LASCO DISTRIBUTORS LIMITED

FINANCIAL STATEMENTS

31 MARCH 2016

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I N D E X

BDO

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

INDEPENDENT AUDITORS' REPORT

To the Members of
Lasco Distributors Limited

Report on the Financial Statements

We have audited the financial statements of Lasco Distributors Limited set out on pages 3 to 41, which comprise the statement of financial position as at 31 March 2016, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Lasco Distributors Limited

Opinion

In our opinion, the financial statements give a true and fair view of the company's financial position as at 31 March 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the requirements of the Jamaican Companies Act.

Report on Additional Requirements of the Jamaican Companies Act

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

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

BDO

Chartered Accountants

26 May 2016

LASCO DISTRIBUTORS LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 MARCH 2016

	Note	2016 $'000	2015 $'000
REVENUE	7	14,549,098	11,146,892
COST OF SALES		(11,888,940)	(9,145,693)
GROSS PROFIT		2,660,158	2,001,199
Other operating income	8	82,792	78,831
		2,742,950	2,080,030
EXPENSES:			
Administrative and other expenses		(1,453,279)	(1,129,068)
Selling and promotion expenses		(530,741)	(402,045)
	9	(1,984,020)	(1,531,113)
OPERATING PROFIT		758,930	548,917
Finance costs	11	(1,435)	(2,187)
PROFIT BEFORE TAXATION		757,495	546,730
Taxation	12	(40,744)	-
NET PROFIT FOR THE YEAR		716,751	546,730
OTHER COMPREHENSIVE INCOME:			
Item that will or may not be reclassified to profit or loss -			
Share option plan	22(b)	24,017	32,811
TOTAL COMPREHENSIVE INCOME		740,768	579,541
EARNINGS PER STOCK UNIT	13		
Basic		21.23¢	16.20¢
Diluted		20.75¢	15.83¢

LASCO DISTRIBUTORS LIMITED

STATEMENT OF FINANCIAL POSITION

31 MARCH 2016

	Note	2016 $'000	2015 $'000
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	14	957,428	588,541
CURRENT ASSETS:			
Inventories	15	1,936,386	1,896,784
Receivables	16	1,846,954	2,085,493
Related companies	17	41,586	14,185
Director's current account	17	12,000	-
Taxation recoverable		20,346	16,126
Short term investments	18	188,289	171,423
Cash and bank balances	19	1,493,081	562,025
		5,538,642	4,746,036
		6,496,070	5,334,577
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	20	272,882	231,373
Revaluation reserve	21	75,387	75,387
Other reserve	22(c)	37,735	28,129
Retained earnings		3,172,040	2,548,072
		3,558,044	2,882,961
NON-CURRENT LIABILITIES:			
Long term loan	23	107,708	-
Deferred tax liability	24	5,033	-
		112,741	-
CURRENT LIABILITIES:			
Payables	25	2,689,634	2,449,434
Bank overdraft	19	-	2,182
Current portion of long term loan	23	100,000	-
Taxation		35,651	-
		2,825,285	2,451,616
		6,496,070	5,334,577

Approved for issue by the Board of Directors on 26 May 2016 and signed on its behalf by:

L A Chin Chairman

Peter Chin Director

LASCO DISTRIBUTORS LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 MARCH 2016

