



**LASCO DISTRIBUTORS LIMITED**

**THIRD QUARTER**

**UNAUDITED FINANCIAL REPORT**

**DECEMBER 2016**

# TABLE OF CONTENTS

- ❖ Report to the Shareholders
- ❖ Statement of Comprehensive Income
- ❖ Statement of Financial Position
- ❖ Statement of Cash Flows
- ❖ Statement of Shareholders Equity
- ❖ Notes to the Financial Statements

## REPORT TO THE SHAREHOLDERS

### Third Quarter Results

The Board of Directors of LASCO Distributors Limited is pleased to present the unaudited results for the Nine months ended December 31, 2016.

The company earned total revenues of \$12.1 billion, which was \$1.2 billion or 11% higher than the same period last year. Net profit however fell by 29% when compared to last year, to close at \$417.4 million, owing mainly to increased operational expenses. Operating expenses for the period totaled \$1.6 billion or 29% more than the prior year. The increase in operating expenses was primarily due to non-recurring expenses which includes professional and consultancy fees arising from the case with Pfizer currently in the courts, increased insurance and security costs, arising from the expansion at our Whitemarl location, and higher than normal operational costs relating to logistics and warehouse capacity issues. The higher costs due to the lack of storage capacity will be resolved on completion of the second phase of our warehouse expansion project, which is scheduled for February 2017. Gross profit for the period totaled \$2.0 billion, or 13% more than prior year. Other operating income, which were mainly derived from commissions earned from Principals and Investments interest, totaled \$58.1 million, or 30% below the prior year.

Revenues for the quarter were \$3.9 billion, which was level with last year. Net profit for the quarter was \$36.5m, compared to \$212.5m in the prior year. Overall performance was affected by weaker demand for the quarter experienced throughout the general trade. In the ensuing months, the company will seek to realign its major recurring expenses. We will also be scaling down on initial marketing and administrative expenses. Despite this lull in market demand, the company remains confident in its core growth strategy which is to expand the main product range, development of Principal brands, market expansion in exports and bringing new innovations to market. This we will continue to do as it is essential to sustain market growth and profitability.

In November, LASCO Distributors Limited (LDL) entered the Trinidad Market with the popular LASCO iCool juice drink brand through appointed distributor, Massy Distribution Trinidad. This market entry now places the iCool brand in over 7 countries (including Barbados, Guyana, Bermuda, Venezuela, the Cayman Islands and Bahamas) and efforts are in place to develop brand presence in other countries throughout the region.

For the local market, the company launched the long awaited 2L family size iCool juice drink and egg nog flavour of our dessert line of products, LASCO Ice Dream, in time for the festive season. These products have received very good responses from our consumers. The company also launched one of its new innovations, LASCO Nutrify, a high protein meal replacement product. This move further expands the nutrition range of product offerings. Nutrify is one of several innovations in the current pipeline and is a part of the company's overall growth strategy. In the coming quarter, there is a planned launch for the first innovation for the calendar year 2017. The company has a strong new product development team and there are several other exciting innovations schedule for the year.

Total assets at the end of the period stood at \$7.1 billion, which was level with the prior year. Property plant and equipment grew by 41% or \$361m to close at \$1.2 billion. Of this amount, \$753.8 million relates to our expanded warehouse and logistics infrastructure. Trade receivables for the period closed at \$1.7 billion, which was level with prior year, while trade

payables for the period closed at \$2.7 billion or 19% below prior year. Cash and Bank balances at the end of the period stood at \$765.1 million, a 10% decline when compared to the same period last year. This decline was due to stocking of key items to meet projected demand, and funding of the warehouse expansion. Shareholders' equity at the end of the period, stood at \$3.8 billion or 13% more than the prior year, whilst the return on equity for the period was 16%, compared to 27% in the prior year.

The Privy Council has ruled in favour of LASCO that the injunction to stop LASCO selling Las-Amlodipine was wrongly imposed and consequently directed the Supreme Court to assess the damages payable to LASCO as a result. The Supreme Court has now completed the taking of the evidence as to damages and it has directed that written submissions be delivered and has set the 18-20<sup>th</sup> of April 2017 for all the parties to attend in open court for oral submissions. The amount claimed by LASCO is US\$311 million plus interest and cost.

The company continues to expand its community reach through various corporate social responsibility programs. For the period, the initiatives focused on environmental awareness and education.

The fifth staging of the LASCO Releaf Environmental Awareness Programme (LASCO REAP) 2016/2017 was launched at Howard Cooke Primary October 7, 2016. Under the theme "Together, We Grow", LASCO REAP will seek to increase community engagement in saving and preserving the environment by incorporating Churches and High Schools for participation.

St Elizabeth Technical High School (STETHS) created history with a clean sweep of the LASCO/ Ministry of Education, Youth and Information Principal and Teacher of the Year competition. On November 29, 2016, Kerene Nelson was announced the 2016/17 Teacher of the Year and the Principal of the Year went to Keith Wellington, both of STETHS. The two educators topped the 13 finalists who were selected after an intense two-month screening process. LASCO continues to recognize and applaud our educators for their invaluable service and contribution to our nation's children.

