LASCO DISTRIBUTORS LIMITED

FINANCIAL STATEMENTS

31 MARCH 2011

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Chartered Accountants
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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 29, which comprise the statement of financial position as at 31 March 2011, and the statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Lasco Distributors Limited

Opinion

In our opinion, the financial statements give a true and fair view of the company's financial position as at 31 March 2011, and of its financial performance, changes in shareholders' equity and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the provisions of the Jamaican Companies Act.

Report on Additional Requirements of the Jamaican Companies Act

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

In our opinion, proper accounting records have been kept, and the financial statements are in agreement therewith, and give the information required by the Act, in the manner so required.

BDO
Chartered Accountants

30 May 2011

LASCO DISTRIBUTORS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 MARCH 2011

	Note	2011 $'000	2010 $'000
TURNOVER	5	6,756,555	5,842,917
COST OF SALES		5,404,334	4,730,416
GROSS PROFIT		1,352,221	1,112,501
Other income	6	49,694	6,611
		1,401,915	1,119,112
EXPENSES:			
Administrative and other expenses		733,591	674,398
Selling and promotion expenses		221,226	187,604
	7	954,817	862,002
PROFIT FROM OPERATIONS		447,098	257,110
Finance cost	8	(40,848)	(83,954)
Impairment loss – Related companies		-	(30,579)
PROFIT BEFORE TAXATION	9	406,250	142,577
Taxation	10	(99,852)	(44,856)
NET PROFIT FOR THE YEAR		306,398	97,721
Other comprehensive income - Gain on disposal of property, plant and equipment		-	352
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		306,398	98,073
Earnings per stock unit	11	$1.02	$0.36

LASCO DISTRIBUTORS LIMITED

STATEMENT OF FINANCIAL POSITION

31 MARCH 2011

	Note	2011 $'000	2010 $'000
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	12	190,934	198,846
Deferred tax asset	13	1,037	15,916
		191,971	214,762
CURRENT ASSETS:			
Inventories	14	633,843	634,284
Receivables	15	790,505	1,088,159
Related companies	16	5,535	35,638
Directors' current account	16	-	149,433
Cash and cash equivalents	17	229,413	171,305
		1,659,296	2,078,819
		1,851,267	2,293,581
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY:			
Share capital	18	219,191	74,072
Capital reserve	19	83,068	83,068
Retained earnings		658,915	352,517
		961,174	509,657
NON-CURRENT LIABILITIES:			
Long term loans	20	-	263,043
CURRENT LIABILITIES:			
Payables	21	808,845	1,470,130
Directors' current account	16	17,305	-
Taxation		59,164	25,392
Related company	16	1,967	-
Bank overdraft	17	2,812	-
Short term borrowings	22	-	25,359
		890,093	1,520,881
		1,851,267	2,293,581

Approved for issue by the Board of Directors on 30 May 2011 and signed on its behalf by:

L. A. Chin Director

Anthony Chang Director

LASCO DISTRIBUTORS LIMITED

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

YEAR ENDED 31 MARCH 2011

	Share Capital $'000	Capital Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 1 April 2009	74,072	59,538	254,796	388,406
Gain on disposal of property, plant and equipment transferred	-	352	(352)	-
Deferred tax on revaluation written back	-	23,178	-	23,178
Total comprehensive income for the year	-	-	98,073	98,073
Balance at 31 March 2010	74,072	83,068	352,517	509,657
Issue of shares net of transaction costs	145,119	-	-	145,119
Total comprehensive income for the year	-	-	306,398	306,398
Balance at 31 March 2011	219,191	83,068	658,915	961,174

