LASCO DISTRIBUTORS LIMITED

FINANCIAL STATEMENTS

31 MARCH 2018

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31 MARCH 2018

I N D E X

BDO

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Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the Members of
Lasco Distributors Limited

Report on the Financial Statements

Opinion

We have audited the financial statements of Lasco Distributors Limited set out on pages 6 to 44, which comprise the statement of financial position at 31 March 2018, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Jamaican Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Lasco Distributors Limited

Key audit matters (cont'd)

Key audit matter	How our audit addressed the Key audit matter
Impairment of trade receivables See notes 3(l)(ii), 5(c)(ii) and 17 to the financial statements for management's related policies and disclosures. Trade receivables (net of impairment provisions) amounted to $1.98 billion at 31 March 2018 and impairment provision was estimated at $18.07 million. Management makes judgements regarding the collectability of receivables by making certain assumptions and judgements about its customers in arriving at the provision for impairment. These include classifying its customers over 90 days into risk categories. Generally, Government and long established private companies with significant financial standing demonstrated by their presence in the wholesale and retail industries although classified as moderate risk are excluded from the provision. As these customers form a significant portion of the company's receivables, there is increased exposure based on the methodology employed.	Our audit procedures included an assessment of the underlying assumptions on which the company's credit policy is made and included: • We reviewed accounts receivable balances over 90 days in general for consistencies with the company's credit policy. • We reviewed the payment history of a sample of the customers excluded from the listing to establish payment patterns and credibility. • We determined whether excluded wholesale and retail customers demonstrated good financial standing and whether there were any known public happenings that demonstrated otherwise.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Lasco Distributors Limited

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS and 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.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Lasco Distributors Limited

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also (cont'd):

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Lasco Distributors Limited

Report on additional matters as required by the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act, in the manner required.

The engagement partner on the audit resulting in this independent auditors' report is Sonia McFarlane.

BDO

Chartered Accountants

28 May 2018

LASCO DISTRIBUTORS LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 MARCH 2018

	Note	2018 $'000	2017 $'000
REVENUE	7	16,269,083	15,803,329
COST OF SALES		(13,097,226)	(12,865,941)
GROSS PROFIT		3,171,857	2,937,388
Other operating income	8	395,412	115,196
		3,567,269	3,052,584
EXPENSES:			
Administrative and other expenses		(1,919,204)	(1,779,098)
Selling and promotion expenses		(568,172)	(583,978)
	9	(2,487,376)	(2,363,076)
OPERATING PROFIT		1,079,893	689,508
Finance costs	11	(524)	(2,616)
PROFIT BEFORE TAXATION		1,079,369	686,892
Taxation	12	(75,490)	(77,214)
NET PROFIT FOR THE YEAR		1,003,879	609,678
OTHER COMPREHENSIVE INCOME:			
Item that will not be reclassified to profit or loss -			
Share option plan	23(b)	10,304	30,657
TOTAL COMPREHENSIVE INCOME		1,014,183	640,335
EARNINGS PER STOCK UNIT	13		
Basic		29.42¢	18.00¢
Diluted		29.19¢	17.59¢

LASCO DISTRIBUTORS LIMITED

STATEMENT OF FINANCIAL POSITION

31 MARCH 2018

	Note	2018 $'000	2017 $'000
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	14	1,481,386	1,348,873
Intangible asset	15	133,569	71,684
		1,614,955	1,420,557
CURRENT ASSETS:			
Inventories	16	2,483,422	2,406,735
Receivables	17	2,491,497	2,117,566
Related companies	18	38,504	74,667
Directors' current account	18	18,335	18,432
Taxation recoverable		25,613	22,098
Short term investments	19	118,686	319,958
Cash and cash equivalents	20	1,719,254	1,012,227
		6,895,311	5,971,683
		8,510,266	7,392,240
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	21	428,782	319,050
Revaluation reserve	22	75,387	75,387
Other reserve	23(c)	23,252	52,257
Retained earnings		4,042,433	3,601,442
		4,569,854	4,048,136
NON-CURRENT LIABILITIES:			
Long term loans	24	173,333	171,797
Deferred tax liability	25	16,307	18,500
		189,640	190,297
CURRENT LIABILITIES:			
Payables	26	3,596,852	2,913,174
Current portion of long term loans	24	88,333	180,000
Taxation		65,587	60,633
		3,750,772	3,153,807
		8,510,266	7,392,240

Approved for issue by the Board of Directors on 28 May 2018 and signed on its behalf by:

Hon. Lascelles A. Chin, O.J, C.D, LLD (Hon. Causa)
Chairman

Peter Chin
Director

LASCO DISTRIBUTORS LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 MARCH 2018

