  
**NOTES TO THE FINANCIAL STATEMENTS**  
 31 DECEMBER 2014

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**q) 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.

**r) Borrowings and borrowing costs**

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

**s) Payables and accruals**

Payables for trade and other accounts payable at 31 December 2014, 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.

**t) 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 events note.

Derrimon Trading Company Limited  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**u) 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 five (5) outlets trading under the name *Sampars Cash and Carry*.

The distribution centre along with three (3) outlets are located in Kinston and Saint Andrew and two (2) are located in rural Jamaica. The second rural location was acquired in August 2014. Financial information relating to the segments is noted below.



Derrimon Trading Company Limited  
**NOTES TO THE FINANCIAL STATEMENTS**  
31 DECEMBER 2014

**3. SEGMENTAL FINANCIAL INFORMATION (CONTINUED)**

	<b>2014</b>		
	<b>Distribution</b>	<b>Sampars Outlets</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenues	3,589,710,532	2,019,886,838	5,609,597,370
Less cost of sales	3,229,515,116	1,753,676,567	4,983,191,683
Gross profit	360,195,416	266,210,271	626,405,687
Gross profit %	10%	13%	11%
<b>Current liabilities</b>	<b>676,977,609</b>	<b>350,798,255</b>	<b>1,027,775,864</b>
<b>Current Assets</b>	<b>911,392,060</b>	<b>253,010,598</b>	<b>1,164,402,658</b>

	<b>2013</b>		
	<b>Distribution</b>	<b>Sampars Outlets</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue	3,591,726,726	1,663,796,129	5,255,522,855
Less cost of sales	3,238,415,703	1,456,146,382	4,694,562,085
Gross profit	353,311,023	207,649,747	560,960,770
Gross profit %	10%	13%	11%
<b>Current liabilities</b>	<b>445,597,963</b>	<b>222,120,678</b>	<b>*667,718,641</b>
<b>Current Assets</b>	<b>577,161,566</b>	<b>302,363,095</b>	<b>*879,524,661</b>

**4. INCOME TAX**

Income tax is based on profit for the year (2013- 11 ½ months) adjusted for taxation purposes and comprises income tax as follows:

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Current year's income tax charge @ 25% (2013 - \$28.75%)	-	21,006,286
Minimum business tax	60,000	-
Deferred tax charge/(credit)	-	559,192
	<b>60,000</b>	<b>21,565,478</b>

Derrimon Trading Company Limited  
**NOTES TO THE FINANCIAL STATEMENTS**  
31 DECEMBER 2014



**4. INCOME TAX (CONTINUED)**

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

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Profit before taxation	51,666,721	71,492,822
Income tax calculation at 25% (2013 – 28.75%)	12,916,680	21,447,847
Effect of changes in tax rate (see below)	-	(893,661)
Net effect of other charges for tax purposes	735,492	1,365,417
Remission of tax	(13,652,172)	(913,317)
	<b>-</b>	<b>21,006,286</b>

The Company was listed on the Junior Market of the Jamaica 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:

- (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%

Because the Company was listed on the JSE 17 December 2013, half (1/2) month before the end of the Company's financial year end, 2013 income taxes for the prior year were calculated on operating profits for eleven and a half (11½) months of the financial year.



Derrimon Trading Company Limited

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

5. PROPERTY, PLANT AND EQUIPMENT

2014

	<u>Furniture. &amp; Equipment</u>	<u>Computer</u>	<u>Motor Vehicles</u>	<u>Building</u>	<u>Land</u>	<u>Lease hold Improvements</u>	<u>Total</u>
	\$	\$	\$	\$	\$	\$	\$
<b>At Cost</b>							
1 January 2014	87,696,406	9,060,758	24,596,665	49,499,997	12,520,000	9,574,485	192,948,311
Additions	25,741,016	898,285	3,450,000	-	-	-	30,089,301
Disposals	(815,000)	-	(1,250,000)	-	-	-	(2,065,000)
31 December 2014	112,622,422	9,959,043	26,796,665	49,499,997	12,520,000	9,574,485	220,972,612
<b>Acc. Depreciation</b>							
1 January 2014	26,955,676	7,754,130	13,115,007	3,282,783	-	635,764	51,743,360
Charge for year	11,842,340	538,563	7,741,775	1,237,500	-	239,519	21,599,697
Disposals	(481,176)	-	(750,000)	-	-	-	(1,231,176)
31 December 2014	38,316,840	8,292,693	20,106,782	4,520,283	-	875,283	72,111,881
<b>Net book value</b>							
31 December 2014	74,305,582	1,666,350	6,689,883	44,979,714	12,520,000	8,699,202	148,860,731

In December 2012 the land and buildings which were purchased in the prior year were professionally valued by independent valuers, E.B.I. and Associates Limited (professional evaluators and engineers), and the surplus on revaluation was transferred to capital reserve.