LASCO DISTRIBUTORS LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2011

	2011 $'000	2010 $'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit	306,398	98,073
Adjustments for:		
Effects of exchange rate translation	29,336	15,802
Gain on disposal of property, plant and equipment	-	(352)
Depreciation	22,227	22,563
Deferred taxation	14,879	(5,180)
Interest income	(1,875)	(3,323)
Interest expense	40,848	83,954
Taxation expense	84,973	50,036
Operating cash flows before movements in working capital	496,786	261,573
Changes in operating assets and liabilities:		
Inventories	441	176,921
Receivables	297,654	(281,217)
Payables	(689,705)	51,333
Directors' current accounts	166,738	(105,320)
Related companies	32,070	228,729
	303,984	332,019
Taxation paid	(51,201)	(28,358)
Net cash provided by operating activities	252,783	303,661
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	1,875	3,323
Proceeds from disposal of property, plant and equipment	25	2,765
Purchase of property, plant and equipment	(14,340)	(9,557)
Net cash used in investing activities	(12,440)	(3,469)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Interest paid	(40,848)	(83,954)
Shares issue, net of expenses	145,119	-
Net movement in short terms loans	-	(48,742)
Loan repayment	(288,402)	(26,315)
Net cash used in financing activities	(184,131)	(159,011)
NET INCREASE IN CASH AND CASH EQUIVALENTS	56,212	141,181
Cash and cash equivalents at beginning of year	171,305	30,383
Effect of exchange rate translation on cash and cash equivalents	(916)	(259)
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 17)	226,601	171,305

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

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.

   (b) The principal activity of the company is the distribution of pharmaceuticals and consumable items.

   (c) The company's shares were listed on the Junior Market of the Jamaica Stock Exchange on 12 October 2010.

2. **REPORTING CURRENCY:**

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

3. **SIGNIFICANT ACCOUNTING POLICIES**:

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

   (a) Basis of preparation -

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

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

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

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

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

(i) Allowance for impairment losses on receivables

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

(ii) Income taxes

Estimates are required in determining the provision for income tax. There are some transactions and calculations for which the ultimate tax determination is uncertain. The company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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

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

(iv) Fair value of financial assets

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

(v) Net realizable value of inventories

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

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

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

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

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

During the reporting period, new standards, interpretations and amendments were applied for the first time from 1 April 2010. None of these had a material effect on the financial statements but have given rise to revised or additional disclosures.

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

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

IFRS 9	Financial Instruments (effective 1 January 2013), introduces new requirements for classifying and measuring financial assets. The standard also amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments designated as fair value through other comprehensive income.
IAS 1 (Amended)	Presentation of Financial Statements – IAS 1 (effective 1 January 2011), is amended to state that for each component of equity a reconciliation from opening to closing balances is required to be presented in the statement of changes in equity, showing separately changes arising from items recognized in profit or loss, in other comprehensive income and from transactions with owners acting in their capacity as owners.
IAS 24 (Revised)	Related Party Disclosures (effective 1 January 2011), introduces changes to the related party disclosure requirements for government related entities and amends the definition of a related party. The standard also expands the list of transactions that require disclosure.
IAS 34 (Amended)	Interim Financial Reporting (effective 1 January 2011), has resulted in the addition of a number of examples of events or transactions that require disclosure.

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 2011

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

(b) Segment reporting -

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

(c) Foreign currency translation -

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

(d) Revenue recognition -

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

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

(e) Property, plant and equipment -

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

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

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

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

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

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

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

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

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

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

(f) Inventories -

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

Finished goods - Cost of product plus all indirect cost to bring item to a saleable condition.

Net realisable value is the estimate of the selling price in the ordinary course of business, less selling expenses.

(g) Provisions -

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

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

(h) Impairment -

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

(i) Trade receivables -

Trade receivables are carried at original invoice amounts less provision made for doubtful receivables and impairment of these receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off when identified. A provision for doubtful debt is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. In instances where it is determined that there will be significant delays in settlement of the recoverable amounts and the effect is material, an impairment general provision is also made, being the difference between the recoverable amounts and the present value of expected cash flows discounted at the company's overdraft interest rate.