	Note	Share Capital $'000	Revaluation Reserve $'000	Other Reserve $'000	Retained Earnings $'000	Total $'000
BALANCE AT 1 APRIL 2016		272,882	75,387	37,735	3,172,040	3,558,044
TOTAL COMPREHENSIVE INCOME						
Net profit		-	-	-	609,678	609,678
Other comprehensive income		-	-	30,657	-	30,657
		-	-	30,657	609,678	640,335
TRANSACTION WITH OWNERS						
Issue of shares	21	30,033	-	-	-	30,033
Transfer from other reserves	23(c)	16,135	-	(16,135)	-	-
Dividends paid	27	-	-	-	(180,276)	(180,276)
		46,168	-	(16,135)	(180,276)	(150,243)
BALANCE AT 31 MARCH 2017		319,050	75,387	52,257	3,601,442	4,048,136
TOTAL COMPREHENSIVE INCOME						
Net profit		-	-	-	1,003,879	1,003,879
Other comprehensive income		-	-	10,304	-	10,304
		-	-	10,304	1,003,879	1,014,183
TRANSACTION WITH OWNERS						
Issue of shares	21	70,423	-	-	-	70,423
Transfer from other reserves	23(c)	39,309	-	(39,309)	-	-
Dividends paid	27	-	-	-	(154,984)	(154,984)
Dividends proposed	27	-	-	-	(407,904)	(407,904)
		109,732	-	(39,309)	(562,888)	(492,465)
BALANCE AT 31 MARCH 2018		428,782	75,387	23,252	4,042,433	4,569,854

LASCO DISTRIBUTORS LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2018

	2018 $'000	2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit	1,003,879	609,678
Items not affecting cash resources:		
Exchange gain on foreign balances	(10,056)	(11,934)
Loss/(gain) on disposal of property, plant and equipment	83	(2,469)
Stock options – value of services expensed	10,304	30,657
Depreciation and amortisation	97,588	89,283
Interest income	(21,502)	(16,175)
Interest expense	524	2,616
Taxation expense	75,490	77,214
	1,156,310	778,870
Changes in operating assets and liabilities:		
Inventories	(76,687)	(470,349)
Receivables	(376,172)	(253,137)
Directors' current account	97	(6,432)
Payables	293,369	221,061
Related companies	36,163	(33,081)
	1,033,080	236,932
Taxation paid	(76,244)	(40,517)
Cash provided by operating activities	956,836	196,415
CASH FLOWS FROM INVESTING ACTIVITIES:		
Short term investments	193,329	(131,669)
Interest received	26,067	12,350
Proceeds from disposal of property, plant and equipment	500	6,967
Purchase of intangible asset	(67,915)	(71,802)
Purchase of property, plant and equipment	(224,654)	(485,108)
Cash used in investing activities	(72,673)	(669,262)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issue of shares	70,423	30,033
Interest paid	(524)	(2,616)
Dividends paid	(154,984)	(180,276)
Loan received	89,869	310,756
Loan repayments	(180,000)	(166,667)
Cash used in financing activities	(175,216)	(8,770)
Net increase/(decrease) in cash and cash equivalents	708,947	(481,617)
Exchange (loss)/gain on cash balances	(1,920)	763
Cash and cash equivalents at beginning of year	1,012,227	1,493,081
CASH AND CASH EQUIVALENTS AT END OF YEAR (note 20)	1,719,254	1,012,227

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

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. The company also exports some of its 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. 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 freehold land and buildings. They are also prepared in accordance with requirements 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.

New, revised and amended standards and interpretations that became effective during the year

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The adoption of those new standards and amendments did not have any impact on the company's financial statements.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

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

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

New standards, amendments and interpretations not yet effective and not early adopted

At the date of authorization of these financial statements, there were certain new standards, amendments and interpretations to existing standards which were in issued but not yet effective and which the company has not early adopted.

Those which management considered may be relevant to the company are as follows:

IFRS 9 'Financial Instruments' (effective for periods beginning on or after 1 January 2018)

The company is required to adopt IFRS 9, *Financial Instruments* from 1 January 2018. The standard replaces IAS 39, *Financial Instruments: Recognition and Measurement* and sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. It contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Based on preliminary assessment, the company does not believe that the new classification requirements will have a material impact. However, the company is still in the process of its assessment and the final impact has not yet been determined.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments.

Under IFRS 9, loss allowances will be measured on either of the following bases:

(i) 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
(ii) Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

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

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

New standards, amendments and interpretations not yet effective and not early adopted (cont'd)

IFRS 9 'Financial Instruments' (effective for periods beginning on or after 1 January 2018) (cont'd)

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for short-term receivables without a significant financing component.

The management has not yet completed their assessment of the financial impact which this standard will have on the financial statements on adoption.