The directors have assessed the values of the land and buildings and are of the opinion that there is no significant change in the values at the reporting date.



Derrimon Trading Company Limited

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2013

	<u>Furniture. &amp; Equipment</u>	<u>Computer</u>	<u>Motor Vehicles</u>	<u>Building</u>	<u>Land</u>	<u>Lease hold Improvements</u>	<u>Total</u>
	\$	\$	\$	\$	\$	\$	\$
<b>At Cost</b>							
1 January 2013	71,501,795	8,283,629	12,294,105	49,499,997	12,520,000	8,541,765	162,641,291
Additions	16,194,611	777,129	12,302,560	-	-	1,032,720	30,307,020
31 December 2013	87,696,406	9,060,758	24,596,665	49,499,997	12,520,000	9,574,485	192,948,311
<b>Acc. Depreciation</b>							
1 January 2013	16,922,954	5,956,019	8,195,674	2,045,283	-	382,169	33,502,099
Charge for year	10,032,722	1,798,111	4,919,333	1,237,500	-	253,595	18,241,261
31 December 2013	26,955,676	7,754,130	13,115,007	3,282,783	-	635,764	51,743,360
<b>Net book value</b>							
31 December 2013	60,740,730	1,306,628	11,481,658	46,217,214	12,520,000	8,938,721	141,204,951
<b>Net book value</b>							
31 December 2012	54,578,841	2,327,610	4,098,431	47,454,714	12,520,000	8,159,596	129,139,192



Derrimon Trading Company Limited  
**NOTES TO THE FINANCIAL STATEMENTS**  
31 DECEMBER 2014

**6. GOODWILL**

	<u>2014</u> \$	<u>2013</u> \$
Goodwill on acquisition	8,220,200	3,750,000

During the year ended 31 December 2009, the Company acquired the assets of a distribution 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, the Company continued to use the name to brand its retail outlets. After their review, management is of the opinion, that there is no impairment in the value of goodwill and therefore no write down of the amount is considered necessary at year end.

During the year ended 31 December 2014, the Company acquired the assets of My Neighbourhood Supermarket and rebranded it *Sampars Old Harbour*. The Company paid \$4,470,200 for goodwill on acquisition.

**7. INVESTMENTS**

	<u>2014</u> \$	<u>2013</u> \$
<b>Available-for-Sale:</b>		
4.4% National Commercial Bank (NCB) Capital Markets	1,547,015	1,509,125
3.9 - 5% Jamaica Money Market Brokers (JMMB)	9,689,184	1,127,412
Mayberry Investment Limited: Jamaican dollar	-	222,319
Mayberry Investment Limited: US dollar	-	12,815,000
Victoria Mutual Building Society : US dollar	-	3,202,500
Caribbean Cream Limited , quoted shares	150,000	190,000
Stocks and Securities Limited (repurchase agreements)	-	10,000
	<u>11,386,199</u>	<u>19,076,356</u>

**8. INVESTMENT IN ASSOCIATE**

	<u>2014</u> \$	<u>2013</u> \$
Investment at the beginning of the year	-	-
Associate acquired: August 2014	121,167,244	-
	<u>121,167,244</u>	<u>-</u>
Share of results after tax	8,115,750	-
Balance at the end of the year	<u>129,282,994</u>	<u>-</u>

Derrimon Trading Company Limited  
**NOTES TO THE FINANCIAL STATEMENTS**  
31 DECEMBER 2014



**8. INVESTMENT IN ASSOCIATE (CONTINUED)**

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

The assets and liabilities as at 31 December 2014, and six months revenue and net profit of the associate for the period ended 31 December 2014 as reported to the Jamaica Stock Exchange were as follows:

	<u>2014</u> \$('000)	<u>2013</u> \$('000)
Assets	195,940	163,289
Liabilities	17,596	21,381
Revenue	145,503	125,832
Net profit	<u>21,634</u>	<u>25,366</u>

**9. INVENTORIES**

	<u>2014</u> \$	<u>2013</u> \$
Sampars' wholesale outlets	263,768,115	197,717,204
Wholesale bulk inventory items	340,909,955	225,508,277
	<u>604,678,070</u>	<u>423,225,481</u>

The Company undertakes regular monthly stock counts and damaged and obsolete inventory items written off during the year amounted to \$10,277,509 (2013 - \$6,549,306). Inventories comprise finished products inclusive of rice, Nestlé and other branded household products, frozen meat, liquor and other grocery items.

