

LASCO DISTRIBUTORS LIMITED

FINANCIAL STATEMENTS

31 MARCH 2014

LASCO DISTRIBUTORS LIMITED

FINANCIAL STATEMENTS

31 MARCH 2014

I N D E X

| | <u>PAGE</u> |
|--|-------------|
| Independent Auditors' Report to the Members | 1-2 |
| <u>FINANCIAL STATEMENTS</u> | |
| Statement of Profit or Loss and Other Comprehensive Income | 3 |
| Statement of Financial Position | 4 |
| Statement of Changes in Shareholders' Equity | 5 |
| Statement of Cash Flows | 6 |
| Notes to the Financial Statements | 7-35 |



Tel: (876) 926-1616/7, 926-4421
Fax: (876) 926-7580
www.bdo.com.jm

Chartered Accountants
26 Beechwood Avenue
P.O. Box 351
Kingston 5, Jamaica

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 35, which comprise the statement of financial position as at 31 March 2014, and the statements of profit or loss and other 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 requirements of the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 control 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 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.

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 2014, and of its financial performance 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 Jamaican Companies Act, in the manner so required.

A handwritten signature in black ink, appearing to be the initials 'BDO' followed by a stylized flourish.

Chartered Accountants

29 May 2014

LASCO DISTRIBUTORS LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 MARCH 2014

| | <u>Note</u> | <u>2014</u> <u>\$'000</u> | <u>2013</u> <u>\$'000</u> |
|--|-------------|------------------------------|------------------------------|
| REVENUE | 7 | 9,464,744 | 8,255,354 |
| COST OF SALES | | <u>7,630,437</u> | <u>6,614,091</u> |
| GROSS PROFIT | | 1,834,307 | 1,641,263 |
| Other operating income | 8 | <u>50,719</u> | <u>34,158</u> |
| | | <u>1,885,026</u> | <u>1,675,421</u> |
| EXPENSES: | | | |
| Administrative and other expenses | | 955,205 | 828,897 |
| Selling and promotion expenses | | <u>340,313</u> | <u>333,474</u> |
| | 9 | <u>1,295,518</u> | <u>1,162,371</u> |
| OPERATING PROFIT | | 589,508 | 513,050 |
| Finance costs | 11 | <u>(2,044)</u> | <u>(6,217)</u> |
| PROFIT BEFORE TAXATION | | 587,464 | 506,833 |
| Taxation | 12 | <u>-</u> | <u>-</u> |
| NET PROFIT FOR THE YEAR, BEING TOTAL COMPREHENSIVE INCOME | | <u>587,464</u> | <u>506,833</u> |
| EARNINGS PER STOCK UNIT | 13 | <u>\$0.17</u> | <u>\$0.15</u> |

LASCO DISTRIBUTORS LIMITED

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

YEAR ENDED 31 MARCH 2014

| | <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 2012 | | <u>219,191</u> | <u>75,387</u> | <u>1,169,850</u> | <u>1,464,428</u> |
| TOTAL COMPREHENSIVE INCOME | | | | | |
| Net profit | | - | - | 506,833 | 506,833 |
| TRANSACTION WITH OWNERS | | | | | |
| Dividends paid | 23 | <u>-</u> | <u>-</u> | (84,160) | (84,160) |
| | | <u>-</u> | <u>-</u> | <u>422,673</u> | <u>422,673</u> |
| BALANCE AT 31 MARCH 2013 | | <u>219,191</u> | <u>75,387</u> | <u>1,592,523</u> | <u>1,887,101</u> |
| TOTAL COMPREHENSIVE INCOME | | | | | |
| Net profit | | - | - | 587,464 | 587,464 |
| TRANSACTION WITH OWNERS | | | | | |
| Dividends paid | 23 | <u>-</u> | <u>-</u> | (77,428) | (77,428) |
| | | <u>-</u> | <u>-</u> | <u>510,036</u> | <u>510,036</u> |
| BALANCE AT 31 MARCH 2014 | | <u>219,191</u> | <u>75,387</u> | <u>2,102,559</u> | <u>2,397,137</u> |

