

LASCO DISTRIBUTORS LIMITED

FINANCIAL STATEMENTS

31 MARCH 2013

LASCO DISTRIBUTORS LIMITED

FINANCIAL STATEMENTS

31 MARCH 2013

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## INDEPENDENT AUDITORS' REPORT

To the Members of  
Lasco Distributors Limited

### **Report on the Financial Statements**

We have audited the financial statements of Lasco Distributors Limited set out on pages 3 to 31, which comprise the statement of financial position as at 31 March 2013, and the statements of comprehensive income, changes in shareholders' equity and cash flows 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 the Jamaican Companies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and consistently 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 auditors' judgment, 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 auditors consider internal controls relevant to the company'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 company's internal controls. 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.

**INDEPENDENT AUDITORS' REPORT (CONT'D)**

To the Members of  
Lasco Distributors Limited

*Opinion*

In our opinion, the financial statements give a true and fair view of the company's financial position as at 31 March 2013, and of its financial performance, changes in shareholders' equity and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the provisions of the Jamaican Companies Act.

**Report on Additional Requirements of 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, and the financial statements are in agreement therewith, and give the information required by the Act, in the manner so required.

A handwritten signature in black ink, appearing to read 'BDO'.

Chartered Accountants

29 May 2013

LASCO DISTRIBUTORS LIMITED  
STATEMENT OF COMPREHENSIVE INCOME  
YEAR ENDED 31 MARCH 2013

	<u>Note</u>	<u>2013</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>
REVENUE	5	8,255,354	7,460,509
COST OF SALES		<u>6,614,091</u>	<u>5,883,114</u>
GROSS PROFIT		1,641,263	1,577,395
Other operating income	6	<u>34,158</u>	<u>19,798</u>
		<u>1,675,421</u>	<u>1,597,193</u>
EXPENSES:			
Administrative and other expenses		871,245	757,696
Selling and promotion expenses		<u>291,126</u>	<u>265,951</u>
	7	<u>1,162,371</u>	<u>1,023,647</u>
PROFIT FROM OPERATIONS		513,050	573,546
Finance cost	8	<u>( 6,217)</u>	<u>( 2,835)</u>
PROFIT BEFORE TAXATION	9	506,833	570,711
Taxation	10	<u>-</u>	<u>( 20,334)</u>
NET PROFIT FOR THE YEAR, BEING TOTAL COMPREHENSIVE INCOME		<u>506,833</u>	<u>550,377</u>
Earnings per stock unit	11	<u>\$1.51</u>	<u>\$1.63</u>

**LASCO DISTRIBUTORS LIMITED**  
**STATEMENT OF FINANCIAL POSITION**

**31 MARCH 2013**

	<u>Note</u>	<u>2013</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>
<b><u>ASSETS</u></b>			
NON-CURRENT ASSETS:			
Property, plant and equipment	12	198,169	188,312
Long term investments	13	<u>150,000</u>	<u>150,000</u>
		<u>348,169</u>	<u>338,312</u>
CURRENT ASSETS:			
Inventories	14	1,282,029	747,040
Receivables	15	1,166,333	851,135
Related parties	16	6,274	3,971
Taxation recoverable		5,733	3,159
Directors' current account	16	-	2,820
Short term investments	13	20,864	70,224
Cash and bank balances	17	<u>218,982</u>	<u>295,977</u>
		<u>2,700,215</u>	<u>1,974,326</u>
		<u>3,048,384</u>	<u>2,312,638</u>
<b><u>EQUITY AND LIABILITIES</u></b>			
SHAREHOLDERS' EQUITY:			
Share capital	18	219,191	219,191
Revaluation reserve	19	75,387	75,387
Retained earnings		<u>1,592,523</u>	<u>1,169,850</u>
		<u>1,887,101</u>	<u>1,464,428</u>
CURRENT LIABILITIES:			
Payables	20	1,115,505	848,210
Bank overdraft	17	<u>45,778</u>	<u>-</u>
		<u>1,161,283</u>	<u>848,210</u>
		<u>3,048,384</u>	<u>2,312,638</u>

Approved for issue by the Board of Directors on 29 May 2013 and signed on its behalf by:

  
 L A Chin Chairman

  
 Peter Chin Director

## LASCO DISTRIBUTORS LIMITED

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

## YEAR ENDED 31 MARCH 2013

	<u>Note</u>	<u>Share Capital \$'000</u>	<u>Revaluation Reserve \$'000</u>	<u>Retained Earnings \$'000</u>	<u>Total \$'000</u>
Balance at 1 April 2011		219,191	75,387	666,596	961,174
Total comprehensive income for the year		-	-	550,377	550,377
Dividends paid	21	<u>-</u>	<u>-</u>	( 47,123)	( 47,123)
Balance at 31 March 2012		219,191	75,387	1,169,850	1,464,428
Total comprehensive income for the year		-	-	506,833	506,833
Dividends paid	21	<u>-</u>	<u>-</u>	( 84,160)	( 84,160)
Balance at 31 March 2013		<u>219,191</u>	<u>75,387</u>	<u>1,592,523</u>	<u>1,887,101</u>