IFRS 15 'Revenue from Contracts with Customers' (effective for periods beginning on or after 1 January 2018)

The company is required to adopt IFRS 15, *Revenue from Contracts with Customers* from 1 January 2018. The standard establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18, *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13, *Customer Loyalty Programmes.*

The company will apply a five-step model to determine when to recognize revenue, and at what amount. The model specifies that revenue should be recognized when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognized at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance.

Management has assessed that the main impact of this standard is in respect of revenue and commission income. Based on preliminary review, IFRS 15 is not expected to have a material impact on the timing and recognition of revenue and commission income. However, management has not yet completed its assessment and the financial impact has not yet been determined.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

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

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

New standards, amendments and interpretations not yet effective and not early adopted (cont'd)

Annual Improvements (2014 – 2016), (effective for annual periods beginning on or after 1 January 2018). These amendments include changes from 2014 – 2016 cycle of the annual improvements project, that effect the following standards: IFRS 12, 'Disclosure of interests in other entities' regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017. The adoption of these amendments will have no significant impact on the company as the company does not have interests in entities classified as held-for-sale.

IFRIC 23, 'Uncertainty over income tax treatments', (effective for annual periods beginning on or after 1 January 2019). This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income Taxes', are applied where there is uncertainity over income tax treatments. The IFRIC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainity over a tax treatments. The adoption of this standard is not expected to have a significant impact on the company.

(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.

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.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

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

(c) **Property, plant and equipment**

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation on all other items of property, plant and equipment 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. Land is not depreciated as it is deemed to have an indefinite life. The expected useful lives of the other property, plant and equipment are as follows:

Buildings	40 years
Furniture and fixtures	10 years
Equipment	5 years
Motor vehicles	5 years
Computer	5 years

Gains or losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amounts and are included in profit or loss. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

(d) **Intangible asset**

Intangible asset which represents computer software is deemed to have a finite useful life of five years and is measured at cost, less accumulated amortisation and accumulated impairment losses, if any.

(e) **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.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

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

(f) **Provisions**

Provisions 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. Provisions are not recognized 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.

(g) **Revenue recognition**

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

(h) **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.

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.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

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

(i) **Current and deferred income taxes**

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.

(j) **Trade and other payables**

Trade payables are stated at amortized cost.

(k) **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 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.

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

(k) **Employee benefits (cont'd)**

(iii) Annual vacation leave and other benefits

Employee entitlement to annual vacation leave and other benefits are recognized 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.

(iv) Share-based compensation

The company operates an equity-settled share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense, with corresponding increase in equity, over the period in which the employee becomes vested to the company. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. At the end of each reporting period, the company revises its estimates of the number of options that are expected to become exercisable.

It recognizes the impact of the revision of original estimates, if any, in the statement of profit or loss, and a corresponding adjustment to equity over the remaining vesting period.

The fair value of employee stock options is measured using a Black-Scholes-Merton formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility), weighted average expected life of the instruments (based on historical experience and general option holder behaviours), expected dividends, and the risk-free interest rate (based on treasury bill rates). Service and non-market performance conditions attached to the transactions are not taken into account in determining the fair value.

(l) **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.

Financial assets

(i) **Classification**

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.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

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

(l) **Financial instruments (cont'd)**

Financial assets (cont'd)

(i) **Classification**

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 asset.

The company's loans and receivables comprise trade and other receivables, short term investments, related companies and cash and cash equivalents. They are included in current assets.

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 and in hand and short term deposits with original maturity of three months or less.

(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 amortized 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.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

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

(l) **Financial instruments (cont'd)**

Financial assets (cont'd)

(ii) **Recognition and Measurement (cont'd)**

For loans and receivables impairment provisions are recognized when there is objective evidence that the company will not collect all of the amounts due under the terms receivable. The amount of the provision is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables which are reported net, such provisions are recorded in a separate provision account with the loss being recognized in profit or loss. On confirmation that the trade receivable is uncollectible, it is written off against the associated provision. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Financial liabilities

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

(m) **Share capital**

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

(n) **Other receivables**

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

(o) **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.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

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

(p) **Dividend distribution**

Dividend distribution to the company's shareholders is recognized 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 recognized when declared by the directors.

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

(q) **Borrowings**

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective yield method. Any difference between proceeds, net of transaction costs, and the redemption value is recognized in profit or loss over the period of the borrowings.

4. **CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES:**

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 of assets and liabilities within the next financial year are discussed below:

(i) **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.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

4. **CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D):**

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

(ii) **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 statement of income through impairment or adjusted depreciation provisions.

(iii) **Net realizable value of inventories**

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realize. The estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

Estimates of net realizable value also take into consideration the purpose for which the inventory is held.