(j) Taxation -

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

(i) Current income taxes

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

(ii) Deferred income taxes

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

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

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

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

(k) Borrowings and borrowing costs -

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between proceeds and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings. Borrowing costs are recognized as expense in the period in which they are incurred.

(l) 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.

(m) Trade and other payables -

Trade payables are stated at amortized cost.

(n) Employee benefits -

The company operates a defined contribution pension scheme which is administered by Sagicor Life Jamaica Limited. The scheme 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.

(o) Financial instruments -

Financial instruments include transactions that give rise to both financial assets and financial liabilities. Financial instruments carried in the statement of financial position include cash and cash equivalents, receivables, payables, related parties balances and borrowing facilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

(p) 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.

(q) Other receivables –

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

(r) Dividends –

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

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

4. **FINANCIAL RISK MANAGEMENT:**

(a) Financial risk factors -

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

(i) Market risk -

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all instruments traded in the market. The company has no exposure to market risk as there are no traded securities.

Currency risk

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

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

	2011 $'000	2010 $'000
Cash and cash equivalents	5,100	28,931
Accounts receivable	154,064	238,950
Other receivables	48,129	279,774
Payables	(473,391)	(713,807)
	(266,098)	(166,152)

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

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

(i) Market risk (cont'd) -

Sensitivity analysis

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

	Increase/(decrease) in profit for the year	
	2011	**2010**
	$'000	**$'000**
5% strengthening/weakening of the US$ against the JA$	13,305	8,308

The analysis assumes that all other variables, in particular interest rates, remain constant. It is performed on the same basis for 2010.

Exchange rates in terms of the Jamaican dollar for US$1 were as follows:

31 March 2010	89.52
31 March 2011	85.57

The company manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. The company further manages this risk by maximising foreign currency earnings.

(ii) Credit risk -

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

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

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

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

(ii) Credit risk (cont'd) -

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

	Carrying Amount	
	2011	2010
	$'000	$'000
Cash and cash equivalents	229,413	171,305
Receivables	790,505	1,088,159
Due from related companies	5,535	35,638
	1,025,453	1,295,102

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

(iii) Interest rate risk -

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the company has no significant interest bearing assets or liabilities, the company's income and operating cash flows are substantially independent of changes in market interest rates. The company's interest rate risk arises from bank and short term loans, bank overdraft and long-term liabilities as disclosed in Notes 20 and 22.

(iv) Liquidity risk -

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

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

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

(iv) Liquidity risk (cont'd) -

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

2011

	Carrying Amount $'000	Contractual Cash Flows $'000	6 Months or less $'000	6-12 Months $'000
Bank overdraft	2,812	2,812	2,812	-
Payables	808,845	808,845	808,845	-
Due to related company	1,967	1,967	1,967	-
Total financial liabilities	813,624	813,624	813,624	-

2010

	Carrying Amount $'000	Contractual Cash Flows $'000	6 Months or less $'000	6-12 Months $'000	Over 12 Months $'000
Long term liabilities	288,402	506,452	47,907	82,126	376,419
Payables	1,470,130	1,470,130	1,470,130	-	-
Total financial liabilities	1,758,532	1,976,582	1,518,037	82,126	376,419

(v) Cash flow risk -

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

(vi) Operational risk -

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

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

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

(b) Capital management –

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

(c) Fair value estimation -

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The amounts included in the financial statements for cash and cash equivalents, receivables, payables, borrowing facilities and related party balances reflect their approximate fair value because of the short term maturity of these instruments.

Long term liabilities reflect the company's contractual obligations and are carried at amortised cost, which is deemed to approximate the fair value of these liabilities because these liabilities are subject to such terms and conditions as are available in the market for similar instruments.