## LASCO DISTRIBUTORS LIMITED

## STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2013

	<u>2013</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net profit	506,833	550,377
Adjustments for:		
Effects of exchange rate translation	18,277	( 8,314)
(Gain)/loss on disposal of property, plant and equipment	( 744)	1,697
Depreciation	18,419	24,048
Deferred taxation	-	1,037
Interest income	( 15,628)	( 3,802)
Interest expense	6,217	2,835
Taxation expense	<u>-</u>	<u>19,297</u>
Operating cash flows before movements in working capital	533,374	587,175
Changes in operating assets and liabilities:		
Inventories	(534,989)	(113,197)
Receivables	(313,752)	( 58,987)
Payables	250,018	48,028
Directors' current account	2,820	( 20,125)
Related parties	<u>( 2,303)</u>	<u>( 403)</u>
	( 64,832)	442,491
Taxation paid	<u>( 2,574)</u>	<u>(81,620)</u>
Net cash (used in)/provided by operating activities	<u>( 67,406)</u>	<u>360,871</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Long term investments	-	(150,000)
Short term investments	49,360	( 52,186)
Interest received	14,182	2,159
Proceeds from disposal of property, plant and equipment	806	396
Purchase of property, plant and equipment	<u>( 28,338)</u>	<u>( 23,519)</u>
Net cash provided by/(used in) investing activities	<u>36,010</u>	<u>(223,150)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Interest paid	( 6,217)	( 2,835)
Dividends paid	<u>( 84,160)</u>	<u>( 47,123)</u>
Net cash used in financing activities	<u>( 90,377)</u>	<u>( 49,958)</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(121,773)</b>	<b>87,763</b>
Cash and cash equivalents at beginning of year	295,977	208,563
Effect of exchange rate translation on cash and cash equivalents	<u>( 1,000)</u>	<u>( 349)</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 17)</b>	<b><u>173,204</u></b>	<b><u>295,977</u></b>



**LASCO DISTRIBUTORS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 MARCH 2013**

**1. IDENTIFICATION AND PRINCIPAL ACTIVITIES:**

- (a) Lasco Distributors Limited is a limited liability company incorporated and domiciled in Jamaica. The registered office of the company is 27 Red Hills Road, Kingston 10. The company is listed on the Junior Market of the Jamaica Stock Exchange.
- (b) The principal activity of the company is the distribution of pharmaceuticals and consumable items.

**2. REPORTING CURRENCY:**

These financial statements are presented using Jamaican dollars which is considered the currency of the primary economic environment in which the company operates ("the functional currency").

**3. SIGNIFICANT ACCOUNTING POLICIES:**

The principal accounting policies applied in the preparation of these financial statements are set out below. The policies have been consistently applied to all the years presented. Where necessary, prior year comparatives have been restated and reclassified to conform to current year presentation.

(a) Basis of preparation -

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations adopted by the International Accounting Standards Board, and have been prepared under the historical cost convention. They are also prepared in accordance with provisions of the Jamaican Companies Act.

The preparation of financial statements to conform to IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and contingent liabilities at the end of the reporting period and the revenue and expenses during the reporting period. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis and any adjustments that may be necessary would be reflected in the year in which actual results are known. The areas involving a higher degree of judgment in complexity or areas where assumptions or estimates are significant to the financial statements are discussed below:

(i) Allowance for impairment losses on receivables

In determining amounts recorded for impairment losses on receivables in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be measurable decrease in estimated future cash flows from receivables, for example, through unfavourable economic conditions and default. Management will apply historical loss experience to individually significant receivables with similar characteristics such as credit risk where impairment indicators are not observable in their respect.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(a) Basis of preparation (cont'd) -

(ii) Income taxes

Estimates are required in determining the provision for income tax. There are some transactions and calculations for which the ultimate tax determination is uncertain. The company recognizes liabilities for anticipated tax audit 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 initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(iii) Expected useful life and residual value of property, plant and equipment

The expected useful life and residual value of an asset are reviewed at least at each financial year end. Useful life of an asset is defined in terms of the asset's expected utility to the company.

(iv) Fair value of financial assets

The management uses its judgment in selecting appropriate valuation techniques to determine fair values of financial assets adopting valuation techniques commonly used by market practitioners supported by appropriate assumptions.

(v) Net realizable value of inventories

Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amounts the inventories are expected to realise. These estimates take into consideration fluctuations of price or costs directly relating to events occurring after the end of the year to the extent that such events confirm conditions existing at the end of the year.

**Standards, interpretations and amendments to published standards effective in the reporting period.**

During the reporting period, new standards, interpretations and amendments were applied for the first time from 1 April 2012. None of these had a material effect on the financial statements.

## LASCO DISTRIBUTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

## (a) Basis of preparation (cont'd) -

Standards, interpretations and amendments to published standards that are not yet effective.