**10. RECEIVABLES**

	<u>2014</u> \$	<u>2013</u> \$
Trade receivables	358,577,790	284,730,289
GCT recoverable	84,997,404	48,457,569
Staff advances	9,468,632	9,453,267
Other receivables	41,744,419	36,531,073
	<u>494,788,245</u>	<u>379,172,198</u>



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#### 10. RECEIVABLES (CONTINUED)

The following are the trade receivables aging as of 31 December 2014 and 2013.

Year	Past due but not impaired				
	0-30 days	31-59 days	60-90 days	Over 90 days	Total
	\$	\$	\$	\$	\$
2014	266,770,259	39,317,551	9,090,075	43,399,905	358,577,790
2013	239,977,511	24,448,981	11,784,725	8,519,072	284,730,289

Movement in provision for bad debts against trade receivables:

	2014	2013
	\$	\$
At the start of the year	-	8,978,487
Amounts set off against customer balances during the year	-	(8,978,487)
At the end of the year	-	-

During 2014 \$26,956 (2013 - \$14,617,972) 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 doubtful debts over 90 days were reviewed and strategies and agreements implemented with debtors.

#### 11. RELATED PARTIES

Related party balances consist of the following:

(a) Due from related party

	2014	2013
	\$	\$
Cotterell's Texaco Gas Station:		
Opening balance	6,860,583	28,386,221
Amounts advanced during the year	11,027,804	5,222,800
Amounts repaid based on invoices	(13,973,000)	(26,748,438)
Balance at the end of the year	3,915,387	6,860,583

The Managing Director has significant interest in the related party. The amount due from the related party at the end of the financial year is interest free and has no fixed terms of repayment.

The major shareholder of the Company has given assurance that this amount is recoverable and no provision is necessary against this balance.

(b) Key management personnel

During the year the Company paid salaries (see note 19) and received loans (see note 17) from key management personnel.

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#### 12. CASH AND BANK

	2014	2013
	\$	\$
Foreign currency bank accounts	10,419,622	2,696,422
Jamaican dollar bank accounts	15,746,240	13,465,969
Cash in hand	23,468,895	35,027,652
	49,634,757	51,190,043

#### 13. PAYABLES

	2014	2013
	\$	\$
Staff related payables	973,806	1,149,183
Foreign payables	100,722,730	151,613,511
Local payables and accruals	493,362,610	434,610,067
Statutory liabilities	3,526,862	3,119,707
	598,586,008	590,492,468

#### 14. SHORT TERM LOANS

	2014	2013
	\$	\$
(i) 12% Vendor's mortgage	61,167,244	-
(ii) Caribbean Flavours & Fragrances Limited(CFFL)	50,000,000	-
	111,167,244	-

- (i) This loan was provided by the former majority shareholders of CFFL to be used towards the purchase of 49% of its the shares. The loan is secured by a lien on the shares and is to be repaid by September 2015 at an interest rate of 12%.
- (ii) This represents a Promissory note to be repaid by March 2015 at 10.25%. This loan is unsecured.

#### 15. SHARE CAPITAL

	2014	2013
	\$	\$
<b>Authorized:</b>		
400,400,000 (2013 – 400,400,000) ordinary shares of no par value		
<b>Issued and fully paid:</b>		
273,336,067(2013-273,336,067) 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.