	Note	Share Capital $'000	Revaluation Reserve $'000	Other Reserve $'000	Retained Earnings $'000	Total $'000
BALANCE AT 1 MARCH 2014		219,191	75,387	-	2,102,559	2,397,137
TOTAL COMPREHENSIVE INCOME						
Net profit		-	-	-	546,730	546,730
Other comprehensive income		-	-	32,811	-	32,811
		-	-	32,811	546,730	579,541
TRANSACTION WITH OWNERS						
Issue of shares		7,500	-	-	-	7,500
Transfer from other reserves	22(c)	4,682	-	(4,682)	-	-
Dividends paid	26	-	-	-	(101,217)	(101,217)
		12,182	-	(4,682)	(101,217)	(93,717)
BALANCE AT 31 MARCH 2015		231,373	75,387	28,129	2,548,072	2,882,961
TOTAL COMPREHENSIVE INCOME						
Net profit		-	-	-	716,751	716,751
Other comprehensive income		-	-	24,017	-	24,017
		-	-	24,017	716,751	740,768
TRANSACTION WITH OWNERS						
Issue of shares	20	27,098	-	-	-	27,098
Transfer from other reserves	22(c)	14,411	-	(14,411)	-	-
Dividends paid	26	-	-	-	(92,783)	(92,783)
		41,509	-	(14,411)	(92,783)	(65,685)
BALANCE AT 31 MARCH 2016		272,882	75,387	37,735	3,172,040	3,558,044

LASCO DISTRIBUTORS LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2016

	2016 $'000	2015 $'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit	716,751	546,730
Items not affecting cash resources:		
Exchange gain on foreign balances	(10,326)	(28,580)
Loss on disposal of property, plant and equipment	166	-
Stock options – value of services expensed	24,017	32,811
Depreciation	64,198	43,875
Interest income	(17,666)	(28,392)
Interest expense	1,435	2,187
Taxation expense	40,744	-
	819,319	568,631
Changes in operating assets and liabilities:		
Inventories	(39,602)	(583,861)
Receivables	254,799	(437,479)
Director's current account	(12,000)	-
Payables	213,598	700,377
Related companies	(27,401)	(5,252)
	1,208,713	242,416
Taxation paid	(4,280)	(8,147)
Cash provided by operating activities	1,204,433	234,269
CASH FLOWS FROM INVESTING ACTIVITIES:		
Short term investments	(16,866)	41,962
Interest received	16,970	32,929
Purchase of property, plant and equipment	(433,251)	(340,006)
Cash used in investing activities	(433,147)	(265,115)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issue of shares	27,098	7,500
Interest paid	(1,435)	(2,187)
Dividends paid	(92,783)	(101,217)
Loan received	300,000	-
Loan repayment	(92,292)	-
Cash provided by/(used in) financing activities	140,588	(95,904)
	911,874	(126,750)
Exchange gain on cash balances	21,364	11,451
Net increase/(decrease) in cash and cash equivalents	933,238	(115,299)
Cash and cash equivalents at beginning of year	559,843	675,142
CASH AND CASH EQUIVALENTS AT END OF YEAR (note 19)	1,493,081	559,843

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

1. **IDENTIFICATION AND PRINCIPAL ACTIVITIES**:

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

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

2. **REPORTING CURRENCY:**

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

3. **SIGNIFICANT ACCOUNTING POLICIES**:

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

   (a) **Basis of preparation**

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

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

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

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

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

Annual improvements to IFRS, 2010-2012 and 2011-2013 cycles contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after 1 July 2014. The main amendments applicable to the company are as follows:

- **IAS 24, 'Related Party Disclosures',** has been amended to extend the definition of 'related party' to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity. For related party transactions that arise when key management personnel services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the key management personnel services.

- **IFRS 13, 'Fair Value Measurement',** has been amended to clarify that issuing of the standard and consequential amendments to IAS 39 and IFRS 9 did not intend to prevent entities from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial.

The amendments did not result in any effect on the company's financial statements.

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

IAS 1, 'Presentation of Financial Statements', (effective for accounting periods beginning on or after 1 January 2016), has been amended to clarify or state the following:

- specific single disclosures that are not material do not have to be presented even if they are the minimum requirement of a standard;

- the order of notes to the financial statements is not prescribed;

- line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Line items can be aggregated if they are not material;

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

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

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

Standards and amendments to published standards that are not yet effective and have not been early adopted by the company (cont'd)

IAS 1, 'Presentation of Financial Statements', (effective for accounting periods beginning on or after 1 January 2016), has been amended to clarify or state the following (cont'd):

- specific criteria is now provided for presenting subtotals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirement for the statement of profit or loss and OCI; and

- the presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method follows IAS 1 approach of splitting items that may, or that will never, be reclassified to profit or loss.