LASCO DISTRIBUTORS LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2014

| | <u>2014</u> <u>\$'000</u> | <u>2013</u> <u>\$'000</u> |
|--|------------------------------|------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net profit | 587,464 | 506,833 |
| Items not affecting cash resources: | | |
| Effects of exchange rate translation | 7,220 | 18,277 |
| Loss/(gain) on disposal of property, plant and equipment | 1,003 | (744) |
| Depreciation | 22,477 | 18,419 |
| Interest income | (18,541) | (15,628) |
| Interest expense | <u>2,044</u> | <u>6,217</u> |
| | 601,667 | 533,374 |
| Changes in operating assets and liabilities: | | |
| Inventories | (30,894) | (534,989) |
| Receivables | (504,041) | (313,752) |
| Payables | 644,566 | 250,018 |
| Directors' current account | - | 2,820 |
| Related companies | <u>(2,659)</u> | <u>(2,303)</u> |
| | 708,639 | (64,832) |
| Taxation paid | <u>(2,246)</u> | <u>(2,574)</u> |
| Cash provided by/(used in) operating activities | <u>706,393</u> | <u>(67,406)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Long term investments | 150,000 | - |
| Short term investments | (562,584) | 49,360 |
| Interest received | 16,141 | 14,182 |
| Proceeds from disposal of property, plant and equipment | - | 806 |
| Purchase of property, plant and equipment | <u>(97,498)</u> | <u>(28,338)</u> |
| Cash (used in)/provided by investing activities | <u>(493,941)</u> | <u>36,010</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Interest paid | (2,044) | (6,217) |
| Dividends paid | <u>(77,428)</u> | <u>(84,160)</u> |
| Cash used in financing activities | <u>(79,472)</u> | <u>(90,377)</u> |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 132,980 | (121,773) |
| Cash and cash equivalents at beginning of year | 173,204 | 295,977 |
| Effect of exchange rate translation on cash and cash equivalents | <u>(1,105)</u> | <u>(1,000)</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 17) | <u>305,079</u> | <u>173,204</u> |

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2014

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:

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). These financial statements are presented in Jamaican dollars, which is considered the company's functional and presentation 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. Amounts are rounded to the nearest thousand, unless otherwise stated.

(a) **Basis of preparation -**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), and have been prepared under the historical cost convention, as modified by the revaluation of certain properties. They are also prepared in accordance with provisions of the Jamaican Companies Act.

The preparation of financial statements in conformity with IFRSs 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 disclosed in note 4.

Amendments to published standards effective in the current year that are relevant to the company's operations

IAS 1 (Amendment), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 1 July 2012). This amendment changes the disclosure of items presented in other comprehensive income (OCI) in the statement of comprehensive income. In particular, items of other comprehensive income are required to be classified into those that will and will not be reclassified to profit or loss. As the amendment only affects presentation, there is no effect on the company's financial statements.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

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

Amendments to published standards effective in the current year that are relevant to the company's operations (cont'd)

IFRS 13, 'Fair Value Measurement', (effective for annual periods beginning on or after 1 January 2013). 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 adoption of this standard has no significant impact on the company's financial statements.

Standards and amendments to published standards that are not yet effective and have not been early adopted by the company

IAS 32 (Amendment), 'Financial Instruments: Presentation' (effective for annual periods beginning on or after 1 January 2014). Amendments relating to the offsetting of assets and liabilities.

IAS 36, 'Impairment of Assets' (effective for annual periods beginning on or after 1 January 2014). Amendments arising from Recoverable Amount Disclosures for Non-Financial Assets.

IFRS 9, 'Financial Instruments', (effective for annual periods beginning on or after 1 January 2015). IFRS 9 addresses classification and measurement of financial assets and liabilities and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.

Classification of financial assets under IFRS 9 is driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. IFRS 9 also removes the requirement to separate embedded derivatives from financial asset hosts. It requires a hybrid contract to be classified in its entirety at either amortised cost or fair value.

For financial liabilities IFRS 9 retains most of the IAS 39 requirements including amortised cost accounting for most financial liabilities and the requirement to separate embedded derivatives. The main change is where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

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 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(b) Foreign currency translation -

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated to Jamaican dollars using the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated using the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

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 recognized in profit or loss.

(c) Property, plant and equipment -

Items of property, plant and equipment are recorded at historical cost, less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Freehold land and buildings are subsequently carried at fair value, based on periodic valuations by a professionally qualified valuer. These revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in the revaluation reserve except to the extent that any decrease in value in excess of the credit balance on the revaluation reserve, or reversal of such a transaction, is recognised in profit or loss.

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.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(c) Property, plant and equipment (cont'd) -

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

(d) Inventories -

Inventories are stated at the lower of cost and fair value less costs to sell, cost being determined on the first-in, first-out basis. Fair value less costs to sell is the estimated selling price in the ordinary course of business, less selling expenses.

(e) Provisions -

Provisions for restructuring costs and legal claims are recognized when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

(f) Revenue recognition -

Revenue is recognized in the statement of comprehensive income 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 and allowances and discounts.

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

The company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefit will flow to the entity and when specific criteria have been met for each of the company's activities as described above.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(g) Impairment of non-current assets -

Property, plant and equipment and other non-current assets are reviewed for impairment losses 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 carrying amount of the asset exceeds its recoverable amount, which is the greater of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identified cash flows. Non financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) Trade receivables -

Trade receivables are carried at original invoiced amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the company will not collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the expected cash flows discounted at the market rate of interest for similar borrowings. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to profit or loss.

(i) Current and deferred income taxes -

Current tax charges are based on taxable profits for the year, which differ from the profit before tax reported because taxable profits exclude 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 reporting date.

Deferred tax is the tax that is expected to be paid or recovered 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. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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 relates to items charged or credited to other comprehensive income or equity, in which case deferred tax is also dealt with in other comprehensive income or equity.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(j) 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.

(k) Trade and other payables -

Trade payables are stated at amortized cost.