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 is exposed to risks that that arise from its use of financial instruments. This note describes the company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

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.

(a) **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
- Short term investments
- Long term loans
- Due from related companies

(b) **Financial instruments by category**

Financial assets

	Loans and receivables	
	2018	**2017**
	$'000	**$'000**
Short term investments	118,686	319,958
Cash and cash equivalents	1,719,254	1,012,227
Due from related companies	38,504	74,667
Receivables	2,095,997	1,880,257
Total financial assets	3,972,441	3,287,109

Financial liabilities

	Financial liabilities at amortized cost	
	2018	**2017**
	$'000	**$'000**
Payables	2,992,984	2,852,412
Long term loans	261,666	351,797
Total financial liabilities	3,254,650	3,204,209

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(c) **Financial risk factors**

The Board 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 receives monthly reports from the Financial Controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The company's internal auditors also review the risk management policies and processes and report their findings to the Audit Committee.

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**

Market risk arises from the company's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Currency risk

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

Currency risk arises from transactions for sales, 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:

	2018 $'000	2017 $'000
Short term investments	50,239	-
Cash and cash equivalents	446,231	351,426
Trade receivables	582,964	421,133
Other receivables	75,848	269,501
Trade payables	(945,375)	(990,050)
	209,907	52,010

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(c) **Financial risk factors (cont'd)**

(i) **Market risk (cont'd)**

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 cash and bank balances, accounts receivable and payable balances, and adjusts their translation at the year-end for 4% (2017 – 6%) depreciation and a 2% (2017 – 1%) appreciation of the Jamaican dollar against the US dollar. The changes below would have no impact on other components of equity.

	% Change in Currency Rate 2018	Effect on Profit before Taxation 2018 $'000	% Change in Currency Rate 2017	Effect on Profit before Taxation 2017 $'000
Currency:				
USD	-4	8,396	-6	3,121
USD	+2	(4,198)	+1	(520)

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.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(c) **Financial risk factors (cont'd)**

(i) **Market risk (cont'd)**

Cash flow and fair value interest rate risk (cont'd)

Short term investments and long term loans are the only interest bearing assets and liabilities respectively, within the company. The company's short term investments are due to mature within 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.

There is no significant exposure to interest rate risk on borrowings. A 1% increase /1% decrease (2017 – 1% increase/1% decrease) in interest rates on Jamaican dollar borrowings would result in a $2,616,000 decrease/ increase (2017 – $3,518,000 decrease/increase) in profit before tax for the company.

(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 company balances and cash and bank balances.

Trade receivables

Revenue transactions in respect of the company's primary operations are 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.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(c) **Financial risk factors (cont'd)**

(ii) **Credit risk (cont'd)**

The aging of trade receivables is:

	2018 $'000	2017 $'000
0-30 days	1,361,105	960,581
31-60 days	289,321	327,455
61-90 days	43,466	31,105
91 days and over	303,878	270,113
	1,997,770	1,589,254

Trade receivables that are past due but not impaired

As at 31 March 2018, trade receivables of $273,114,000 (2017 - $281,409,000) were past due but not impaired. This includes $180,923,000 (2017 – $132,930,000) 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 at 31 March 2018, the company had trade receivables of $18,065,000 (2017 - $49,459,000) that were impaired. The amount of the provision was $18,065,000 (2017 - $49,459,000). These receivables were aged over 90 days.

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

	2018 $'000	2017 $'000
At 1 April	49,459	26,915
Provision for receivables impairment	1,820	22,544
Receivables written off during the year as uncollectible	(33,214)	-
At 31 March	18,065	49,459

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

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(c) **Financial risk factors (cont'd)**

(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	Total $'000
31 March 2018				
Long term loans	107,244	91,890	98,408	297,542
Payables	2,992,984	-	-	2,992,984
Total financial liabilities (contractual maturity dates)	3,100,228	91,890	98,408	3,290,526

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(c) **Financial risk factors (cont'd)**

(iii) **Liquidity risk (cont'd)**

	Within 1 Year $'000	1 to 2 Years $'000	2 to 5 Years $'000	Total $'000
31 March 2017				
Long term loans	198,716	98,577	193,860	491,153
Payables	2,852,412	-	-	2,852,412
Total financial liabilities (contractual maturity dates)	3,051,128	98,577	193,860	3,343,565

(d) **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 2018

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.