IAS 16, 'Property, Plant and Equipment', (effective for annual periods beginning on or after 1 January 2016). The amendment explicitly states that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset.

IFRS 7, 'Financial Instruments: Disclosures', (effective for annual periods beginning on or after 1 July 2016), has been amended to clarify when servicing arrangements are the scope of its disclosure requirements on continuing involvement in transferred assets in cases when they are derecognized in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset – e.g. if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement'.

IFRS 9, 'Financial Instruments', (effective for annual periods beginning on or after 1 January 2018), replaces the existing guidance in IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognized.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

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

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

Standards and amendments to published standards that are not yet effective and have not been early adopted by the company (cont'd)

IFRS 15, 'Revenue from Contracts with Customers', (effective for annual periods beginning on or after 1 January 2018). It replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter Transactions involving Advertising Services. The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other IFRS takes precedence.

IFRS 16, 'Leases', (effective for annual periods beginning on or after 1 January 2019), replaces IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC 15 Operating Leases-Incentives and SIC 27 Evaluating the Substance of Transactions involving the Legal Form of a Lease. The new standard eliminates the classification by a lessee of leases as either operating or finance. Instead all leases are treated in a similar way to finance leases in accordance with IAS 17. Leases are now recorded in the statement of financial position by recognizing a liability for the present value of its obligation to make future lease payments with an asset (comprised of the amount of the lease liability plus certain other amounts) either being disclosed separately in the statement of financial position (within right-of-use assets) or together with property, plant and equipment. The most significant effect of the new requirements will be an increase in recognized lease assets and financial liabilities. The company is currently assessing the impact future adoption of the new standard may have on the financial statements.

Annual improvements to IFRS, 2012-2014 cycle contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after 1 January 2016. The main amendments applicable to the company are as follows:

- **IAS 34, 'Interim Financial Reporting',** has been amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements, may be disclosed 'elsewhere in the interim financial report' and requires a cross-reference to the information.

- **IFRS 7, 'Financial Instruments: Disclosures'**, has been amended to clarify that the additional disclosures required by the amendment to IFRS 7, Disclosures: Offsetting Financial Assets and Financial Liabilities are not specifically required for inclusion in condensed interim financial statements for all interim periods; however, they are required if the general requirements of IAS 34, Interim Financial Reporting, require their inclusion.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

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

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

Standards and amendments to published standards that are not yet effective and have not been early adopted by the company (cont'd)

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.

(b) **Foreign currency translation**

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

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

Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognized in profit or loss.

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

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

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

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

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

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

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 hardware and software	5 years

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

(d) **Inventories**

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

(e) **Provisions**

Provisions 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 recognised for future operating losses.

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

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

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

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

(f) **Revenue recognition**

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

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

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

(g) **Impairment of non-current assets**

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the greater of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identified cash flows. Non financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) **Trade receivables**

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

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

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

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

Current tax charges are based on taxable profits for the year, which differ from the profit before tax reported because taxable profits exclude items that are taxable or deductible in other years, and items that are never taxable or deductible. The company's liability for current tax is calculated at tax rates that have been enacted at the reporting date.

Deferred tax is the tax that is expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax is charged or credited to profit or loss, except where it relates to items charged or credited to other comprehensive income or equity, in which case deferred tax is also dealt with in other comprehensive income or equity.

(j) **Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank, in hand, deposits and short term highly liquid investments with original maturities of three months or less, net of bank overdraft.

(k) **Trade and other payables**

Trade payables are stated at amortized cost.