(l) Employee benefits -

(i) Defined contribution plan

The company operates a defined contribution pension plan 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. Contributions to defined benefit pension plan are charged to the statement of profit or loss, in the year to which they relate.

(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) Annual vacation leave and other benefits

Employee entitlement to annual vacation 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.

(m) Financial instruments -

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

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(m) Financial instruments (cont'd) -

(i) Classification

Financial assets

The company classifies its financial assets as loans and receivables. 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.

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 reporting date. These are classified as non-current assets. The company's loans and receivables comprise trade and other receivables, related company balances, short term investments and cash and bank balances in the statement of financial position.

(ii) Recognition and Measurement

Regular purchases and sales of financial assets are recognized on the trade-date - the date on which the company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

The company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from other comprehensive income and recognized in profit or loss. Impairment testing of trade receivables is described in note 3(h).

Financial liabilities

The company's financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method. At the reporting date, trade and other payables and bank overdraft were classified as financial liabilities.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(n) 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.

(o) Other receivables -

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

(p) Segment reporting -

A business segment is a group of assets and operations 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 internal reporting to the company's chief operating decision maker.

(q) Dividend distribution -

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders. In the case of interim dividends, this is recognised when declared by the directors.

Dividend for the year that are declared after the reporting date are dealt with in the subsequent events note.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2014

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY:

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the company's accounting policies -

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

(b) 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 and assets and liabilities within the next financial year are discussed below:

(i) Fair value estimation

A number of assets and liabilities included in the company's financial statements require measurement at, and/or disclosure of, at fair value.

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. Market price is used to determine fair value where an active market (such as a recognized stock exchange) exists as it is the best evidence of the fair value of a financial instrument.

The fair value measurement of the company's financial and non financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique are.

The standard requires disclosure of fair value measurements by level using the following fair value measurement hierarchy:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2014

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D):

(b) Key sources of estimation uncertainty (cont'd) -

(i) Fair value estimation (cont'd)

The classification of an item into the above level is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item.

Transfers of items between levels are recognised in the period they occur.

The company measures the following item at fair value -

Revalued land and building - Property, plant and equipment (note 12)

The fair values of financial instruments that are not traded in an active market are deemed to be determined as the face value, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year. These are estimated to approximate their fair values. These financial assets and liabilities include cash and bank balances, receivables, payables and related company balances.

(i) 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.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2014

5. FINANCIAL RISK MANAGEMENT:

The company is exposed through its operations to the following financial risks:

- Credit risk
- Fair value or cash flow interest rate risk
- Foreign exchange risk
- Other market price, and
- Liquidity risk

In common with all other businesses, the company's activities expose it to a variety of risks that arise from its use of financial instruments. This note describes the company's objectives, policies and processes for managing those risks to minimize potential adverse effects on the financial performance of the company and the methods used to measure them.

There have been no substantive changes in the company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

(i) Principal financial instruments

The principal financial instruments used by the company, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables
- Related companies
- Short term investments

(ii) Financial instruments by category

Financial assets

| | <u>Loans and Receivables</u> | |
|-------------------------------|----------------------------------|-------------------------|
| | <u>2014</u> | <u>2013</u> |
| | <u>\$'000</u> | <u>\$'000</u> |
| Short term investments | 583,448 | 20,864 |
| Cash and bank balances | 305,079 | 218,982 |
| Receivables | 1,662,968 | 1,163,255 |
| Related companies | <u>8,933</u> | <u>6,274</u> |
| Total financial assets | <u>2,560,428</u> | <u>1,409,375</u> |

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2014

5. FINANCIAL RISK MANAGEMENT (CONT'D):

(ii) Financial instruments by category (cont'd)

Financial liabilities

| | Financial liabilities at amortised cost | |
|------------------------------------|--|-------------------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Payables | 1,766,186 | 1,115,505 |
| Bank overdraft | - | 45,778 |
| Total financial liabilities | <u>1,766,186</u> | <u>1,161,283</u> |

(iii) Financial instruments not measured at fair value

Financial instruments not measured at fair values includes cash and cash equivalents, receivables, payables and short term investments.

Due to their short-term nature, the carrying values of cash and cash equivalents, short term investments, receivables and payables approximate their fair value.

(iv) Financial risk factors

The Board of Directors has overall responsibility for the determination of the company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the company's finance function. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investments of excess liquidity.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the company's competitiveness and flexibility. Further details regarding these policies are set out below:

(i) Market risk

Currency risk

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

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2014

5. FINANCIAL RISK MANAGEMENT (CONT'D):

(iv) Financial risk factors (cont'd)

(i) Market risk (cont'd)

Currency risk (cont'd)

Currency risk arises from transactions for purchases and US dollar cash and bank balances. The company manages this 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 maximizing foreign currency earnings and holding net foreign currency assets.