	2018		
	Consumer Division $'000	Pharmaceutical Division $'000	Total $'000
Revenue -			
Total revenue	13,640,109	2,628,974	16,269,083
Eliminations			-
Revenue from external customers			16,269,083
Segment result	778,234	225,645	1,003,879
Eliminations			-
			1,003,879
Segment assets(1)	3,305,752	1,234,863	4,540,615
Unallocated assets			3,969,651
Total assets			8,510,266
Segment liabilities(2)	2,445,902	545,072	2,990,974
Unallocated liabilities			949,438
Total liabilities			3,940,412
Other items -			
Finance income	21,502	-	21,502
Finance costs	524	-	524

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

6. **SEGMENT REPORTING (CONT'D):**

	2017		
	Consumer Division $'000	Pharmaceutical Division $'000	Total $'000
Revenue -			
Total revenue	13,611,182	2,192,147	15,803,329
Eliminations			-
Revenue from external customers			15,803,329
Segment result	496,828	112,850	609,678
Eliminations			-
			609,678
Segment assets(1)	2,708,507	1,238,023	3,946,530
Unallocated assets			3,445,710
Total assets			7,392,240
Segment liabilities(2)	2,510,628	399,382	2,910,010
Unallocated liabilities			434,094
Total liabilities			3,344,104
Other items -			
Finance income	16,175	-	16,175
Finance costs	2,218	398	2,616

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

	2018 $'000	2017 $'000
Segment assets from reportable segments	4,540,615	3,946,530
Unallocated assets -		
Property, plant and equipment	1,481,386	1,348,873
Intangible asset	133,569	71,684
Taxation recoverable	25,613	22,098
Related companies	38,504	74,667
Other receivables	452,639	596,203
Short term investments	118,686	319,958
Cash and bank balances	1,719,254	1,012,227
	8,510,266	7,392,240

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

6. **SEGMENT REPORTING (CONT'D):**

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

	2018 $'000	2017 $'000
Segment liabilities from reportable segments	2,990,974	2,910,010
Unallocated liabilities -		
Payables	605,878	3,164
Long term loans	261,666	351,797
Deferred tax liability	16,307	18,500
Taxation	65,587	60,633
	3,940,412	3,344,104

7. **REVENUE:**

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

8. **OTHER OPERATING INCOME:**

	2018 $'000	2017 $'000
Commission –		
Roche	63,217	40,471
Interest income	21,502	16,175
Rental income	220	240
Miscellaneous income	37,195	58,310
Compensation and award from Pfizer case (note 30)	273,278	-
	395,412	115,196

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 2018

9. EXPENSES BY NATURE:

Total administrative, selling and other expenses:

	2018 $'000	2017 $'000
Staff costs (note 10)	1,415,612	1,335,868
Directors' fees	12,212	10,005
Property expenses	81,105	68,057
Transportation and communication	74,268	63,711
Advertising and promotion	266,478	252,238
Management and consultancy fees	75,560	48,235
Legal and professional fees	45,402	52,012
Insurance	54,440	57,317
Stationery	17,053	16,573
Office rental	8,146	25,475
Utilities and postage	73,683	65,577
Security	89,429	69,108
Donations and subscriptions	82,285	81,295
Bank charges	74,092	58,584
Auditors' remuneration	6,000	5,760
Foreign exchange gain	(10,056)	(11,934)
GCT irrecoverable	25,201	40,036
Bad debts (recoverable)/provision	(15,525)	23,849
Computer repairs expense	4,093	11,986
Depreciation and amortisation	97,588	89,283
Other administrative expenses	10,310	41
	2,487,376	2,363,076

10. STAFF COSTS:

	2018 $'000	2017 $'000
Salaries and wages	838,562	810,244
Directors' remuneration	85,101	69,156
Statutory contributions	98,689	88,673
Pension costs	29,834	28,055
Share options - employees	10,304	30,657
Commission	187,181	179,588
Accommodation	14,645	18,900
Other	151,296	110,595
	1,415,612	1,335,868

The average number of persons employed by the company during the year was four hundred and eighty eight (488) (2017 – four hundred and fifteen (415).

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

11. **FINANCE COSTS:**

	2018 $'000	2017 $'000
Interest expense –		
Bank overdraft	-	41
Other interest	524	2,575
	524	2,616

12. **TAXATION EXPENSE:**

(a) Taxation is computed on the profit for the year, adjusted for tax purposes, and comprises income tax at 25%.

	2018 $'000	2017 $'000
Current taxation	81,669	64,214
Prior year over-provision	(3,986)	(467)
Deferred taxation (note 25)	(2,193)	13,467
	75,490	77,214

(b) The tax on the profit before taxation differs from the theoretical amount that would arise using the applicable tax rate as follows:

	2018 $'000	2017 $'000
Profit before taxation	1,079,369	686,892
Taxation calculated @ 25%	269,842	171,723
Adjusted for the effects of:		
Expenses not deducted for tax purposes	8,774	25,994
Unrealized foreign exchange gain	(2,514)	(2,936)
Other	(7,614)	14,063
Prior year over-provision	(3,986)	(467)
Employment tax credit	(67,700)	(27,520)
Income not subject to tax	(39,643)	(11,909)
	157,159	168,948
Adjustment for the effect of tax remission		
Current tax	(81,669)	(91,734)
Taxation charge in income statement	75,490	77,214

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

12. **TAXATION EXPENSE (CONT'D):**

(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.