5. **TURNOVER:**

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

6. **OTHER INCOME:**

	2011 $'000	2010 $'000
Commission	14,113	2,389
Interest income	1,875	3,323
Rental income	141	560
Miscellaneous income	895	339
Payables balance written off	32,670	-
	49,694	6,611

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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7. **EXPENSES BY NATURE:**

Total administrative, selling and other expenses:

	2011 $'000	2010 $'000
Management fees	27,079	20,758
Insurance	27,316	21,241
Telephone, telex, cable and postage	21,126	18,991
Rates and taxes	1,900	1,837
Directors' fees	500	-
Stationery	4,158	2,387
Electricity	19,629	15,409
Rental	3,094	1,425
Repairs and maintenance	19,546	15,260
Motor vehicle expenses	13,802	12,392
Legal and professional fees	9,305	21,882
Audit fees	3,500	4,165
Accounting fees	2,562	-
Advertising and promotion	102,978	103,139
Bad debts	17,600	368
Bank charges	13,313	10,336
Subscriptions and donations	21,845	17,407
Security	24,722	22,762
Other administrative expenses	54,661	36,929
Staff costs (note 23)	526,888	495,510
Depreciation	22,227	22,563
Travel and entertainment	17,066	17,241
	954,817	862,002

8. **FINANCE COST:**

	2011 $'000	2010 $'000
Interest expense -		
Bank borrowings	40,848	83,954

LASCO DISTRIBUTORS LIMITED

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9. **PROFIT BEFORE TAXATION:**

Profit before taxation is stated after charging:

	2011 $'000	2010 $'000
Directors' remuneration	36,486	50,449
Directors' fees	500	-
Auditors' remuneration	3,500	4,165
Depreciation	22,227	22,563

10. **TAXATION**:

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

	2011 $'000	2010 $'000
Current year income tax @ 33 1/3%	82,236	50,036
Under-provision in prior year	2,737	-
Deferred taxation (note 13)	14,879	(5,180)
Taxation charge in income statement	99,852	44,856

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

	2011 $'000	2010 $'000
Profit before taxation	406,250	142,577
Taxation calculated at 33 1/3%	135,417	47,526
Adjusted for the effects of:		
Expenses not deducted for tax purposes	17,541	19,053
Tax depreciation	(3,541)	(5,300)
Under-provision in prior year	2,737	-
Unrealised foreign exchange loss/(gain)	4,511	(11,243)
Net effect of other charges and allowances	14,879	(5,180)
	171,544	44,856
Adjustment for the effect of tax remission:		
Current tax	(71,692)	-
Taxation charge in income statement	99,852	44,856

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10. **TAXATION (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 5 to 10	50%

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

11. **EARNINGS PER SHARE:**

This is computed by dividing the profit for the year by the weighted average number of shares in issue for the year of 300,441,238 (2010 – 268,880,627). The weighted average number of shares for both years reflects the 3.63 split in the number of shares in issue up to 19 July 2010.

LASCO DISTRIBUTORS LIMITED

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

	Freehold Land & Buildings $'000	Computer $'000	Furniture, Fixtures & Equipment $'000	Motor Vehicles $'000	Total $'000
At cost/valuation:					
1 April 2009	186,187	64,545	96,269	29,525	376,526
Additions	-	1,229	5,804	2,524	9,557
Disposals	-	(101)	-	(3,364)	(3,465)
At 31 March 2010	186,187	65,673	102,073	28,685	382,618
Additions	-	3,626	2,819	7,895	14,340
Disposals	-	(108)	(1,388)	(1,713)	(3,209)
At 31 March 2011	186,187	69,191	103,504	34,867	393,749
Depreciation:					
1 April 2009	28,770	46,644	65,341	21,506	162,261
Charge for the year	3,383	8,425	8,114	2,641	22,563
Eliminated on disposal	-	(54)	-	(998)	(1,052)
At 31 March 2010	32,153	55,015	73,455	23,149	183,772
Charge for the year	3,126	7,926	8,527	2,648	22,227
Eliminated on disposal	-	(83)	(1,388)	(1,713)	(3,184)
At 31 March 2011	35,279	62,858	80,594	24,084	202,815
Carrying value:					
31 March 2011	150,908	6,333	22,910	10,783	190,934
31 March 2010	154,034	10,658	28,618	5,536	198,846

Included in land and buildings is an amount (at cost) of $76,381,324 representing a 50% share in the cost of property held in trust by a related company. The property is located at White Marl in St. Catherine. Also included in land and building is a property registered in the name of Lasco Properties Limited.