Concentration of currency risk

The company is exposed to foreign currency risk in respect of US dollar as follows:

| | <u>2014</u> <u>\$'000</u> | <u>2013</u> <u>\$'000</u> |
|------------------------|------------------------------|------------------------------|
| Cash and bank balances | 19,533 | 448 |
| Short term investments | 217,983 | - |
| Trade receivables | 649,839 | 462,590 |
| Other receivables | 67,370 | 62,720 |
| Trade payables | <u>(916,036)</u> | <u>(552,873)</u> |
| | <u>38,689</u> | <u>(27,115)</u> |

Foreign currency sensitivity

The following table indicates the sensitivity of profit before taxation to changes in foreign exchange rates. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated short term investments, cash and bank balances, accounts receivable and payable balances, and adjusts their translation at the year-end for 15% (2012 - 10%) depreciation and a 1% (2013 - 1%) appreciation of the Jamaican dollar against the US dollar. The changes below would have no impact on other components of equity.

| | % Change in <u>Currency Rate</u> | Effect on Profit before <u>Taxation</u> | % Change in <u>Currency Rate</u> | Effect on Profit before <u>Taxation</u> |
|-----------|-------------------------------------|---|-------------------------------------|---|
| | <u>2014</u> <u>\$'000</u> | <u>2014</u> <u>\$'000</u> | <u>2013</u> <u>\$'000</u> | <u>2013</u> <u>\$'000</u> |
| Currency: | | | | |
| USD | -15 | 5,803 | -10 | (2,711) |
| USD | <u>+1</u> | <u>(387)</u> | <u>+1</u> | <u> 271</u> |

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2014

5. FINANCIAL RISK MANAGEMENT (CONT'D):

(iv) Financial risk factors (cont'd)

(i) Market risk (cont'd)

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 company is not exposed to market price fluctuations.

Cash flow and fair value 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.

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

The company is primarily exposed to cash flow interest rate risk on its short term investments.

Short term investments and bank overdraft are the only interest bearing assets and liabilities respectively, within the company. The company's short term investments are due to mature within 3 months to a year of the reporting date.

Interest rate sensitivity

There is no significant exposure to interest rate risk on short term deposits, as these deposits have a short term to maturity and are constantly reinvested at current market rates.

(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. Credit risk arises from trade receivables, related companies and cash and bank balances.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2014

5. FINANCIAL RISK MANAGEMENT (CONT'D):

(iv) Financial risk factors (cont'd)

(ii) Credit risk (cont'd)

Trade receivables

Revenue transactions in respect of the company's primary operations are settled either in cash or by using major credit cards. For its operations done on a credit basis, the company has policies in place to ensure that sales are made to customers with an appropriate credit history.

Cash and bank balances

Cash transactions are limited to high credit quality financial institutions. The company has policies that limit the amount of credit exposure to any one financial institution.

Maximum exposure to credit risk

The maximum exposure to credit risk is equal to the carrying amount of trade and other receivables and cash and cash equivalents in the statement of financial position.

Trade receivables that are past due but not impaired

As at 31 March 2014, trade receivables of \$614,492,751 (2013 - \$412,525,771) were past due but not impaired. This includes \$267,160,709 (2013 - 191,940,277) for Roche customers. The others relate to independent customers for whom there is no recent history of default.

Trade receivables that are past due and impaired

As of 31 March 2014, the company had trade receivables of \$7,986,919 (2013 - \$6,114,574) that were impaired. The amount of the provision was \$7,986,919 (2013 - \$6,114,574). These receivables were aged over 90 days.

Movements on the provision for impairment of trade receivables are as follows:

| | <u>2014</u> <u>\$'000</u> | <u>2013</u> <u>\$'000</u> |
|---|------------------------------|------------------------------|
| At 1 April | 6,114 | 4,683 |
| Provision for receivables impairment | 2,196 | 4,555 |
| Receivables written off during the year as uncollectible | (323) | (3,124) |
| At 31 March | <u>7,987</u> | <u>6,114</u> |

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2014

5. FINANCIAL RISK MANAGEMENT (CONT'D):

(iv) Financial risk factors (cont'd)

(ii) Credit risk (cont'd)

Trade receivables that are past due and impaired (cont'd)

The creation and release of provision for impaired receivables have been included in expenses in profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. Impairment estimates have been adjusted based on actual collection patterns.

(iii) Liquidity risk

Liquidity risk is the risk that the company will be unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, and the availability of funding through an adequate amount of committed credit facilities.

Liquidity risk management process

The company's liquidity management process, as carried out within the company and monitored by the Finance Department, includes:

- (i) Monitoring future cash flows and liquidity on a daily basis.
- (ii) Maintaining a portfolio of short term investment balances that can easily be liquidated as protection against any unforeseen interruption to cash flow.
- (iii) Maintaining committed lines of credit.
- (iv) Optimising cash returns on investments.