13. **EARNINGS PER STOCK UNIT:**

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

	2018	**2017**
Net profit attributable to stockholders ($'000)	1,003,879	609,678
Weighted average number of ordinary stocks units ('000)	3,412,486	3,386,562
Basic earnings per stock unit (¢ per share)	29.42	18.00

The diluted earnings per stock unit is calculated by adjusting the weighted average number of ordinary stock units in issue at the year end to assume conversion of all dilutive potential ordinary stock units.

	2018	**2017**
Net profit attributable to stockholders ($'000)	1,003,879	609,678
Weighted average number of ordinary stocks units ('000)	3,412,486	3,386,562
Adjusted for share options ('000)	27,078	80,297
	3,439,564	3,466,859
Diluted earnings per stock unit (¢ per share)	29.19	17.59

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

14. **PROPERTY, PLANT AND EQUIPMENT:**

	Freehold Land & Buildings $'000	Computer $'000	Furniture, Fixtures & Equipment $'000	Assets Under Construction $'000	Motor Vehicles $'000	Total $'000
Cost/deemed cost -						
1 April 2016	262,169	116,971	214,027	498,039	80,638	1,171,844
Additions	7,959	17,487	58,899	372,400	28,363	485,108
Disposal	-	-	(865)	-	(17,320)	(18,185)
31 March 2017	270,128	134,458	272,061	870,439	91,681	1,638,767
Additions	1,453	4,369	31,050	187,782	-	224,654
Disposal	-	-	-	-	(1,250)	(1,250)
31 March 2018	271,581	138,827	303,111	1,058,221	90,431	1,862,171
Depreciation -						
1 April 2016	56,266	39,502	75,871	-	42,777	214,416
Charge for the year	5,328	23,987	44,083	-	15,767	89,165
Disposal	-	-	(417)	-	(13,270)	(13,687)
31 March 2017	61,594	63,489	119,537	-	45,274	289,894
Charge for the year	5,486	22,291	46,717	-	17,064	91,558
Disposal	-	-	-	-	(667)	(667)
31 March 2018	67,080	85,780	166,254	-	61,671	380,785
Net Book Value -						
31 March 2018	204,501	53,047	136,857	1,058,221	28,760	1,481,386
31 March 2017	208,534	70,969	152,524	870,439	46,407	1,348,873

The net book value of property, plant and equipment includes assets under construction amounting to $1,058,223,000 relating to the construction of a new warehouse. The cost will be depreciated once the property is complete and available for use.

Borrowing costs capitalised during the year amounted to $27,275,000.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

15. **INTANGIBLE ASSET:**

	$'000
Cost:	
At 1 April 2017	71,802
Acquisition during the year	67,915
31 March 2018	139,717
Amortisation:	
At 1 April 2017	118
Charge for the year	6,030
31 March 2018	6,148
Net book value:	
31 March 2018	133,569
31 March 2017	71,684

16. **INVENTORIES:**

	2018 $'000	2017 $'000
Goods for resale –		
Roche	217,342	248,639
Regular trade	1,873,614	1,857,355
Goods-in-transit	392,466	300,741
	2,483,422	2,406,735

17. **RECEIVABLES:**

	2018 $'000	2017 $'000
Trade receivables -		
Roche (see below)	346,380	495,692
Regular trade	1,651,390	1,093,562
	1,997,770	1,589,254
Less: Bad debts provision	(18,065)	(49,459)
	1,979,705	1,539,795
Other receivables	511,792	577,771
	2,491,497	2,117,566

Included in trade receivables for Roche are items on which Roche bears the credit risks solely. The corresponding liability is included in trade payables (note 26).

LASCO DISTRIBUTORS LIMITED

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

	2018 $'000	2017 $'000
(a) Transactions between the company and its related companies		
Purchases of goods and services/foreign currency:		
Lasco Manufacturing Limited -		
Goods	6,522,674	6,849,835
Lasco Financial Services Limited -		
Foreign currency	3,201,664	1,849,995
Loan to related company:		
Lasco Financial Services Limited	303,042	-

The loan was repaid during the year.