(l) **Employee benefits**

(i) Defined contribution plan

The company operates a defined contribution pension plan which is funded by employees' contribution of 5% of salary and employer's contribution of 5%. Once the contributions have been paid, the company has no further obligations. Contributions are charged to the statement of profit or loss, in the year to which they relate.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

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

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

(ii) Profit-sharing and bonus plan

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

(iii) Annual vacation leave and other benefits

Employee entitlement to annual vacation leave and other benefits are recongised 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 recognised as an expense, with corresponding increase in equity, over the period in which the employee becomes unconditionally entitled to the options. 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.

(iv) Share-based compensation

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.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

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

(m) **Financial instruments**

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

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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets. The company's loans and receivables comprise trade and other receivables, short term investments and cash and bank balances in the statement of financial position.

(ii) **Recognition and Measurement**

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

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

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

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

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

Financial liabilities

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

(n) **Share capital**

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

(o) **Other receivables**

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

(p) **Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. Operating segments are reported in a manner consistent with internal reporting to the company's chief operating decision maker.

(q) **Dividend distribution**

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

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

LASCO DISTRIBUTORS LIMITED

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

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

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

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

(b) **Key sources of estimation uncertainty**

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

(i) **Fair value estimation**

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Market price is used to determine fair value where an active market (such as a recognized stock exchange) exists as it is the best evidence of the fair value of a financial instrument.

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

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

Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 — Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 — Inputs for the asset or liability that are not based on observable market date (that is, unobservable inputs).

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

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

(i) **Fair value estimation (cont'd)**

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

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

The company measures land and building at fair value (note 14).

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

(i) **Depreciable assets**

Estimates of the useful life and the residual value of property, plant and equipment are required in order to apply an adequate rate of transferring the economic benefits embodied in these assets in the relevant periods. The company applies a variety of methods in an effort to arrive at these estimates from which actual results may vary. Actual variations in estimated useful lives and residual values are reflected in profit or loss through impairment or adjusted depreciation provisions.

5. **FINANCIAL RISK MANAGEMENT:**

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

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

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

LASCO DISTRIBUTORS LIMITED

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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 loan

(b) **Financial instruments by category**

Financial assets

	Loans and Receivables	
	2016 $'000	2015 $'000
Short term investments	188,289	171,423
Cash and bank balances	1,493,081	562,025
Receivables	1,709,206	1,847,680
Total financial assets	3,390,576	2,581,128

Financial liabilities

	Financial liabilities at amortised cost	
	2016 $'000	2015 $'000
Payables	2,632,546	2,384,166
Bank overdraft	-	2,182
Long term loan	207,708	-
Total financial liabilities	2,840,254	2,386,348

(c) **Financial instruments not measured at fair value**

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

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

LASCO DISTRIBUTORS LIMITED

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

(d) **Financial risk factors**

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

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

(i) **Market risk**

Currency risk

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

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:

	2016 $'000	2015 $'000
Cash and bank balances	581,123	219,287
Trade receivables	341,778	687,219
Other receivables	168,698	45,454
Trade payables	(916,872)	(1,151,257)
	174,727	(199,297)

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

Currency 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 6% (2015 – 10%) depreciation and a 1% (2015 – 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 2016 $'000	Effect on Profit before Taxation 2016 $'000	% Change in Currency Rate 2015 $'000	Effect on Profit before Taxation 2015 $'000
Currency:				
USD	-6	10,484	-10	(19,930)
USD	+1	(1,747)	+1	1,993

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

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

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

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

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

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

Interest rate sensitivity

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

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

Cash and bank balances

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

Maximum exposure to credit risk

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

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

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

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

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

Maximum exposure to credit risk (cont'd)

The aging of trade receivables is:

	2016 $'000	2015 $'000
0-30 days	996,139	1,069,555
31-60 days	248,356	238,679
61-90 days	72,213	79,221
90 days and over	198,205	322,978
	1,514,913	1,710,433

Trade receivables that are past due but not impaired

As at 31 March 2016, trade receivables of $482,356,449 (2015 - $633,804,959) were past due but not impaired. This includes $101,449,798 (2015 – $192,049,460) for Roche customers. The others relate to independent customers for whom there is no recent history of default.