We would like to thank all our customers, shareholders, directors and team members for their continued invaluable support during this period, and look forward to exciting times ahead.



Peter M. Chin  
Deputy Executive Chairman & Managing Director

**LASCO Distributors Limited**

## Statement of Comprehensive Income

For the 9 months ended December 31, 2016


*(Unaudited and expressed in Thousands)*


	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>
	<b>3 months to</b>	<b>3 months to</b>	<b>Year-to-date</b>	<b>Year-to-date</b>
	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
	<b>JS'000</b>	<b>JS'000</b>	<b>JS'000</b>	<b>JS'000</b>
Revenue	3,914,835	3,955,262	12,056,265	10,900,714
Cost of Sales	(3,355,243)	(3,310,985)	(10,056,472)	(9,127,079)
<b>Gross Profit</b>	<b>559,592</b>	<b>644,277</b>	<b>1,999,793</b>	<b>1,773,635</b>
Other Operating Income/(Loss)	18,351	52,679	58,069	82,516
Operating Expenses	(539,484)	(458,037)	(1,591,370)	(1,237,033)
Profit from Operations	<b>38,459</b>	<b>238,919</b>	<b>466,492</b>	<b>619,118</b>
Finance Costs	(802)	(298)	(1,776)	(1,077)
<b>Profit before Taxation</b>	<b>37,657</b>	<b>238,621</b>	<b>464,716</b>	<b>618,041</b>
Taxation	(1,130)	(26,077)	(47,275)	(26,077)
<b>Net Profit for the period</b>	<b>36,527</b>	<b>212,544</b>	<b>417,441</b>	<b>591,964</b>
Other Comprehensive Income: Items that will or may not be reclassified to Profit or Loss - Share option plan	15,000	12,000	27,000	20,000
<b>Total Comprehensive Income for the Period</b>	<b>51,527</b>	<b>224,544</b>	<b>444,441</b>	<b>611,964</b>
<b>Earnings per stock unit</b>				
<b>Basic and Diluted</b>	<b>\$ 0.02</b>	<b>\$ 0.06</b>	<b>\$ 0.13</b>	<b>\$ 0.18</b>

**LASCO Distributors Limited**  
Statement of Financial Position  
as at December 31, 2016

	Notes	Unaudited 31 Dec 2016 \$'000	Unaudited 30 Dec 2015 \$'000	Audited 31 Mar 2016 \$'000
<b>ASSETS:</b>				
<b>Non-Current Assets</b>				
Property, Plant & Equipment		<u>1,249,621</u>	<u>888,167</u>	<u>957,428</u>
<b>Current Assets</b>				
Inventories		2,291,280	2,392,338	1,936,386
Receivables	4	2,320,659	2,693,009	1,846,954
Related Companies		119,274	27,862	41,586
Directors Current Account		11,460	0	12,000
Taxation recoverable		21,859	19,226	20,346
Short term Investments		319,049	227,357	188,289
Cash and Bank Balances		<u>765,092</u>	<u>848,968</u>	<u>1,493,081</u>
<b>Total Current Assets</b>		<u>5,848,673</u>	<u>6,208,760</u>	<u>5,538,642</u>
<b>TOTAL ASSETS</b>		<u>7,098,294</u>	<u>7,096,927</u>	<u>6,496,070</u>
<b>EQUITY AND LIABILITIES:</b>				
<b>Current Liabilities</b>				
Payables	5	2,778,453	3,434,299	2,689,634
Taxation Payable		70,111	18,223	35,651
Current Portion of Long term loans		135,000	135,000	100,000
Bank Overdraft		<u>0</u>	<u>125</u>	<u>0</u>
<b>Total Current Liabilities</b>		<u>2,983,564</u>	<u>3,587,647</u>	<u>2,825,285</u>
<b>Non-Current Liabilities</b>				
Long Term Debt		261,797	97,708	107,708
Deferred Tax Liability		<u>8,956</u>	<u>7,932</u>	<u>5,033</u>
<b>Total Non-Current Liabilities</b>		<u>270,753</u>	<u>105,640</u>	<u>112,741</u>
<b>Shareholders' Equity</b>				
Share Capital	6	304,773	233,907	272,882
Revaluation reserves		75,387	75,387	75,387
Other reserves		54,611	47,095	37,735
Retained Earnings		3,409,206	3,047,251	3,172,040
<b>Total Shareholders' Equity</b>		<u>3,843,977</u>	<u>3,403,640</u>	<u>3,558,044</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>7,098,294</u>	<u>7,096,927</u>	<u>6,496,070</u>

Approved for issue by the Board of Directors on February 2, 2017 and signed on its behalf by:

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

  
Peter Chin  
Deputy Executive Chairman and  
Managing Director

**LASCO Distributors Limited**  
**Statement of Cashflows**  
**For the 9 months ended December 31, 2016**

	Unaudited 31 Dec 2016 J\$'000	Unaudited 31 Dec 2015 J\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Profit	417,441	591,964
Items not affecting cash		
Stock Options - value of services expensed	27,000	20,000
Depreciation	64,717	45,611
Interest Income	(13,207)	(13,026)
Interest Expense	1,776	1,077
<b>Items not affecting cash</b>	<b>80,286</b>	<b>53,662</b>
<b>Change in Operating Assets and Liabilities</b>		
Inventories	(354,894)	(495,554)
Receivables	(471,536)	(662,957)
Directors current account	540	0
Related companies	(77,688)	(5,745)
Taxation	35,533	15,123
Payables	90,499	984,865
<b>Changes in non-cash working capital components</b>	<b>(777,546)</b>	<b>(164,268)</b>
<b>Cash provided by Operating Activities</b>	<b>(279,819)</b>	<b>481,358</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received	10,696	12,533
Short term Investments	(130,760)	0
Acquisition of Property, Plant & Equipment	(356,910)	(345,238)
<b>Net Cash used in Investing Activities</b>	<b>(476,974)</b>	<b>(332,705)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest Paid	(1,776)	(1,078)
Loan received	189,089	232,708
Dividend paid	(180,276)	(92,783)
Issue of Shares	21,767	1,500
<b>Cash provided/(used in) by Financing Activities</b>	<b>28,804</b>	<b>140,347</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(727,989)</b>	<b>289,000</b>
Cash and cash equivalents at the beginning of the period	1,493,081	559,843
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>765,092</b>	<b>848,843</b>

**LASCO Distributors Limited**  
**Statement of Changes in Shareholders' Equity**  
**For the 9 months ended December 31, 2016**

	Share Capital	Revaluation Reserve	Other Reserve	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 April 2015	231,374	75,387	28,128	2,548,072	2,882,961
Current year Profits	0	0	0	591,964	591,964
Other Comprehensive Income	0	0	20,000	0	20,000
Transfer from Other reserves	1,033	0	(1,033)	0	0
Issue of shares	1,500	0	0	0	1,500
Dividends Paid	0	0	0	(92,785)	(92,785)
<b>Balance as at December 31, 2015</b>	<b>233,907</b>	<b>75,387</b>	<b>47,095</b>	<b>3,047,251</b>	<b>3,403,640</b>
Balance at 1 April 2016	272,882	75,387	37,735	3,172,040	3,558,044
Current year profits	0	0	0	417,441	417,441
Other Comprehensive Income	0	0	27,000	0	27,000
Transfer from Other reserves	10,124	0	(10,124)	0	0
Issue of Shares	21,767	0	0	0	21,767
Dividends Paid	0	0	0	(180,276)	(180,276)
<b>Balance as at December 31, 2016</b>	<b>304,773</b>	<b>75,387</b>	<b>54,611</b>	<b>3,409,206</b>	<b>3,843,976</b>



## **1. IDENTIFICATION AND 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 pharmaceutical and consumable items.
- (c) The company's shares were listed on the Junior Market of the Jamaican Stock Exchange on 12 October 2010.

## **2. SIGNIFICANT ACCOUNTING POLICIES:**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS); and the adopted interpretation of those standards 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 accounting policies followed in these interim financial statements are consistent with those used in the audited financial statements for the year ended 31st March 2016.

These financial statements are presented in Jamaican dollars unless otherwise indicated.

### 3. REMISSION OF INCOME TAX:

The company's shares were listed on the Junior Market of the Jamaica Stock Exchange, 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 fifteen (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 remission.

### 4. RECEIVABLES

	<b>Dec-16</b>	<b>Dec-15</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade Receivables		
Roche Diagnostics	524,606	456,400
Regular Trade	<u>1,157,278</u>	<u>1,197,714</u>
	1,681,885	1,654,114
Less: Provision for Bad Debts	<u>(46,046)</u>	<u>(22,965)</u>
	1,635,839	1,631,149
Other Receivables	<u>684,820</u>	<u>1,061,860</u>
	<u><u>2,320,659</u></u>	<u><u>2,693,009</u></u>

Included in trade receivables for Roche are items on which Roche bears the credit risk solely. The corresponding liability is included in trade payables (note 5)

### 5. PAYABLES

	<b>Dec-16</b>	<b>Dec-15</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade Payables		
Roche Diagnostics	223,317	402,151
Regular Trade	<u>2,439,337</u>	<u>2,889,451</u>
	2,662,654	3,291,602
Other Payables & Accruals	<u>115,799</u>	<u>142,697</u>
	<u><u>2,778,453</u></u>	<u><u>3,434,299</u></u>

## 6. SHARE CAPITAL

	Dec-16 \$'000	Dec-15 \$'000
Authorised - 3,630,000,000 ordinary shares of no par value		
Stated capital – Issued and fully paid – 3,424,462,483 (2015 – 3,375,431,150) ordinary shares of no par value	<u>304,773</u>	<u>233,907</u>