At the date of authorization of these financial statements, there were certain new standards, interpretations and amendments to existing standards which were in issue but which were not yet effective. Those which are considered relevant to the company are as follows:

IAS 1 (Amended)	Presentation of Financial Statements (effective for annual reporting periods beginning on or after 1 July 2012), amendments to revise the way other comprehensive income is presented.
IAS 32 (Amended)	Financial Instruments: Presentation (effective for annual reporting periods beginning on or after 1 January 2014), amendments to the application guidance on the off-setting of financial assets and financial liabilities.
IFRS 7 (Amended)	Financial Instruments: Disclosures (effective for annual reporting periods beginning on or after 1 January 2015), requires additional disclosures for transfers of financial assets. It lists transferred assets that are derecognised in their entirety and those not derecognised in their entirety.
IFRS 9	Financial Instruments (effective for annual reporting periods beginning on or after 1 January 2015), introduces new requirements for classifying and measuring financial assets. It also includes guidance on classification and measurement of financial liabilities designated as fair value through profit or loss. The standard also amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments designated as fair value through other comprehensive income.
IFRS 13	Fair Value Measurement (effective for annual reporting periods beginning on or after 1 January 2013), defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements.

The directors anticipate that the adoption of the standards, amendments and interpretations, which are relevant in future periods, is unlikely to have any material impact on the financial statements.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(b) Segment reporting -

A business segment is a distinguishable component of the company's operation engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the management committee that makes strategic decisions.

(c) Foreign currency translation -

Transactions in foreign currencies are converted into the functional currency at the exchange rates prevailing at the dates of the transactions. At the end of the reporting period, monetary assets and liabilities denominated in foreign currency are translated using the exchange rates ruling at that date. Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognised in the statement of comprehensive income.

(d) Revenue recognition -

Revenue is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, allowances and discounts.

Interest income is recognised in the income statement for all interest bearing instruments on an accrual basis unless collectibility is doubtful.

(e) Property, plant and equipment -

All property, plant and equipment are initially recorded at cost. Land and buildings are subsequently shown at market value, based on triennial valuations by external independent valuers, less subsequent depreciation for property. All other property, plant and equipment are stated at historical cost less depreciation and impairment losses.

Increases in carrying amounts arising on revaluation are credited to revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the statement of comprehensive income.

## LASCO DISTRIBUTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

## (e) Property, plant and equipment (cont'd) -

Depreciation is calculated on the straight-line method to write off the cost of assets or the revalued amounts, to their residual values over their estimated useful lives. Annual rates are as follows:

Buildings	2 ½%
Equipment	20%
Furniture and fixtures	10%
Motor vehicles	20%
Computer hardware and software	20%

Land is not depreciated as it is deemed to have an indefinite life.

Gains and losses on disposal are determined by comparing proceeds with carrying amounts and are included in operating profit. On disposal of revalued assets, amounts in fair value reserves relating to those assets are transferred to retained earnings.

The carrying amounts of the company's assets are reviewed at the end of the reporting period to determine whether there is any indication of impairment. Where carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The impairment losses are recognised in the company's statement of comprehensive income.

## (f) Inventories -

Inventories are stated at the lower of cost and net realisable value. Cost is determined as follows:-

Goods for resale	-	Cost of product plus all indirect cost to bring item to a saleable condition.
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Net realisable value is the estimate of the selling price in the ordinary course of business, less selling expenses.

## (g) Provisions -

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

## LASCO DISTRIBUTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

## (h) Impairment -

The carrying amounts of the company's tangible and intangible assets are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

## (i) Trade receivables -

Trade receivables are carried at original invoice amounts less provision made for doubtful receivables and impairment of these receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off when identified. A provision for doubtful debt 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 receivables. In instances where it is determined that there will be significant delays in settlement of the recoverable amounts and the effect is material, an impairment general provision is also made, being the difference between the recoverable amounts and the present value of expected cash flows discounted at the company's overdraft interest rate.

## (j) Taxation -

Taxation expense in the statement of comprehensive income comprises current and deferred tax charges. Current and deferred taxes are recognised as income tax expense or benefit in the statement of comprehensive income except where they relate to items recorded in equity, in which case, they are also charged or credited to equity.

## (i) Current income taxes

Current income tax is the expected taxation payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable and tax losses in respect of previous years.

## (ii) Deferred income taxes

Deferred tax liabilities are recognised for temporary differences between the carrying amounts of assets and liabilities and their amounts as measured for tax purposes, which will result in taxable amounts in future periods. Deferred income tax assets are recognised for temporary differences which will result in deductible amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be utilised.

Deferred income tax assets and liabilities are measured at tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled based on enacted rates.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(k) 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 comprise cash at bank, in hand, deposits and short term highly liquid investments with original maturities of three months or less, net of bank overdraft.

(l) Trade and other payables -

Trade payables are stated at amortized cost.

(m) Employee benefits -

(i) Pension scheme costs

The company operates a defined contribution pension scheme which is funded by employees' contribution of 5% of salary and employer's contribution of 5%. Once the contributions have been paid, the company has no further obligations.