Trade receivables that are past due and impaired

As of 31 March 2016, the company had trade receivables of $33,736,458 (2015 - $7,073,307) that were impaired. The amount of the provision was $26,914,754 (2015 - $7,073,307). These receivables were aged over 90 days.

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

	2016 $'000	2015 $'000
At 1 April	7,073	7,987
Provision for receivables impairment	20,656	2,115
Receivables written off during the year as uncollectible	(814)	(3,029)
At 31 March	26,915	7,073

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

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

(d) **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 table below presents the undiscounted cash flows (both interest and principal cash flows) of the company's financial liabilities based on contractual rights and obligations as well as expected maturity.

	Within 1 Year $'000	1 to 2 Years $'000	2 to 5 Years $'000	Over 5 Years $'000	Total $'000
31 March 2016					
Long term loan	115,189	123,522	-	-	238,711
Payables	2,632,546	-	-	-	2,632,546
Total financial liabilities (contractual maturity dates)	2,747,735	123,522	-	-	2,871,257

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

	Within 1 Year $'000	1 to 2 Years $'000	2 to 5 Years $'000	Over 5 Years $'000	Total $'000
31 March 2015					
Payables	2,384,166	-	-	-	2,384,166
Bank overdraft	2,182	-	-	-	2,182
Total financial liabilities (contractual maturity dates)	2,386,348	-	-	-	2,386,348

(e) **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

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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.

	2016		
	Consumer Division $'000	Pharmaceutical Division $'000	Total $'000
Revenue -			
Total revenue	12,517,976	2,031,122	14,549,098
Eliminations			-
Revenue from external customers			14,549,098
Segment result	638,112	78,639	716,751
Eliminations			-
			716,751
Segment assets(1)	2,717,215	707,169	3,424,384
Unallocated assets			3,071,686
Total assets			6,496,070
Segment liabilities(2)	1,925,066	700,982	2,626,048
Unallocated liabilities			311,978
Total liabilities			2,938,026
Other items -			
Finance income	17,666	-	17,666
Finance costs	1,117	318	1,435

LASCO DISTRIBUTORS LIMITED

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

	2015		
	Consumer Division $'000	Pharmaceutical Division $'000	Total $'000
Revenue -			
Total revenue	9,110,600	2,036,292	11,146,892
Eliminations			-
Revenue from external customers			11,146,892
Segment result	497,401	49,329	546,730
Eliminations			-
			546,730
Segment assets([1])	2,421,900	1,219,587	3,641,487
Unallocated assets			1,693,090
Total assets			5,334,577
Segment liabilities([2])	1,619,245	698,616	2,317,861
Unallocated liabilities			133,755
Total liabilities			2,451,616
Other items -			
Finance income	28,392	-	28,392
Finance costs	991	1,196	2,187

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

	2016 $'000	2015 $'000
Segment assets from reportable segments	3,424,384	3,641,487
Unallocated assets -		
Property, plant and equipment	957,428	588,541
Taxation recoverable	20,346	16,126
Related companies	41,586	14,185
Other receivables	370,956	340,790
Short term investments	188,289	171,423
Cash and bank balances	1,493,081	562,025
	6,496,070	5,334,577

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

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

	2016 $'000	2015 $'000
Segment liabilities from reportable segments	2,626,048	2,317,861
Unallocated liabilities -		
Payables	63,586	131,573
Bank overdraft	-	2,182
Long term loan	207,708	-
Deferred tax liability	5,033	-
Taxation	35,651	-
	2,938,026	2,451,616

7. **REVENUE:**

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

8. **OTHER OPERATING INCOME:**

	2016 $'000	2015 $'000
Commission –		
Roche	64,499	48,498
Other	-	1,640
Interest income	17,666	28,392
Rental income	240	240
Miscellaneous income	387	61
	82,792	78,831