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**16. CAPITAL RESERVE**

	<u>2014</u>	<u>2013</u>
	<u>\$</u>	<u>\$</u>
Opening balance: 1 January	57,503,266	43,127,451
Unrealised loss on investment in quoted securities	(40,000)	-
Reversal of deferred taxation	-	14,375,815
Closing balance: 31 December	<u>57,463,266</u>	<u>57,503,266</u>
<b>Represented by:</b>	<u>2014</u>	<u>2013</u>
	<u>\$</u>	<u>\$</u>
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
Unrealised loss on investment in quoted securities	(40,000)	-
	<u>57,463,266</u>	<u>57,503,266</u>

**17. SHAREHOLDERS' LOANS**

	<u>2014</u>	<u>2013</u>
	<u>\$</u>	<u>\$</u>
<b>Opening balance</b>	4,889,198	25,471,265
Monies advanced during the year net of repayments	45,009,091	32,089,793
Capitalization of shareholders' loans	-	(52,671,860)
<b>Balance at the end of the year</b>	<u>49,898,289</u>	<u>4,889,198</u>

The shareholders' loans principally represent monies advanced to the Company to assist with working capital. During the subsequent year, a significant portion of previous years loans were capitalized and converted to issued shares of the Company.

During the current year the shareholders again provided funds to assist with working capital as well as the purchase of the investment in the associated company.

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**18. BORROWINGS**

	<u>2014</u>	<u>2013</u>
	<u>\$</u>	<u>\$</u>
12.5 % Private Placemen Notes	200,000,000	-
17% National Commercial Bank Credit Line	90,000,000	-
11% Promissory Notes	25,600,000	26,900,000
18.25% Bank of Nova Scotia (BNS)	-	1,153,336
22% National Commercial Bank (NCB)	-	3,803,189
22.88% National Commercial Bank(NCB)	-	1,310,311
17% National Commercial Bank	-	6,458,575
17% National Commercial Bank	-	50,000,000
12% National Commercial Bank	10,720,219	11,695,331
9.25% National Commercial Bank	3,541,903	4,104,786
11% National Commercial Bank	1,675,354	1,975,909
	<u>331,537,476</u>	<u>107,401,437</u>
Less current portion payable within 12 months	(318,022,612)	(63,540,509)
	<u>13,514,864</u>	<u>43,860,928</u>

- On 6 February 2014 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 12.25%. The money raised was used to retire certain high interest rate liabilities, provide working capital support and fund capital expansion. The notes are secured over fixed and floating assets of the Company.
- The NCB \$90 million Credit Line is a revolving line that allows for direct drawdown and repayment without any penalty being applied for early payment. The line is priced at 17% per annum.
- The 11% Promissory note was obtained during the year ended 31 December 2013 to assist with working capital support. The collateral for the loan is real estate along with cold storage and office equipment at 8-10 Brome Close. The loan ranks pari-passu with the existing debts of the Company according to the executed loan agreement, and the principal is repayable in full on 24 May, 2015.
- The 18.25% BNS loan, the 17%-22.88% NCB loans were repaid during the year.
- The 12% loan was secured to assist with the purchase of equipment and machinery and the said assets are used to secure this facility. The loan is payable by monthly installments of \$195,034 and the final payment is scheduled for August 2018.
- The 9.25% NCB loan was used to purchase a motor car. The loan is repayable by monthly installments of \$77,470, and the final payment is scheduled for February 2017.
- The 11% NCB loan was utilized to purchase a delivery van and is secured by the said van. The loan is repayable by monthly installments of \$41,921 and the final payment is scheduled for July 2017.



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**19. OPERATING PROFIT BEFORE TAXATION**

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

	<u>2014</u>	<u>2013</u>
	\$	\$
Auditors' remuneration	2,650,000	2,400,000
<b>Directors' emoluments:</b>		
Fees	441,000	321,000
Management remuneration	21,711,000	18,524,192
Bad debts written off	26,956	14,617,927
Inventory written off during the year	10,277,509	6,549,306
Depreciation	21,599,697	18,241,261
Staff costs (including management remuneration)	214,185,423	176,013,026

**20. STAFF COSTS**

	<u>2014</u>	<u>2013</u>
	\$	\$
Salaries and wages	193,945,467	154,891,654
Staff welfare	17,364,867	17,649,118
Contract services	2,533,432	3,242,078
Training and development	341,657	230,176
	<u>214,185,423</u>	<u>176,013,026</u>

The average number of persons employed full-time by the Company during the year was 207 (2013 – 186). As a policy, the Company does not hire part time employees..