(ii) Profit-sharing and bonus plan

The company recognizes a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the company's stockholders after certain adjustments. The company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(iii) Other employee benefits

Employee entitlement to annual leave and other benefits are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and other benefits as a result of services rendered by employees up to the end of the reporting period.

(n) Financial instruments -

A financial instrument is any contract that gives rise to both a financial asset for one entity and a financial liability or equity instrument of another entity.

**Financial assets**

The company classifies its financial assets in the following categories: at fair value through profit and loss, loans and receivables and available-for-sale. 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 re-evaluates this designation at every reporting date.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(n) Financial instruments (cont'd) -

**Financial assets are fair value through comprehensive income**

This category includes financial assets held for trading.

**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 arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary assets. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The company's loans and receivables comprise trade and other receivables, related party balances, short term deposits and cash and bank balances in the statement of financial position.

**Financial liabilities**

The company's financial liabilities are measured at fair value, and are subsequently measured at amortized cost using the effective interest method. These liabilities are classified as payables and bank overdraft and are included in current liabilities on the statement of financial position.

(o) Share capital -

Ordinary shares are classified as equity. Incremental costs directly attributed to the issue of ordinary shares are recognised as a deduction from equity.

(p) Other receivables -

Other receivables are stated at amortised cost less impairment losses, if any.

(q) Dividends -

Dividends are recognised when they become legally payable. In case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by shareholders at the Annual General Meeting.



## LASCO DISTRIBUTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

## 4. FINANCIAL RISK MANAGEMENT:

## (a) Financial risk factors -

The company's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk, liquidity risk, interest rate risk and operational risk. The company's overall risk management policies are established to identify and analyze the risks faced by the company and to set appropriate risk limits and controls and to monitor risk and adherence to limits. The risk management framework is based on guidelines set by the Board of Directors together with management and seeks to minimize potential adverse effects on the company's financial performance.

## (i) Market risk -

## 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 security or its issuer or factors affecting all instruments traded in the market. The company has no exposure to market risk as there are no traded securities.

## Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

Foreign exchange risk arises from transactions for purchases and US Dollar denominated investments. The company's exposure to foreign currency risk was as follows:

	<u>2013</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>
US\$		
Cash and cash equivalents	5	276
Trade receivables	4,690	2,249
Other receivables	636	250
Payables	<u>(5,764)</u>	<u>(4,979)</u>
	<u>( 433)</u>	<u>(2,204)</u>

## LASCO DISTRIBUTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

## 4. FINANCIAL RISK MANAGEMENT (CONT'D):

## (a) Financial risk factors (cont'd) -

## (i) Market risk (cont'd) -

Currency risk (cont'd)

Sensitivity analysis

Changes in the exchange rates of the Jamaican dollar (JA\$) to the United States dollar (US\$) would have the effects as described below:

<u>Currency</u>	<u>% Change in Currency Rate</u> <u>2013</u> <u>\$'000</u>	<u>Effect on Profit before Taxation</u> <u>2013</u> <u>\$'000</u>	<u>% Change in Currency Rate</u> <u>2012</u> <u>\$'000</u>	<u>Effect on Profit before Taxation</u> <u>2012</u> <u>\$'000</u>
USD	-10	(4,282)	-1	(1,932)
USD	<u>+1</u>	<u>428</u>	<u>+1</u>	<u>1,932</u>

The analysis assumes that all other variables, in particular interest rates, remain constant. It is performed on the basis of 10% weakening and 1% strengthening (2012 - 1%) in exchange rates.

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 monitoring currency positions. The company further manages this risk by maximising foreign currency earnings.

## (ii) Credit risk -

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The company has significant concentrations of credit risk with related companies. The company has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The company manages its credit risk by screening its customers, establishing credit limits and the rigorous follow-up of receivables and ensuring investments are low-risk or, are held with reputable financial institutions.

## LASCO DISTRIBUTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

## 4. FINANCIAL RISK MANAGEMENT (CONT'D):

(a) Financial risk factors (cont'd) -

(ii) Credit risk (cont'd) -

The maximum exposure to credit risk at the reporting date is represented by the carrying amount of each financial asset as follows:

	<u>Carrying Amount</u>	
	<u>2013</u>	<u>2012</u>
	<u>\$'000</u>	<u>\$'000</u>
Long term investments	150,000	150,000
Short term investments	20,864	70,224
Cash and bank balances	218,982	295,977
Receivables	1,166,333	851,135
Due from related parties	<u>6,274</u>	<u>3,971</u>
	<u>1,562,453</u>	<u>1,371,307</u>

There were no changes in the company's approach to managing credit risk during the year.

(iii) Interest rate risk -

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the company has no significant interest bearing assets or liabilities, the company's income and operating cash flows are substantially independent of changes in market interest rates. The company's interest rate risk arises from deposits and short term instruments.

(iv) Liquidity risk -

Liquidity risk, also referred to as funding risk, is the risk that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, and the availability of funding through an adequate amount of committed facilities. Due to the dynamic nature of the underlying business, the management of the company maintains an adequate amount of its financial assets in liquid form to meet contractual obligations and other recurring payments.