Cash flows of financial liabilities

The maturity profile of the company's financial liabilities, based on contractual undiscounted payments, is as follows:

| | Within 1 Year \$'000 | 1 to 2 Years \$'000 | 2 to 5 Years \$'000 | Over 5 Years \$'000 | Total \$'000 |
|---|----------------------------|---------------------------|---------------------------|---------------------------|-------------------------|
| 31 March 2014 | | | | | |
| Payables | <u>1,766,186</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,766,186</u> |
| Total financial liabilities (contractual maturity dates) | <u>1,766,186</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,766,186</u> |

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2014

5. FINANCIAL RISK MANAGEMENT (CONT'D):

(iv) Financial risk factors (cont'd)

(iii) Liquidity risk (cont'd)

Cash flows of financial liabilities (cont'd)

| | Within 1 Year <u>\$'000</u> | 1 of 2 Years <u>\$'000</u> | 2 to 5 Years <u>\$'000</u> | Over 5 Years <u>\$'000</u> | Total <u>\$'000</u> |
|---|-----------------------------------|----------------------------------|----------------------------------|----------------------------------|-------------------------|
| 31 March 2013 | | | | | |
| Payables | 1,115,505 | - | - | - | 1,115,505 |
| Bank overdraft | <u>45,778</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>45,778</u> |
| Total financial liabilities (contractual maturity dates) | <u><u>1,161,283</u></u> | <u><u>-</u></u> | <u><u>-</u></u> | <u><u>-</u></u> | <u><u>1,161,283</u></u> |

(v) 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 stockholders and benefits for other stakeholders. The Board of Directors monitors the return on capital, which the company defines as net operating income, excluding non-recurring items, divided by total stockholders' equity. The Board of Directors also monitors the level of dividends to stockholders.

There are no particular strategies to determine the optimal capital structure. There are also no external capital maintenance requirements to which the company is subject.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2014

6. 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.

| | 2014 | | |
|---------------------------------|--------------------------------|--------------------------------------|------------------|
| | Consumer Division \$'000 | Pharmaceutical Division \$'000 | Total \$'000 |
| Revenue - | | | |
| Total revenue | <u>7,631,644</u> | <u>1,833,100</u> | 9,464,744 |
| Eliminations | | | <u>-</u> |
| Revenue from external customers | | | <u>9,464,744</u> |
| Segment result | <u>542,274</u> | <u>45,190</u> | 587,464 |
| Eliminations | | | <u>-</u> |
| | | | <u>587,464</u> |
| Segment assets(1) | <u>1,600,439</u> | <u>1,141,655</u> | 2,742,094 |
| Unallocated assets | | | <u>1,421,229</u> |
| Total assets | | | <u>4,163,323</u> |
| Segment liabilities(2) | <u>877,230</u> | <u>799,707</u> | 1,676,937 |
| Unallocated liabilities | | | <u>89,249</u> |
| Total liabilities | | | <u>1,766,186</u> |
| Other items - | | | |
| Finance income | <u>21,444</u> | <u>-</u> | <u>21,444</u> |
| Finance costs | <u>1,562</u> | <u>482</u> | <u>2,044</u> |

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2014

6. SEGMENT REPORTING (CONT'D):

| | 2013 | | |
|------------------------------------|---|---|-------------------------|
| | <u>Consumer Division \$'000</u> | <u>Pharmaceutical Division \$'000</u> | <u>Total \$'000</u> |
| Revenue - | | | |
| Total revenue | <u>6,458,490</u> | <u>1,796,864</u> | 8,255,354 |
| Eliminations | | | <u>-</u> |
| Revenue from external customers | | | <u>8,244,354</u> |
| Segment result | <u>417,052</u> | <u>89,781</u> | 506,833 |
| Eliminations | | | <u>-</u> |
| | | | <u>506,833</u> |
| Segment assets ⁽¹⁾ | <u>1,319,652</u> | <u>996,883</u> | 2,316,535 |
| Unallocated assets | | | <u>731,849</u> |
| Total assets | | | <u>3,048,384</u> |
| Segment liabilities ⁽²⁾ | <u>603,756</u> | <u>436,124</u> | 1,039,880 |
| Unallocated liabilities | | | <u>121,403</u> |
| Total liabilities | | | <u>1,161,283</u> |
| Other items - | | | |
| Finance income | <u>15,628</u> | <u>-</u> | <u>15,628</u> |
| Finance costs | <u>4,775</u> | <u>1,442</u> | <u>6,217</u> |

(1) Reportable segments' assets are reconciled to the company's total assets as follows:

| | <u>2014 \$'000</u> | <u>2013 \$'000</u> |
|---|------------------------|------------------------|
| Segment assets from reportable segments | 2,742,094 | 2,316,535 |
| Unallocated assets - | | |
| Property, plant and equipment | 272,187 | 198,169 |
| Taxation recoverable | 7,979 | 5,733 |
| Long term investments | - | 150,000 |
| Related companies | 8,933 | 6,274 |
| Inventories | 617 | 1,022 |
| Other receivables | 242,986 | 130,805 |
| Cash and cash equivalents | <u>888,527</u> | <u>239,846</u> |
| | <u>4,163,323</u> | <u>3,048,384</u> |