**21. EXPENSES BY NATURE**

**Total direct, administrative, selling and finance expenses**

	<u>2014</u>	<u>2013</u>
	\$	\$
<b>DIRECT</b>		
Cost of inventories recognized as an expenses	<u>4,983,191,683</u>	<u>4,694,562,085</u>
<b>ADMINISTRATIVE</b>		
Directors fees and expenses	441,000	321,000
Insurance	16,705,238	13,921,399
Motor vehicle expenses	7,399,665	13,807,492
Professional services	39,925,084	18,606,618
Office expenses	11,208,679	8,634,179
Repairs and maintenance	22,396,703	18,664,960
Rental of equipment and office	39,701,042	38,351,957
Staff costs ( note 20)	214,185,423	176,013,026
Security	13,994,859	8,218,648
Utilities	60,300,701	53,378,586
Depreciation	21,599,697	18,241,261
Gain on disposal of fixed assets	(320,623)	-
Travelling and accommodation	23,476,620	15,672,415
Other	818,507	254,775
	<u>471,832,595</u>	<u>384,086,316</u>

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**21. EXPENSES BY NATURE (CONTINUED)**

	<u>2014</u>	<u>2013</u>
	\$	\$
<b>SELLING AND DISTRIBUTION</b>		
Advertising and promotion	24,751,134	20,206,077
Commission	21,284,765	22,015,717
Bad debts written off	26,956	14,617,972
Trucking and delivery	67,688,472	58,593,593
	<u>113,751,327</u>	<u>115,433,359</u>
<b>FINANCE COSTS</b>		
Long term loans: Interest	25,344,566	5,654,191
Credit line interest and bank charges	20,250,244	23,664,572
	<u>45,594,810</u>	<u>29,318,763</u>

**22. CAPITAL MANAGEMENT**

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 shareholders 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 on a regular basis.

Consistent with other entities in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net borrowings divided by total capital. Net borrowings are calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as shareholders equity as shown in the balance sheet plus net borrowings.

During 2014, the Company's strategy, which was unchanged from 2013, was to maintain the gearing ratio below one (1). The gearing ratio at 31 December 2014 was as follows:

	<u>31 Dec. 2014</u>	<u>31 Dec. 2013</u>
	\$	\$
Total borrowings	492,603,009	112,290,635
Total capital (including short term loans)	852,180,575	420,301,480
Gearing ratio	<u>0.59</u>	<u>0.27</u>

There were no changes to the Company's approach to capital management during the year.

**23. EARNINGS PER STOCK UNIT**

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

	<u>2014</u>	<u>2013</u>
Net profit attributable to stockholders (J\$)	51,606,721	49,927,344
Weighted average number of ordinary stock units in issue	273,336,067	203,055,670
Basic earnings per ordinary stock unit	<u>\$0.19</u>	<u>\$0.25</u>



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#### 24. RISK MANAGEMENT AND POLICIES

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.

##### 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 movement 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 2014, the Company had net foreign currency liabilities of US\$786,573 (2013- US\$1,280,309) which were subject to foreign exchange rate changes as follows:

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#### 24. RISK MANAGEMENT AND POLICIES (CONTINUED)

##### a) Market risk (Continued)

##### ii. Currency risk (Continued)

##### Concentrations of currency risks

	<b>2014</b> <b>US\$</b>	<b>2013</b> <b>US\$</b>
<b>Financial assets</b>		
- Cash equivalents and investments	90,874	144,898
	<u>90,874</u>	<u>144,898</u>
<b>Financial liabilities</b>		
- Payables and accruals	(877,447)	(1,425,207)
<b>Total net liabilities</b>	<u>(786,573)</u>	<u>(1,280,309)</u>

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.

The exchange rate applicable at 31 December 2014 is J\$114.66 to 1 US\$1 (2013- J\$106.38 to US\$1). In accordance with accounting policies applied consistently, exchange gains and losses are recognized in the income statement when incurred.

##### 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 that forms a significant percentage of the Company's overall purchases..

A 10% (2013-5%) weakening of the Jamaican dollar, with all other variables remaining constant, in particular interest rates, would result in a loss of approximately \$9.0 million (2013- \$6.8 million) if all outstanding foreign liabilities are settled at the depreciated rate of the Jamaican dollar.

##### 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.



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**24. RISK MANAGEMENT AND POLICIES (CONTINUED)**

**a) Market risk (Continued)**

**iii. Interest rate risk (Continued)**

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.