## LASCO DISTRIBUTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

## 4. FINANCIAL RISK MANAGEMENT (CONT'D):

(a) Financial risk factors (cont'd) -

(iv) Liquidity risk (cont'd) -

The following are the contractual maturities of financial liabilities measured at amortised cost, including interest payments. The tables show the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the company can be required to settle:

	<u>2013</u>			
	Carrying	Contractual	6 Months	6 -12
	Amount	Cash Flows	or less	Months
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Bank overdraft	45,778	45,778	45,778	-
Payables	1,115,505	1,115,505	1,115,505	-
Total financial liabilities	<u>1,161,283</u>	<u>1,161,283</u>	<u>1,161,283</u>	<u>-</u>

	<u>2012</u>			
	Carrying	Contractual	6 Months	6 -12
	Amount	Cash Flows	or less	Months
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Payables	<u>848,210</u>	<u>848,210</u>	<u>848,210</u>	<u>-</u>

(v) Cash flow risk -

Cash flow risk is the risk that the future cash flows associated with a monetary financial instrument will fluctuate in amount. The company manages this risk through budgetary measures, ensuring, as far as possible, that fluctuations in cash flows relating to monetary financial assets and liabilities are matched, to mitigate any significant adverse cash flows.

(vi) Operational risk -

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the company's processes, personnel, technology and external factors, other than financial risks, such as generally accepted standards of corporate behaviour. The company manages operational risk so as to avoid financial loss and damage to its reputation.

## LASCO DISTRIBUTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

## 4. FINANCIAL RISK MANAGEMENT (CONT'D):

## (b) Capital management -

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital which the company defines as the total shareholders' equity. The level of dividends to ordinary shareholders is also monitored. There was no other externally imposed capital requirement and no change in the company's capital management process during the year.

## (c) Fair value estimation -

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. The amounts included in the financial statements for cash and cash equivalents, receivables, payables and related party balances reflect their approximate fair value because of the short term maturity of these instruments.

## 5. REVENUE:

Revenue represents the price of goods sold after discounts and allowances.

## 6. OTHER OPERATING INCOME:

	<u>2013</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>
Commission -		
Roche	12,252	12,476
Other	4,904	950
Interest income	15,628	3,802
Rental income	498	602
Miscellaneous income	<u>876</u>	<u>1,968</u>
	<u>34,158</u>	<u>19,798</u>

The company has a non-exclusive distribution agreement with Productos Roche Interamericana S.A. - Diagnostics Division (Roche) to distribute its products in Jamaica. Commission is earned on sales and collection of receivables.

## LASCO DISTRIBUTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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## 7. EXPENSES BY NATURE:

Total administrative, selling and other expenses:

	<u>2013</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>
Staff costs (note 22)	679,185	592,037
Property expenses including depreciation	47,060	41,561
Transportation and communication	39,217	29,940
Advertising and promotion	171,510	146,874
Management and consultancy fees	26,036	49,944
Insurance	23,513	21,278
Stationery	10,023	7,400
Other administrative expenses	<u>165,827</u>	<u>134,613</u>
	<u>1,162,371</u>	<u>1,023,647</u>

## 8. FINANCE COST:

	<u>2013</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>
Interest expense -		
Bank borrowings	3,434	580
Other	<u>2,783</u>	<u>2,255</u>
	<u>6,217</u>	<u>2,835</u>

## 9. PROFIT BEFORE TAXATION:

Profit before taxation is stated after charging:

	<u>2013</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>
Directors' remuneration	47,293	40,303
Directors' fees	2,880	2,170
Auditors' remuneration	4,200	3,850
Depreciation	<u>18,419</u>	<u>24,048</u>

## LASCO DISTRIBUTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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## 10. TAXATION:

- (a) Taxation is based on the operating results for the year, adjusted for taxation purposes, and is made up as follows:

	<u>2013</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>
Current year income tax @ 25% (2012 - 33 1/3%)	-	-
Under-provision in prior years	-	19,297
Deferred taxation	<u>-</u>	<u>1,037</u>
Taxation charge in income statement	<u>-</u>	<u>20,334</u>

- (b) Reconciliation of theoretical tax charge that would arise on profit before tax using the applicable tax rate to actual tax charge.

	<u>2013</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>
Profit before taxation	<u>506,833</u>	<u>570,711</u>
Taxation calculated @ 25% (2012 - 33 1/3%)	126,708	190,237
Adjusted for the effects of:		
Expenses not deducted for tax purposes	9,022	7,742
Tax depreciation	( 4,823)	( 5,535)
Under-provision in prior year	-	19,297
Unrealised foreign exchange loss/(gain)	8,864	( 12,550)
Net effect of other charges and allowances	<u>280</u>	<u>1,037</u>
	140,051	200,228
Adjustment for the effect of tax remission:		
Current tax	<u>(140,051)</u>	<u>(179,894)</u>
Taxation charge in income statement	<u>-</u>	<u>20,334</u>

- (c) Remission of income tax:

The company's shares were listed on the Jamaica Stock Exchange Junior Market, effective 12 October 2010. Consequently, the company is entitled to a remission of taxes for ten (10) years in the proportions set out below, provided the shares remain listed for at least 15 years.