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

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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9. **EXPENSES BY NATURE:**

Total administrative, selling and other expenses:

	2016 $'000	2015 $'000
Staff costs (note 10)	1,194,389	934,263
Directors' fees	8,420	5,692
Property expenses	46,032	28,898
Transportation and communication	58,519	59,260
Advertising and promotion	194,165	190,628
Management and consultancy fees	71,623	45,849
Insurance	27,357	32,073
Stationery	18,238	11,369
Office rental	19,507	-
Utilities and postage	53,388	59,438
Security	67,122	51,382
Donations and subscriptions	69,847	42,699
Bank charges	38,880	26,887
Auditors' remuneration	5,350	5,000
Foreign exchange gain	(10,326)	(28,580)
Depreciation	64,198	43,875
Other administrative expenses	58,851	15,825
Share options – non-executive directors	(1,100)	4,058
- service providers	(440)	2,497
	1,984,020	1,531,113

Other administrative expenses mainly includes amounts below $2,000,000.

10. **STAFF COSTS:**

	2016 $'000	2015 $'000
Salaries and wages	765,672	594,817
Statutory contributions	79,790	62,034
Pension costs	25,371	21,030
Share options - employees	25,557	26,256
Commission	184,669	129,828
Accommodation	19,740	13,346
Other	93,590	81,879
	1,194,389	929,190
Termination costs	-	5,073
	1,194,389	934,263

The average number of persons employed by the company during the year was four hundred and thirty (430) (2015 – three hundred and sixty nine (369)).

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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11. **FINANCE COSTS:**

	2016 $'000	2015 $'000
Interest expense –		
Bank borrowings	147	816
Other	1,288	1,371
	1,435	2,187

12. **TAXATION EXPENSE:**

(a) Taxation for the year comprises:

	2016 $'000	2015 $'000
Current taxation	35,711	-
Deferred taxation (note 24)	5,033	-
	40,744	-

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

	2016 $'000	2015 $'000
Profit before taxation	757,495	546,730
Taxation calculated @ 25%	189,374	136,682
Adjusted for the effects of:		
Expenses not deducted for tax purposes	42,827	16,403
Tax depreciation	(11,422)	(8,803)
Unrealised foreign exchange gain	(2,582)	(8,950)
Net effect of other charges	4,621	-
Employer tax credit	(15,305)	-
	207,513	135,332
Adjustment for the effect of tax remission		
Current tax	(166,769)	(135,332)
Taxation charge in income statement	40,744	-

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NOTES TO THE FINANCIAL STATEMENTS

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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.

	2016	2015
Net profit attributable to stockholders ($'000)	716,751	546,730
Weighted average number of ordinary stocks units ('000)	3,375,805	3,375,805
Basic earnings per stock unit (¢ per share)	21.23	16.20

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.

	2016	2015
Net profit attributable to stockholders ($'000)	716,751	546,730
Weighted average number of ordinary stocks units ('000)	3,375,805	3,375,805
Adjusted for share options ('000)	77,765	77,765
	3,453,570	3,453,570
Diluted earnings per stock unit (¢ per share)	20.75	15.83

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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/valuation -						
At 1 April 2014	199,709	103,169	67,635	20,223	70,269	461,005
Additions	56,797	7,226	80,668	191,071	4,244	340,006
Disposals	-	(62,055)	-	-	-	(62,055)
31 March 2015	256,506	48,340	148,303	211,294	74,513	738,956
Additions	5,663	68,994	65,724	286,745	6,125	433,251
Disposals	-	(363)	-	-	-	(363)
31 March 2016	262,169	116,971	214,027	498,039	80,638	1,171,844
Depreciation -						
At 1 April 2014	46,095	78,656	27,873	-	15,971	168,595
Charge for the year	4,637	8,880	17,010	-	13,348	43,875
Disposal	-	(62,055)	-	-	-	(62,055)
31 March 2015	50,732	25,481	44,883	-	29,319	150,415
Charge for the year	5,534	14,218	30,988	-	13,458	64,198
Disposal	-	(197)	-	-	-	(197)
31 March 2016	56,266	39,502	75,871	-	42,777	214,416
Net Book Value -						
31 March 2016	205,903	77,469	138,156	498,039	37,861	957,428
31 March 2015	205,774	22,859	103,420	211,294	45,194	588,541

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

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

LASCO DISTRIBUTORS LIMITED

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

The net book value of property, plant and equipment includes assets under construction amounting to $498,039,909 relating to the construction of a new warehouse.