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13. **DEFFERRED TAXATION:**

Deferred income tax is calculated on all temporary differences under the liability method using a principal tax rate of 33 1/3 %.

The movement on the deferred income tax account is as follows:

	2011 $'000	2010 $'000
Assets/(liability) at beginning of year	15,916	(12,442)
(Charge)/credit to income statement (note 10)	(14,879)	5,180
Deferred tax on revaluation written back	-	23,178
Asset at end of year	1,037	15,916

Deferred taxation represents accelerated tax depreciation.

14. **INVENTORIES:**

	2011 $'000	2010 $'000
Finished goods	566,790	593,480
Inventory – other	7,471	658
Goods-in-transit	59,582	40,146
	633,843	634,284

15. **RECEIVABLES:**

	2011 $'000	2010 $'000
Trade receivables (net)	648,844	649,508
Staff and other receivables	141,661	438,651
	790,505	1,088,159

Trade receivables are stated net of bad debts provision of $8,592,055 (2010 - $424,979).
The aging of trade receivables is as follows:

	2011 $'000	2010 $'000
0-30 days	437,352	386,130
31-60 days	125,234	95,694
61-90 days	42,062	25,688
90 days and over	44,196	141,996
	648,844	649,508

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

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions. The following transactions were carried out with related parties.

	2011 $'000	2010 $'000
Transactions		
Purchases of goods and services/foreign currency:		
Lasco Foods Limited	-	421,353
Lasco Manufacturing Limited (formerly Lasco Foods (Successors) Limited) -		
Goods	2,681,701	1,941,603
Management fees	27,079	20,758
Lasco Financial Services Limited	1,353,318	1,478,028
Sale of goods:		
Lasco Manufacturing Limited (formerly Lasco Foods (Successors) Limited)	48,510	42,353
Lasco Barbados	-	5,615
Key management compensation:		
Key management includes directors, (executive and non-executive), and senior managers –		
Fees	500	-
Salaries and other short-term employee benefits	53,394	58,049
Year end balances		
With related parties:		
Due from –		
Lasco Manufacturing Limited	5,535	-
Charco Limited	-	30,005
Lasco Barbados	-	5,633
	5,535	35,638
Due to -		
Lasco Financial Services Limited	1,967	-
Lasco Manufacturing Limited (included in trade payables)	252,410	400,805

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

LASCO DISTRIBUTORS LIMITED

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

	2011 $'000	2010 $'000
Year end balances (cont'd)		
With directors and other key management:		
Amounts receivable	-	149,433
Amounts payable	17,305	-

There is no specified repayment term of this balance.

17. **CASH AND CASH EQUIVALENTS:**

	2011 $'000	2010 $'000
Fixed deposit	27,888	26,816
Jamaican currency current account	194,266	113,442
Jamaica currency savings account	68	68
Foreign currency accounts	5,100	28,931
Cash in hand	2,091	2,048
	229,413	171,305
Bank overdraft	(2,812)	-
	226,601	171,305

Bank overdraft arose as a result of unpresented cheques at year end.

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18. **SHARE CAPITAL:**

	2011 $'000	2010 $'000
Authorised -		
363,000,000 (2010 - 75,000,000) Ordinary shares of no par value		
Stated capital, issued and fully paid -		
74,072,000 Ordinary shares of no par value	-	74,072
336,643,115 Ordinary shares of no par value	236,754	-
Less: Transaction costs of share issue	(17,563)	-
	219,191	74,072

On 19 July 2010, the company unanimously passed the following resolutions as written resolutions of the company in accordance with Article 85 of the Articles of Incorporation of the company:

(a) That each ordinary share in the capital be divided into 3.63 ordinary shares for shareholders on record at 19 July 2010.