Years 1 to 5	100%
Years 6 to 10	50%

The financial statements have been prepared on the basis that the company will have the full benefit of the tax remissions.

## LASCO DISTRIBUTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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## 11. EARNINGS PER STOCK UNIT:

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

	<u>2013</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>
Net profit attributable to stockholders	506,833	550,377
Number of ordinary stocks units in issue	<u>336,643</u>	<u>336,643</u>
Basic earnings per stock unit	<u>\$1.51</u>	<u>\$1.63</u>

## 12. PROPERTY, PLANT AND EQUIPMENT:

	<u>Freehold Land &amp; Buildings</u> <u>\$'000</u>	<u>Computer</u> <u>\$'000</u>	<u>Furniture, Fixtures &amp; Equipment</u> <u>\$'000</u>	<u>Motor Vehicles</u> <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
At cost/valuation:					
1 April 2011	186,187	69,309	103,396	35,687	394,579
Additions	21	17,978	5,520	-	23,519
Disposals	<u>-</u>	<u>( 745)</u>	<u>( 26)</u>	<u>( 5,066)</u>	<u>( 5,837)</u>
At 31 March 2012	186,208	86,542	108,890	30,621	412,261
Additions	7,154	4,851	9,009	7,324	28,338
Disposals	<u>-</u>	<u>( 225)</u>	<u>-</u>	<u>(14,274)</u>	<u>( 14,499)</u>
At 31 March 2013	<u>193,362</u>	<u>91,168</u>	<u>117,899</u>	<u>23,671</u>	<u>426,100</u>
Depreciation:					
1 April 2011	35,033	62,884	80,825	24,903	203,645
Charge for the year	4,034	5,868	11,741	2,405	24,048
Eliminated on disposal	<u>-</u>	<u>( 434)</u>	<u>( 14)</u>	<u>( 3,296)</u>	<u>( 3,744)</u>
At 31 March 2012	39,067	68,318	92,552	24,012	223,949
Charge for the year	3,439	3,729	8,457	2,794	18,419
Eliminated on disposal	<u>-</u>	<u>( 163)</u>	<u>-</u>	<u>(14,274)</u>	<u>( 14,437)</u>
At 31 March 2013	<u>42,506</u>	<u>71,884</u>	<u>101,009</u>	<u>12,532</u>	<u>227,931</u>
Carrying value:					
31 March 2013	<u>150,856</u>	<u>19,284</u>	<u>16,890</u>	<u>11,139</u>	<u>198,169</u>
31 March 2012	<u>147,141</u>	<u>18,224</u>	<u>16,338</u>	<u>6,609</u>	<u>188,312</u>

Included in land buildings is a property located at White Marl, St. Catherine which is owned as Tenants in common in equal shares with a related company. Also included in land and buildings is a property registered in the name of Lasco Properties Limited.



## LASCO DISTRIBUTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

## 13. INVESTMENTS:

	<u>2013</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>
Long term investments	<u>150,000</u>	<u>150,000</u>

This represents interest bearing amounts which have been invested with a financial institution for a period of three (3) years at an interest rate of 8.18% per annum. Interest earned on these investments are transferred to a savings account.

	<u>2013</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>
Short term investments	<u>20,864</u>	<u>70,224</u>

This represents interest bearing amounts which have been invested with various financial institutions for a period greater than three (3) months but up to one (1) year at a weighted average interest rate of 3% (2012 - 5.27%) per annum.

## 14. INVENTORIES:

	<u>2013</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>
Goods for resale -		
Roche	49,464	16,472
Other	973,821	613,860
Inventory - other	1,022	722
Goods-in-transit	<u>257,722</u>	<u>115,986</u>
	<u>1,282,029</u>	<u>747,040</u>

## 15. RECEIVABLES:

	<u>2013</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>
Trade receivables -		
Roche	269,944	95,208
Other	<u>708,978</u>	<u>626,426</u>
	978,922	721,634
Less: Bad debts provision	<u>( 6,114)</u>	<u>( 4,683)</u>
	972,808	716,951
Staff and other receivables	<u>193,525</u>	<u>134,184</u>
	<u>1,166,333</u>	<u>851,135</u>

**LASCO DISTRIBUTORS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

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15. **RECEIVABLES (CONT'D):**

(a) The aging of trade receivables is as follows:

	<u>2013</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>
0-30 days	558,227	509,568
31-60 days	158,689	124,769
61-90 days	81,702	18,795
90 days and over	<u>174,190</u>	<u>63,819</u>
	<u>972,808</u>	<u>716,951</u>

(b) Movement in bad debts provision:

	<u>2013</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>
Balance at beginning of the year	4,683	8,592
Increase/(decrease) during the year	<u>1,431</u>	<u>(3,909)</u>
Balance at end of the year	<u>6,114</u>	<u>4,683</u>

16. **RELATED PARTY TRANSACTIONS AND BALANCES:**

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions.