	2018 $'000	2017 $'000
(b) Key management compensation (included in staff costs - Note 10):		
Key management includes directors and senior managers -		
Salaries and other short-term employee benefits	154,603	125,136
Share based payments	28,497	13,372
Directors' emoluments –		
Fees	12,212	10,005
Management remuneration (included above)	85,101	69,156
Share based payments	25,267	7,964
(c) Year end balances arising from transactions with related parties		
With related companies:		
Due from –		
Lasco Manufacturing Limited	37,070	72,929
Lasco Financial Services Limited	1,434	1,738
	38,504	74,667
Lasco Manufacturing Limited (included in trade receivables)	158	111
Lasco Financial Services Limited (included in trade and other receivables)	12,322	-

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

	2018 $'000	2017 $'000
Due to –		
Lasco Financial Services Limited (included in other payables)	2,524	277
Lasco Manufacturing Limited (included in trade payables)	1,436,003	1,170,930

These balances are due and payable within forty-five (45) days which is the company's normal credit term.

	2018 $'000	2017 $'000
Due from –		
Directors	18,335	18,432

19. SHORT TERM INVESTMENTS:

These represent 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 the investments is 3.46% (2017 – 3.1%).

20. CASH AND CASH EQUIVALENTS:

	2018 $'000	2017 $'000
Short terms deposits	24,755	24,124
Jamaican currency current account	795,525	886,415
Jamaican currency savings account	450,044	2,162
Foreign currency accounts	446,231	97,036
Cash in hand	2,699	2,490
	1,719,254	1,012,227

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21. **SHARE CAPITAL:**

	2018 $'000	2017 $'000
Authorised - 3,630,000,000 Ordinary shares of no par value		
Stated capital – Issued and fully paid - 3,486,361,000 (2017 - 3,424,463,000 ordinary shares of no par value	428,782	319,050

During the year, the company issued 61,899,000 shares to its directors and managers for cash of $70,423,000 (2017 – the company issued 24,034,000 shares to its directors and managers for cash of $30,034,000). The shares were issued under the company's stock option plan and the fair value of the options exercised during the year was $39,308,000.

22. **REVALUATION RESERVE:**

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

23. **OTHER RESERVE:**

Stock Option Reserve

(a) **Stock option description and movement:**

On 30 September 2013, the company obtained approval from stockholders at its annual general meeting for authorised but unissued shares up to a maximum of 5% of the total number of issued shares of no par value to be set aside for allocation and sale to the directors and managers of the company. Consequently, the company has set aside 168,320,000 of the authorised but unissued shares for the stock option plan.

On 9 June 2014, under the rules of the stock option plan, the following allocations were made:

	No. of shares '000
Non-executive directors and professional service providers	10,500

The options were granted at a subscription price of $1.00 and are exercisable over a period of five (5) years, at the end of which time unexercised options will expire. The total grant of each director and professional service provider vested immediately on the grant date. The plan provides for equitable adjustment of the allocated number of shares by reason of stock splits, combinations or exchanges of shares, stock dividends and reclassifications or other similar corporate changes.

LASCO DISTRIBUTORS LIMITED

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23. **OTHER RESERVE (CONT'D):**

Stock Option Reserve (Cont'd)

(a) **Stock description and movements (cont'd):**

	No. of shares '000
Executive director and managers	104,322

The options were granted at a subscription price of $1.00 and are exercisable over a period of seven (7) years, at the end of which time unexercised options will expire. The total of the grant of the director and each manager will fully vest on the third anniversary of the grant date. The plan provides for equitable adjustment of the allocated number of shares by reason of stock splits, combinations or exchanges of shares, stock dividends and reclassifications or other similar corporate changes.

Movement on this option:

	2018 '000	2017 '000
At 1 April	67,790	80,824
Exercised	(47,749)	(13,034)
At 31 March	20,041	67,790

On 26 August 2015, under the rules of the stock option plan, the following allocations were made:

	No. of shares '000
Managers	39,500

The options were granted at a subscription price of $1.60 and are exercisable over a period of seven (7) years, at the end of which time unexercised options will expire. The total of the grant of the each manager will fully vest on the third anniversary of the grant date. The plan provides for equitable adjustment of the allocated number of shares by reason of stock splits, combinations or exchanges of shares, stock dividends and reclassifications or other similar corporate changes.

	2018 '000	2017 '000
Movement on this option:		
Options granted	28,500	38,500
Exercised	(14,150)	(10,000)
At 31 March	14,350	28,500

LASCO DISTRIBUTORS LIMITED

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23. **OTHER RESERVE (CONT'D):**

Stock Option Reserve (cont'd)

(b) Fair value of options granted:

The fair value of options granted determined using the Black-Scholes-Merton valuation model was $97,789,000. The significant inputs into the model were the share prices of $1.21 and $1.60 at the grant dates, exercise prices of $1.00 and $1.60, the risk free interest rates of 8.93% and 6.49%, standard deviation of expected share price returns of 47.80% and 61.87%, expected dividends of $0.03 and the option life of five (5) years for non-executive directors and professional service providers, and seven (7) years for the executive director and managers. It is expected that these options will be exercised within two and a half (2½) years and four and a half (4½) years respectively.