(b) That the authorised share capital of the company be increased from 75,000,000 to 100,000,000 ordinary shares.

On 12 October 2010 the company issued 67,118,600 new shares to the public and the shares were listed on the Junior Stock Market of the Jamaica Stock Exchange (see note 1).

19. **CAPITAL RESERVE**:

	2011 $'000	2010 $'000
Consisting of -		
Unrealised surplus on revaluation of property, plant and equipment	75,387	75,387
Realised surplus on disposal of property, plant and equipment	7,681	7,681
	83,068	83,068

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20. **LONG TERM LOANS:**

	2011 $'000	2010 $'000
FCIB loan	-	288,006
Mortgage loan - 2011 - 25%	-	253
BNS loan - 18%	-	143
	-	288,402
Less - current portion (note 22)	-	(25,359)
	-	263,043

21. **PAYABLES:**

	2011 $'000	2010 $'000
Trade payables	734,728	1,359,743
Other payables and accruals	74,117	110,387
	808,845	1,470,130

Included in trade payables is an amount of J$473,391,117 (2010 - J$725,214,371) payable in foreign currency.

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

The aging of trade payables is as follows:

	2011 $'000	2010 $'000
0-30 days	495,777	647,878
31 days and over	238,951	619,828
	734,728	1,267,706

22. **SHORT TERM BORROWINGS:**

	2011 $'000	2010 $'000
Current portion of long term loans (note 20)	-	25,359

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23. **STAFF COSTS:**

	2011 $'000	2010 $'000
Salaries and wages	347,960	337,761
Statutory deductions	34,536	28,738
Pension costs	13,169	11,272
Commission	76,394	63,295
Accommodation	9,512	9,148
Other	39,952	30,398
	521,523	480,612
Termination costs	5,365	14,898
	526,888	495,510

The average number of persons employed by the company during the year was two hundred and sixty five (265) (2010 –two hundred and sixty seven (267)).

24. **PENSION SCHEME:**

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

The scheme is funded by the company's and employees' contributions. The company's contributions to the scheme are expensed and amounted to $13,169,554 for the year (2010 - $11,272,212).

25. **RECLASSIFICATION:**

Certain amounts included in the director's current account balance for prior year were reclassified to payables and receivables based on managements' decision.

26. **CONTINGENT ASSET:**

There is a claim by Pfizer Limited against Lasco Distributors Limited, ("the company"), and others for damages for breach of a patent relating to a particular product. The action has been tried and judgement entered in favour of the company. The judgement has been appealed by Pfizer Limited. The appeal has been heard and the court has reserved its judgement. The attorneys are of the opinion that the company should be successful on this appeal.

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27. **SEGMENT REPORTING:**

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

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

	Consumer Division 2011 $'000	Consumer Division 2010 $'000	Pharmaceutical Division 2011 $'000	Pharmaceutical Division 2010 $'000	Unallocated Division 2011 $'000	Unallocated Division 2010 $'000	Total 2011 $'000	Total 2010 $'000
Revenue	5,295,577	4,405,303	1,460,978	1,437,614	-	-	6,756,555	5,842,917
Segment profit before taxation	316,519	49,587	89,731	92,990	-	-	406,250	142,577
Finance income	1,875	3,323	-	-	-	-	1,875	3,323
Finance costs	28,504	83,954	12,344	-	-	-	40,848	83,954
Reportable segment assets	690,421	790,822	624,374	584,349	536,472	918,410	1,851,267	2,293,581
Reportable segment liabilities	349,969	945,136	357,907	414,607	182,217	424,181	890,093	1,783,924