The following transactions were carried out with related parties during the year:

<u>Transactions</u>	<u>2013</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>
Purchases of goods and services/foreign currency:		
Lasco Manufacturing Limited -		
Goods	3,339,219	3,000,707
Management fees	2,839	26,840
Lasco Financial Services Limited -		
Foreign currency	1,591,934	817,351
Management fees	<u>1,194</u>	<u>1,274</u>
Sale of goods:		
Lasco Manufacturing Limited	<u>33,053</u>	<u>40,248</u>

**LASCO DISTRIBUTORS LIMITED**  
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16.	<b>RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D):</b>	<u>2013</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>
	Key management compensation:		
	Key management includes directors, (executive and non-executive), and senior managers -		
	Fees	2,880	2,170
	Salaries and other short-term employee benefits	<u>54,412</u>	<u>45,998</u>
	<b><u>Year end balances</u></b>		
	With related parties:		
	Due from -		
	Lasco Manufacturing Limited	4,554	2,999
	Lasco Financial Services Limited	<u>1,720</u>	<u>972</u>
		<u>6,274</u>	<u>3,971</u>
	Lasco Manufacturing Limited (included in trade receivables)	<u>6,235</u>	<u>2,413</u>
	Due to -		
	Lasco Financial Services Limited (included in other payables)	<u>3,238</u>	<u>2,235</u>
	Lasco Manufacturing Limited (included in trade payables)	<u>464,839</u>	<u>326,658</u>
	These balances are due and payable within thirty (30) days which is the company's normal credit term.		
	With directors and other key management:		
	Directors' current account	<u>-</u>	<u>2,820</u>

## LASCO DISTRIBUTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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## 17. CASH AND CASH EQUIVALENTS:

	<u>2013</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>
Cash and bank balances -		
Fixed deposit	10,608	10,283
Jamaican currency current account	23,733	131,265
Jamaica currency savings account	8,568	255
Foreign currency accounts	448	24,040
Cash in hand	<u>175,625</u>	<u>130,134</u>
Bank overdraft	218,982 ( 45,778)	295,977 _____
	<u>173,204</u>	<u>295,977</u>

Included in bank overdraft is \$5,913,929 which arose as a result of unrepresented cheques at year end.

The company has overdraft facilities with FirstCaribbean International Bank (Jamaica) Limited of \$50,000,000 which is secured as follows:

- (i) First mortgage issued by Lasco Distributors Limited and Lasco Manufacturing Limited over mortgagor's interest in commercial property located at White Marl, St. Catherine and registered at Volume 1092 Folio 796 (White Marl) in the names of the mortgagors and which mortgage is to be issued by each mortgagor to secure:
  - (a) its indebtedness arising from its borrowing from and other direct liabilities incurred to the Bank; and
  - (b) its indebtedness as guarantor of payment of the other mortgagor's indebtedness to the Bank as at (a), such guarantee to be limited in each case to the value of the mortgagor's interest in White Marl. The said mortgage to be stamped to cover JMD\$1.207 billion (with power to upstamp) and to be the principal security intended to secure indebtedness arising from advances to Lasco Distributors Limited pursuant to a facility letter as well as advances to Lasco Manufacturing Limited and in the case of each company, such other indebtedness as may arise pursuant to other agreements with the Bank.
- (ii) First Debenture over fixed and floating assets of Lasco Distributors Limited to be stamped as collateral to the principal security, such debenture to secure the direct liabilities only of Lasco Distributors Limited secured by the principal security.

## LASCO DISTRIBUTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

## 17. CASH AND CASH EQUIVALENTS (CONT'D):

- (iii) First mortgage over commercial property at 27 Red Hills Road, St. Andrew; being property registered at Volume 1233 Folio 996 in the name of Lasco Distributors Limited, said mortgage to be stamped collateral to the principal security and to secure the direct liabilities only of Lasco Distributors Limited secured by the principal security.
- (iv) Guarantors by Lascelles Chin supported by mortgage over property at 38½ Red Hills road, Kingston 10, registered at Volume 1275 Folio 190 and Volume 1275 Folio 428, said mortgage to be stamped collateral to the principal security and to secure the direct liabilities only of Lasco Distributors Limited secured by the principal security.

The liability of the guarantor to pay pursuant to the guarantee shall be limited to the proceeds derived from enforcement of the security.

- (v) Subordination and Postponement of Claim of inter-company debts between Lasco Distributors Limited and Lasco Manufacturing Limited.
- (vi) Hypothecation of credit balances held, whether in foreign or local currencies or both.
- (vii) Bill of Sale over computer/equipment software.
- (viii) Fire or peril insurance including all risks over building, contents (inventories, machinery, equipment, etc.) with the interest of FirstCaribbean International Bank noted thereon.