LASCO DISTRIBUTORS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2014

6. SEGMENT REPORTING (CONT'D):

(2) Reportable segments' liabilities are reconciled to the company's total liabilities as follows:

| | <u>2014</u> <u>\$'000</u> | <u>2013</u> <u>\$'000</u> |
|--|------------------------------|------------------------------|
| Segment liabilities from reportable segments | 1,676,937 | 1,039,880 |
| Unallocated liabilities - | | |
| Payables | 89,249 | 75,625 |
| Bank overdraft | <u>-</u> | <u>45,778</u> |
| | <u>1,766,186</u> | <u>1,161,283</u> |

7. REVENUE:

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

8. OTHER OPERATING INCOME:

| | <u>2014</u> <u>\$'000</u> | <u>2013</u> <u>\$'000</u> |
|----------------------|------------------------------|------------------------------|
| Commission - | | |
| Roche | 24,600 | 12,252 |
| Other | 3,310 | 4,904 |
| Interest income | 21,444 | 15,628 |
| Rental income | 266 | 498 |
| Miscellaneous income | <u>1,099</u> | <u>876</u> |
| | <u>50,719</u> | <u>34,158</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

31 MARCH 2014

9. EXPENSES BY NATURE:

Total administrative, selling and other expenses:

| | <u>2014</u> <u>\$'000</u> | <u>2013</u> <u>\$'000</u> |
|----------------------------------|------------------------------|------------------------------|
| Staff costs (note 10) | 770,645 | 679,185 |
| Directors' fees | 3,657 | 2,880 |
| Property expenses | 29,601 | 28,640 |
| Transportation and communication | 46,590 | 39,217 |
| Advertising and promotion | 163,487 | 171,510 |
| Management and consultancy fees | 41,903 | 23,156 |
| Insurance | 28,425 | 23,513 |
| Stationery | 11,157 | 10,023 |
| Utilities and postage | 50,252 | 50,580 |
| Security | 43,741 | 36,815 |
| Donations and subscriptions | 42,481 | 26,545 |
| Bank charges | 17,438 | 18,329 |
| Auditors' remuneration | 4,600 | 4,200 |
| Foreign exchange loss | 7,220 | 18,277 |
| Depreciation | 22,477 | 18,419 |
| Other administrative expenses | <u>11,844</u> | <u>11,082</u> |
| | <u>1,295,518</u> | <u>1,162,371</u> |

10. STAFF COSTS:

| | <u>2014</u> <u>\$'000</u> | <u>2013</u> <u>\$'000</u> |
|----------------------|------------------------------|------------------------------|
| Salaries and wages | 502,797 | 442,709 |
| Statutory deductions | 53,090 | 48,847 |
| Pension costs | 19,272 | 17,935 |
| Commission | 106,008 | 98,844 |
| Accommodation | 12,787 | 9,288 |
| Other | <u>72,986</u> | <u>55,913</u> |
| | 766,940 | 673,536 |
| Termination costs | <u>3,705</u> | <u>5,649</u> |
| | <u>770,645</u> | <u>679,185</u> |

The average number of persons employed by the company during the year was three hundred and forty four (344) (2013 - three hundred and eleven (311)).

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2014

11. FINANCE COSTS:

| | <u>2014</u> <u>\$'000</u> | <u>2013</u> <u>\$'000</u> |
|--------------------|------------------------------|------------------------------|
| Interest expense - | | |
| Bank borrowings | 555 | 3,434 |
| Other | <u>1,489</u> | <u>2,783</u> |
| | <u>2,044</u> | <u>6,217</u> |

12. TAXATION EXPENSE:

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

| | <u>2014</u> <u>\$'000</u> | <u>2013</u> <u>\$'000</u> |
|---|------------------------------|------------------------------|
| Profit before taxation | <u>587,464</u> | <u>506,833</u> |
| Taxation calculated @ 25% | 146,866 | 126,708 |
| Adjusted for the effects of: | | |
| Expenses not deducted for tax purposes | 10,620 | 9,022 |
| Tax depreciation | (6,046) | (4,823) |
| Unrealised foreign exchange (gain)/loss | (2,764) | 8,864 |
| Net effect of other charges and allowances | <u>(349)</u> | <u>280</u> |
| | 148,327 | 140,051 |
| Adjustment for the effect of tax remission: | | |
| Current tax | <u>(148,327)</u> | <u>(140,051)</u> |
| Taxation charge in income statement | <u>-</u> | <u>-</u> |

- (b) 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

31 MARCH 2014

13. EARNINGS PER STOCK UNIT:

Earnings per stock unit is calculated by dividing the net profit attributable to stockholders by the number of ordinary stock units in issue at year end.

| | <u>2014</u> | <u>2013</u> |
|--|------------------|------------------|
| Net profit attributable to stockholders (\$'000) | 587,464 | 506,833 |
| Number of ordinary stocks units ('000) | <u>3,366,431</u> | <u>3,366,431</u> |
| Earnings per stock unit (\$ per share) | <u>0.17</u> | <u>0.15</u> |

The number of shares for both years reflects the ten (10) split in the number of shares in issue up to 5 July 2013.