The cost will be depreciated once the property is complete and available for use. The estimated (additional) cost of completion of the facility is $192,158,846.

Borrowing costs capitalised during the year amounted to $15,139,827.

15. **INVENTORIES:**

	2016 $'000	2015 $'000
Goods for resale –		
Roche	121,864	81,839
Regular trade	1,450,146	1,368,898
Goods-in-transit	364,376	446,047
	1,936,386	1,896,784

16. **RECEIVABLES:**

	2016 $'000	2015 $'000
Trade receivables -		
Roche (see below)	453,793	520,736
Regular trade	1,061,120	1,189,697
	1,514,913	1,710,433
Less: Bad debts provision	(26,915)	(7,073)
	1,487,998	1,703,360
Other receivables	358,956	382,133
	1,846,954	2,085,493

Included in trade receivables for Roche are items on which Roche bears the credit risk solely. The corresponding liability is included in trade payables (note 25).

LASCO DISTRIBUTORS LIMITED

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

	2016 $'000	2015 $'000
Transactions during the year		
Purchases of goods and services/foreign currency:		
Lasco Manufacturing Limited -		
Goods	6,190,290	4,190,445
Lasco Financial Services Limited -		
Foreign currency	3,201,874	2,387,472
Sale of goods:		
Lasco Manufacturing Limited	28,891	41,927
Key management compensation (included in staff costs – Note 10):		
Key management includes directors and senior managers -		
Salaries and other short-term employee benefits	115,953	93,641
Share based payments	10,563	2,297
Directors' emoluments –		
Fees	8,420	5,692
Management remuneration (included above)	69,395	55,274
Share based payments	7,964	13,433
Year end balances		
With related companies:		
Due from –		
Lasco Manufacturing Limited	40,362	12,488
Lasco Financial Services Limited	1,224	1,697
	41,586	14,185
Lasco Manufacturing Limited (included in trade receivables)	5,806	18,012
Due to –		
Lasco Financial Services Limited (included in other payables)	176	9
Lasco Manufacturing Limited (included in trade payables)	1,401,414	918,990

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

Due from –		
Director	12,000	-

LASCO DISTRIBUTORS LIMITED

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18. **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 3.1% (2015 – 3.07%).

19. **CASH AND CASH EQUIVALENTS:**

	2016 $'000	2015 $'000
Cash and bank balances -		
Fixed deposits	191,626	140,385
Jamaican currency current account	837,181	302,635
Jamaica currency savings account	7,189	16,822
Foreign currency accounts	454,185	101,444
Cash in hand	2,900	739
	1,493,081	562,025
Bank overdraft	-	(2,182)
	1,493,081	559,843

20. **SHARE CAPITAL:**

	2016 $'000	2015 $'000
Authorised -		
3,630,000,000 Ordinary shares of no par value		
Stated capital –		
Issued and fully paid -		
3,400,428,817 (2015 - 3,373,931,150) Ordinary shares of no par value	272,882	231,373

During the year, the company issued 26,497,667 shares to its directors and managers for cash of $27,097,667. The shares were issued under the company's stock option plan and the fair value of the options exercised during the year was $14,411,035.

21. **REVALUATION RESERVE:**

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

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22. **OTHER RESERVE:**

Stock Option Reserve

(a) 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 168,321,556 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.