## 18. SHARE CAPITAL:

	<u>2013</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>
Authorised - 363,000,000 Ordinary shares of no par value		
Stated capital - Issued and fully paid - 336,643,115 Ordinary shares of no par value	<u>219,191</u>	<u>219,191</u>

## 19. REVALUATION RESERVE:

This represents unrealised surplus on revaluation of property, plant and equipment.

**LASCO DISTRIBUTORS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

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20. PAYABLES:	<u>2013</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>
Trade payables -		
Roche	189,857	163,366
Other	<u>886,108</u>	<u>678,230</u>
	1,075,965	841,596
Other payables and accruals	<u>39,540</u>	<u>6,614</u>
	<u>1,115,505</u>	<u>848,210</u>

Included in trade payables is an amount of J\$561,836,590 (2012 - J\$483,116,177) payable in foreign currency.

The credit period on purchases of goods from the company's major suppliers ranges from 30 to 60 days. The company has financial risk management procedures in place to ensure that all payables are paid within the credit period.

The aging of trade payables is as follows:

	<u>2013</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>
0-30 days	858,149	707,993
31 days and over	<u>217,816</u>	<u>133,603</u>
	<u>1,075,965</u>	<u>841,596</u>

21. DIVIDENDS PAID:	<u>2013</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>
In respect of 31 March 2012 (14¢ per share)	-	47,123
In respect of 31 March 2013 (25¢ per share)	<u>84,160</u>	<u>-</u>
	<u>84,160</u>	<u>47,123</u>

**LASCO DISTRIBUTORS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

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22. **STAFF COSTS:**

	<u>2013</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>
Salaries and wages	442,709	375,249
Statutory deductions	48,847	42,159
Pension costs	17,935	16,034
Commission	98,844	88,570
Accommodation	9,288	8,989
Other	<u>55,913</u>	<u>48,642</u>
	673,536	579,643
Termination costs	<u>5,649</u>	<u>12,394</u>
	<u>679,185</u>	<u>592,037</u>

The average number of persons employed by the company during the year was three hundred and eleven (311) (2012 -two hundred and eighty-three (283)).

23. **PENSION SCHEME:**

The company operates a defined contribution pension scheme which is administered by Sagicor Life Jamaica Limited and is open to all permanent employees.

The scheme is funded by the company's and employees' contributions. The company's contributions to the scheme are expensed and amounted to \$17,934,796 for the year (2012 - \$16,033,750).

**LASCO DISTRIBUTORS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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24. **SEGMENT REPORTING:**

The company has two reportable segments which are based on the different types of products that it offers. These products are described in its principal activities (Note 1). The identification of business segments, is based on the management and internal reporting structure. Segment results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis.

Information regarding results of each reportable segment is included below. Performance is measured on segment profit before taxation as included in the management reports. Segment profit before taxation is used to measure performance as management believes that such information is most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

	Consumer Division 2013 \$'000	Consumer Division 2012 \$'000	Pharmaceutical Division 2013 \$'000	Pharmaceutical Division 2012 \$'000	Unallocated Division 2013 \$'000	Unallocated Division 2012 \$'000	Total 2013 \$'000	Total 2012 \$'000
Revenue	6,458,490	5,911,545	1,796,864	1,548,964	-	-	8,255,354	7,460,509
Segment profit before taxation	417,052	409,260	89,781	161,451	-	-	506,833	570,711
Finance income (interest)	15,628	3,802	-	-	-	-	15,628	3,802
Finance costs	4,775	2,835	1,442	-	-	-	6,217	2,835
Reportable segment assets	1,319,652	766,995	996,883	747,245	731,849	798,398	3,048,384	2,312,638
Reportable segment liabilities	603,756	334,457	436,124	477,908	121,403	35,845	1,161,283	848,210



LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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25. CONTINGENCIES:

- (i) There is a claim by Pfizer Limited (Pfizer) against Lasco Distributors Limited, ("the company"), and others for damages for breach of a patent relating to a particular product. The action has been tried and judgement entered in favour of the company. The judgement has been appealed by Pfizer. The appeal has been heard in the Supreme Court of Jamaica and the court has reserved its judgement. The matter has been further appealed to the Privy Council and the records of appeal have now been settled and communicated to London. It is anticipated that the matter should come before the Privy Council either by the end of this year or during the first quarter of next year.

The attorneys are of the opinion that the company should be successful on this appeal and anticipate that the amount to be recovered by the company may be approximately \$400M, if not, the company will be liable for cost estimated at \$25M and for an accounting as to profits made by the company as damages to Pfizer for its loss of profit attributable to the sale of the product from the commencement of the company's dealing in it to the date of the interim injunction issued on 29 March 2005.

- (ii) The company had guarantees with financial institutions totalling \$22M which occurred during the normal course of business.

26. EVENTS AFTER THE REPORTING PERIOD:

An Extraordinary General Meeting is scheduled to be held on 26 June 2013. The directors have convened a meeting on the date stated for members of the company to consider the recommendation to split the shares of the company by subdividing each share into ten (10) new shares.