14. PROPERTY, PLANT AND EQUIPMENT:

| | <u>Freehold Land & Buildings</u> \$'000 | <u>Computer</u> \$'000 | <u>Furniture, Fixtures & Equipment</u> \$'000 | <u>Motor Vehicles</u> \$'000 | <u>Total</u> \$'000 |
|---------------------|--|---------------------------|--|-------------------------------------|------------------------|
| Cost/valuation - | | | | | |
| At 1 April 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 | 193,362 | 91,168 | 117,899 | 23,671 | 426,100 |
| Additions | 6,347 | 12,116 | 30,298 | 48,737 | 97,498 |
| Disposals | <u>-</u> | <u>(115)</u> | <u>(80,562)</u> | <u>(2,139)</u> | <u>(82,816)</u> |
| At 31 March 2014 | <u>199,709</u> | <u>103,169</u> | <u>67,635</u> | <u>70,269</u> | <u>440,782</u> |
| Depreciation - | | | | | |
| At 1 April 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 |
| Disposal | <u>-</u> | <u>(163)</u> | <u>-</u> | <u>(14,274)</u> | <u>(14,437)</u> |
| At 31 March 2013 | 42,506 | 71,884 | 101,009 | 12,532 | 227,931 |
| Charge for the year | 3,589 | 6,808 | 6,502 | 5,578 | 22,477 |
| Disposal | <u>-</u> | <u>(36)</u> | <u>(79,638)</u> | <u>(2,139)</u> | <u>(81,813)</u> |
| At 31 March 2014 | <u>46,095</u> | <u>78,656</u> | <u>27,873</u> | <u>15,971</u> | <u>168,595</u> |
| Net Book Value - | | | | | |
| 31 March 2014 | <u>153,614</u> | <u>24,513</u> | <u>39,762</u> | <u>54,298</u> | <u>272,187</u> |
| 31 March 2013 | <u>150,856</u> | <u>19,284</u> | <u>16,890</u> | <u>11,139</u> | <u>198,169</u> |

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2014

14. PROPERTY, PLANT AND EQUIPMENT (CONT'D):

Included in freehold land and 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.

The company's freehold land and buildings were valued on 19 March 2014 by external independent and qualified valuers. The fair value of \$843,000,000 was determined using the market comparable approach that reflects the recent transaction prices for similar properties. However, as a result of the significant construction in progress at the White Marl property, management has decided not to adjust the carrying value until the construction is completed.

15. INVESTMENTS:

| | <u>2014</u> <u>\$'000</u> | <u>2013</u> <u>\$'000</u> |
|-----------------------|------------------------------|------------------------------|
| Long term investments | - | <u>150,000</u> |

This represented interest bearing amounts which were 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 was transferred to a savings account.

| | <u>2014</u> <u>\$'000</u> | <u>2013</u> <u>\$'000</u> |
|--------------------------|------------------------------|------------------------------|
| Short term investments - | | |
| Jamaican dollars | 365,465 | 20,864 |
| United States dollars | <u>217,983</u> | <u>-</u> |
| | <u>583,448</u> | <u>20,864</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. The weighted average interest rate for investments denominated in Jamaican dollars and United States dollars were 5.15% and 4.05% respectively (2013 - 3% for Jamaican dollars).

16. INVENTORIES:

| | <u>2014</u> <u>\$'000</u> | <u>2013</u> <u>\$'000</u> |
|--------------------|------------------------------|------------------------------|
| Goods for resale - | | |
| Roche | 27,400 | 49,464 |
| Other | 1,038,467 | 973,821 |
| Inventory - other | 617 | 1,022 |
| Goods-in-transit | <u>246,439</u> | <u>257,722</u> |
| | <u>1,312,923</u> | <u>1,282,029</u> |

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2014

17. RECEIVABLES:

| | <u>2014</u> <u>\$'000</u> | <u>2013</u> <u>\$'000</u> |
|---------------------------|------------------------------|------------------------------|
| Trade receivables - | | |
| Roche (see below) | 490,799 | 269,944 |
| Other | <u>879,606</u> | <u>708,978</u> |
| | 1,370,405 | 978,922 |
| Less: Bad debts provision | <u>(7,987)</u> | <u>(6,114)</u> |
| | 1,362,418 | 972,808 |
| Other receivables | <u>310,356</u> | <u>193,525</u> |
| | <u>1,672,774</u> | <u>1,166,333</u> |

Included in trade receivables for Roche are items on which Roche bears the credit risk solely. The corresponding liability is included in trade payables.