**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.

**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 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.



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**24. RISK MANAGEMENT AND POLICIES (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 2014, trade receivables of 91,807,531 (2013-\$44,752,778) were reviewed for impairment. No provision was considered necessary as all doubtful debts were written off to profit and loss during the year. Management continues to critically review this position as they are aware that many of their customers who are wholesalers are experiencing difficult economic circumstances. The ageing analysis of these trade receivables is as follows:

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Past due 31 to 60 days	39,317,551	24,448,981
Past due 61 to 90 days	9,090,075	11,784,725
Past due over 90 days	43,399,905	8,519,072
	<u>91,807,531</u>	<u>44,752,778</u>

**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.

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Supermarket chains	45,006,704	40,478,413
Wholesale and retail distributors	192,657,109	186,607,902
Government entities	945,185	1,848,782
Other	119,448,792	50,725,945
	<u>358,057,790</u>	<u>279,661,042</u>
Overseas	520,000	5,069,247
Total (see note 10)	<u>358,577,790</u>	<u>284,730,289</u>

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.

**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 555,809,201 (2013-\$449,438,597), representing the balances as at 31 December 2014 for cash and short term deposits, investments and receivables.



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**24. RISK MANAGEMENT AND POLICIES (CONTINUED)**

**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:

- 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.
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow.
- Maintaining committed lines of credit.
- Managing the concentration and profile of debt maturities while optimizing cash returns on investments.

At 31 December, 2014, the Company had three (3) major credit suppliers' relationships which did not exceed 26% (2013 – 30%) of the total purchases of the Company. Management continues 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 dependency risk 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.

**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:

	<b>Maturity Profile of the Company</b>					
	<b>Within 1 year</b>		<b>1 to 5 years</b>		<b>Over 5 years</b>	
	<b>2014 \$</b>	<b>2013 \$</b>	<b>2014 \$</b>	<b>2013 \$</b>	<b>2014 \$</b>	<b>2013 \$</b>
Long-term loans	468,802,581	*67,259,492	21,822,132	*55,362,152	-	-
Payables and accruals	598,586,008	590,492,468	-	-	-	-
<b>Total</b>	<b>1,067,388,589</b>	<b>657,751,960</b>	<b>21,822,132</b>	<b>55,362,152</b>		-

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

\*Prior year maturity profile reclassified from months to years for comparative purposes.



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**24. RISK MANAGEMENT AND POLICIES (CONTINUED)**

**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.

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 customer delivery.

Customer complaints are 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 event in a manner that satisfies the complainant.

**25. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. 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.

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 2014. 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 2014, these instruments are quoted investment securities (Note 7) 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 2 and 3.

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

- 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.
- 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.

**26. 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.



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**27. CONTINGENT LIABILITY**

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.

**28. SUBSEQUENT EVENTS**

- (i) On February 4, 2015, at the Extraordinary General Meeting of the shareholders of Derrimon Trading Company Limited, the shareholders have authorized the Company to issue 125,000,000 @ \$2.00 cumulative redeemable preference at 11.75% to the public for a period of three years. The preference shares will be arranged by Mayberry Investment Limited and will be utilized to retire certain higher interest rate liabilities as well as to finance and refinance the Company's growth. The preference shares are expected to be issued by the end of the first quarter of the financial year.
- (ii) On February 19, 2015, the Company finalized an agreement to acquire the assets of Northern Cash & Carry, a wholesale outlet in the parish of St. Ann, Jamaica.

## 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 the 26th day of August 2015 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)
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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 2014.	<input type="checkbox"/> For <input type="checkbox"/> Against
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.	<input type="checkbox"/> For <input type="checkbox"/> 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 Alexander Williams as a Director of the Board of the Company.	<input type="checkbox"/> For <input type="checkbox"/> Against
3(b)	To re-appoint Earl Richards, C.D. as a Director of the Board of the Company.	<input type="checkbox"/> For <input type="checkbox"/> Against
3(c)	To re-appoint Tania Waldron - Gooden as a Director of the Board of the Company.	<input type="checkbox"/> For <input type="checkbox"/> Against
4.	To authorise the Board to fix the remuneration of the directors for the financial year of the Company ending 31 December 2015.	<input type="checkbox"/> For <input type="checkbox"/> Against

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2015:

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)



Derrimon Trading Company Limited

## NOTES

31 DECEMBER 2014

This image shows a full page of blank, lined paper. It features approximately 20 horizontal blue or grey lines spaced evenly apart, typical of notebook paper. The lines extend across the entire width of the page, leaving small margins at the top and bottom. There are no vertical lines, text, or other markings present.

Derrimon Trading Company Limited

## NOTES

31 DECEMBER 2014

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# ANNUAL REPORT 2014



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