The breakdown of the fair value of options granted is as follows:

	$'000
Fair value of options granted	97,789
Expensed in 2015	(32,811)
Expensed in 2016	(24,017)
Expensed in 2017	(30,657)
Expenses in 2018	(10,304)
Amount to be expensed in future periods	-

(c) Movement on the share option reserve is as follows:

	2018 $'000	2017 $'000
At 1 April	52,257	37,735
Fair value of options recognized during the year	10,304	30,657
Fair value of options exercised transferred to share capital	(39,309)	(16,135)
At 31 March	23,252	52,257

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24. **LONG TERM LOANS:**

	2018 $'000	2017 $'000
FirstCaribbean International Bank Limited #1	8,333	107,708
FirstCaribbean International Bank Limited #2	253,333	244,089
	261,666	351,797
Less – current portion	(88,333)	(180,000)
	173,333	171,797

Loan #1 attracts interest at a rate of 8.7% and is repayable in April 2018, while loan #2 attracts interest at a rate of 8.7% and is repayable in 2021. The loans are secured by mortgage over properties located at White Marl, St. Catherine and 27 Red Hills Road, Kingston 10. They are also secured by a hypothecation agreement, fire and peril insurance over buildings and contents and overdraft lending agreements in the amount of $1,257,000,000.

25. **DEFERRED TAXES:**

Deferred taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 25%.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities. The amounts determined after appropriate offsetting are as follows:

	2018 $'000	2017 $'000
Deferred tax liability	(16,307)	(18,500)

The movement in deferred tax is as follows:

	2018 $'000	2017 $'000
Balance at start of year	(18,500)	(5,033)
Credited/(charged) for the year (note 12)	2,193	(13,467)
Balance at end of year	(16,307)	(18,500)

LASCO DISTRIBUTORS LIMITED

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25. **DEFERRED TAXES (CONT'D):**

Deferred tax is due to the following temporary differences:

	2018 $'000	2017 $'000
Accelerated capital allowances	(6,692)	(22,650)
Bad debt provision	(228)	5,636
Interest receivable	(7,848)	(1,368)
Accrued vacation leave	975	2,818
Foreign exchange gain	(2,514)	(2,936)
	(16,307)	(18,500)

Deferred tax charged to profit or loss comprises the following temporary differences:

	2018 $'000	2017 $'000
Accelerated capital allowances	15,958	(4,761)
Bad debt provision	(5,864)	(1,093)
Interest receivable	(6,480)	(956)
Accrued vacation leave	(1,843)	(3,721)
Foreign exchange loss/(gain)	422	(2,936)
	2,193	(13,467)

26. **PAYABLES:**

	2018 $'000	2017 $'000
Trade payables -		
Roche (see note 17)	545,071	359,699
Regular trade	2,443,218	2,486,110
	2,988,289	2,845,809
Other payables and accruals	608,563	67,365
	3,596,852	2,913,174

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27. **DIVIDENDS:**

	2018 $'000	2017 $'000
PAID		
In respect of 31 March 2017 ($0.045¢ per share)	154,984	-
In respect of 31 March 2016 ($0.053¢ per share)	-	180,276
	154,984	180,276

By Round Robin Resolution dated 30 June 2017, dividend payment of $0.045¢ per share was approved by the Board of Directors.

PROPOSED

On 28 March 2018, an interim dividend of $0.117¢ per share was approved by the Board of Directors for payment on 30 April 2018, this amounts to $407,904,000.

28. **PENSION PLAN:**

The company operates a defined contribution pension plan which is administered by Sagicor 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 $29,835,000 for the year (2017 – $28,055,000).

29. **CONTINGENCIES:**

(i) There is a claim against a customer for monies due and owing to Lasco Distributors Limited for an amount of One Million Seven Hundred and Ninety Two Thousand Dollars ($1,792,000) which is still pending.

(ii) The company had guarantees with financial institutions totalling J$12M and US$42,000 which occurred during the normal course of business.

30. **LITIGATION:**

There was 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. Final judgement as to liability was received from the Privy Council in favour of the company. On April 21, 2017, the hearing of the assessment of damages was completed.

The Judge Mrs. Justice Vivene Harris who heard the assessment awarded the amount of Two Hundred and Seventy Two Million Nine Hundred and Sixty One Thousand Dollars ($272,961,000) for damages inclusive of interest and Three Hundred and Seventeen Thousand Dollars ($317,000) for disposal of stock inclusive of interest and the amount awarded have been paid over to the company less incidental cost and expenses. The company is of the opinion that the award is low and have appealed the assessment.