	2016 '000	2015 '000
Movement on this option:		
At 1 April	3,000	-
Options granted	-	10,500
Exercised	(2,000)	(7,500)
At 31 March	1,000	3,000

	No. of shares '000
Executive director and managers	114,322

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.

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

Stock Option Reserve (cont'd)

	2016 '000	2015 '000
(a) Movement on this option:		
At 1 April	114,322	-
Options granted	-	114,322
Exercised	(23,498)	-
Forfeited	(10,000)	-
At 31 March	80,824	114,322

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.

	2016 '000	2015 '000
Movement on this option:		
Options granted	39,500	-
Exercised	(1,000)	-
At 31 March	38,500	-

The fair value of options granted determined using the Black-Scholes-Merton valuation model was $97,788,757. 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.

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

Stock Option Reserve (cont'd)

(b) 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)
Amount to be expensed in future periods	40,961

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

	2016 $'000	2015 $'000
At 1 April	28,129	-
Fair value of options recognised during the year	31,460	32,811
Reversal of fair value overstated in prior year	(5,492)	-
Fair value of forfeited options	(1,951)	-
Fair value of options exercised transferred to share capital	(14,411)	(4,682)
At 31 March	37,735	28,129

23. **LONG TERM LOAN:**

	2016 $'000	2015 $'000
First Caribbean International Bank Limited	207,708	-
Less – current portion	(100,000)	-
	107,708	-

This loan incurs interest at a rate of 8.7% and is repayable in April 2018. The loan is secured by first legal mortgage over properties located at White Marl, St. Catherine and 27 Red Hills Road, Kingston 10. It is also secured by a hypothecation agreement, fire and peril insurance over buildings and contents and overdraft lending agreements in the amount of $121,000,000.

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24. **DEFERRED INCOME TAXES:**

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 25% (2015 – nil).

Deferred income 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:

	2016 $'000	2015 $'000
Deferred tax liabilities	(5,033)	-

The movement in deferred taxation is as follows:

	2016 $'000	2015 $'000
Balance at start of year	-	-
Charge for the year (note 12)	(5,033)	-
Balance at end of year	(5,033)	-

Deferred taxation is due to the following temporary differences:

	2016 $'000	2015 $'000
Accelerated capital allowances	(17,889)	-
Bad debt provision	6,729	-
Interest receivable	(412)	-
Accrued vacation leave	6,539	-
	(5,033)	-

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

	2016 $'000	2015 $'000
Accelerated capital allowances	(17,889)	-
Bad debt provision	6,729	-
Interest receivable	(412)	-
Accrued vacation leave	6,539	-
	(5,033)	-

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25. **PAYABLES:**

	2016 $'000	2015 $'000
Trade payables –		
Roche (see note 16)	170,573	412,877
Regular trade	2,455,475	1,961,823
	2,626,048	2,374,700
Other payables and accruals	63,586	74,734
	2,689,634	2,449,434

26. **DIVIDENDS PAID:**

	2016 $'000	2015 $'000
In respect of 31 March 2015 (2.75¢ share)	92,783	-
In respect of 31 March 2014 (3¢ per share)	-	101,217
	92,783	101,217

By Round Robin Resolution dated 3 September 2015, dividend payment of $0.275¢ per share was approved by the Board of Directors.

27. **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 $25,370,784 for the year (2015 – $21,030,257).

28. **CONTINGENCIES:**

(i) There is a claim by Pfizer Limited (Pfizer) against Lasco Distributors Limited, ("the company"), and others for damages for breach of a patent relating to a particular product. Final judgement as to liability was received from the Privy Council in favour of the company. The matter is now set for 18-22 July 2016 for assessment of damages payable to the company under the undertaking Pfizer gave to the Court. The attorneys are in the process of preparing to be heard on that date.

(ii) 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 Three Hundred and Nineteen Dollars ($1,792,319) which is still pending.

(iii) The company had guarantees with financial institutions totalling J$12.6M and US$35,000 which occurred during the normal course of business.