18. 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>2014</u> <u>\$'000</u> | <u>2013</u> <u>\$'000</u> |
|--|------------------------------|------------------------------|
| <u>Transactions</u> | | |
| Purchases of goods and services/foreign currency: | | |
| Lasco Manufacturing Limited - | | |
| Goods | 3,622,535 | 3,339,219 |
| Management fees | - | 2,839 |
| Lasco Financial Services Limited - | | |
| Foreign currency | 2,178,946 | 1,591,934 |
| Management fees | <u>324</u> | <u>1,194</u> |
| Sale of goods: | | |
| Lasco Manufacturing Limited | <u>32,953</u> | <u>33,053</u> |
| Key management compensation (included in staff costs - Note 10): | | |
| Key management includes directors and senior managers - Salaries and other short-term employee benefits | <u>74,573</u> | <u>72,594</u> |
| Directors' emoluments - | | |
| Fees | 3,657 | 2,880 |
| Management remuneration (included above) | <u>49,276</u> | <u>47,293</u> |

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2014

18. RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D):

| | <u>2014</u> <u>\$'000</u> | <u>2013</u> <u>\$'000</u> |
|---|------------------------------|------------------------------|
| <u>Year end balances</u> | | |
| With related companies: | | |
| Due from - | | |
| Lasco Manufacturing Limited | 7,293 | 4,554 |
| Lasco Financial Services Limited | <u>1,640</u> | <u>1,720</u> |
| | <u>8,933</u> | <u>6,274</u> |
| Lasco Manufacturing Limited (included in trade receivables) | <u>6,328</u> | <u>6,235</u> |
| With related companies: | | |
| Due to - | | |
| Lasco Financial Services Limited (included in other payables) | <u>107</u> | <u>3,238</u> |
| Lasco Manufacturing Limited (included in trade payables) | <u>669,379</u> | <u>464,839</u> |

These balances are due and payable within thirty (30) days which is the company's normal credit term.

19. CASH AND CASH EQUIVALENTS:

| | <u>2014</u> <u>\$'000</u> | <u>2013</u> <u>\$'000</u> |
|-----------------------------------|------------------------------|------------------------------|
| Cash and bank balances - | | |
| Fixed deposit | 21,622 | 10,608 |
| Jamaican currency current account | 230,343 | 23,733 |
| Jamaica currency savings account | 31,804 | 8,568 |
| Foreign currency accounts | 19,533 | 448 |
| Cash in hand | <u>1,777</u> | <u>175,625</u> |
| | 305,079 | 218,982 |
| Bank overdraft | <u>-</u> | <u>(45,778)</u> |
| | <u>305,079</u> | <u>173,204</u> |

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

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2014

19. CASH AND CASH EQUIVALENTS (CONT'D):

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.
- (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.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2014

| | | | |
|-----|---|------------------|------------------|
| 20. | SHARE CAPITAL: | | |
| | | <u>2014</u> | <u>2013</u> |
| | | <u>\$'000</u> | <u>\$'000</u> |
| | Authorised - | | |
| | 3,630,000,000 (2013 - 363,000,000) Ordinary shares | | |
| | of no par value | | |
| | Stated capital - | | |
| | Issued and fully paid - | | |
| | 3,366,431,150 (2013 - 336,643,115) Ordinary shares of | | |
| | no par value | <u>219,191</u> | <u>219,191</u> |
| | Increase in authorised and stated capital | | |
| | At an Extra Ordinary General Meeting held 26 June 2013, the following Resolution was passed: | | |
| | That each of the shares of no par value in the present capital of the company whether issued or unissued be sub-divided into ten (10) shares of no par value. | | |
| 21. | REVALUATION RESERVE: | | |
| | This represents unrealised surplus on revaluation of property, plant and equipment. | | |
| 22. | PAYABLES: | | |
| | | <u>2014</u> | <u>2013</u> |
| | | <u>\$'000</u> | <u>\$'000</u> |
| | Trade payables - | | |
| | Roche (see note 17) | 361,130 | 189,857 |
| | Other | <u>1,356,190</u> | <u>886,108</u> |
| | | 1,717,320 | 1,075,965 |
| | Other payables and accruals | <u>48,866</u> | <u>39,540</u> |
| | | <u>1,766,186</u> | <u>1,115,505</u> |
| 23. | DIVIDENDS PAID: | | |
| | | <u>2014</u> | <u>2013</u> |
| | | <u>\$'000</u> | <u>\$'000</u> |
| | In respect of 31 March 2014 (2.3¢ per share) | 77,428 | - |
| | In respect of 31 March 2013 (25¢ per share) | <u>-</u> | <u>84,160</u> |
| | | <u>77,428</u> | <u>84,160</u> |

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2014

24. PENSION PLAN:

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

The plan is funded by the company's and employees' contributions. The company's contributions to the scheme are expensed and amounted to \$19,271,812 for the year (2013 - \$17,934,796).

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 company was successful in the Jamaican Court of Appeal and Pfizer has appealed to the Privy Council. The matter was heard by the Privy Council on 2 May 2014 and judgement has been reserved. The Jamaican Court of Appeal had refused a stay in the matter and evidence for damages suffered consequent upon the injunction is being prepared. A request was made to the Registrar of the Supreme Court for the date of hearing of the assessment of damages. Since the Privy Council has reserved judgement, the Registrar of the Supreme Court has not been pressed for a date of assessment.

The attorneys expect that shortly after the hearing at the Privy Council, damages should be assessed, if the Board rules in the company's favour. They are of the opinion that the company should be successful on the appeal to the Privy Council.

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