

INDIES PHARMA JAMAICA LIMITED

FINANCIAL STATEMENTS

31 OCTOBER 2018

INDIES PHARMA JAMAICA LIMITED

FINANCIAL STATEMENTS

31 OCTOBER 2018

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INDEPENDENT AUDITORS' REPORT

To the Members of
Indies Pharma Jamaica Limited

Report on the Financial Statements

Opinion

We have audited the financial statements of Indies Pharma Jamaica Limited (the company) set out on pages 4 to 33, which comprise the statement of financial position as at 31 October 2018, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report.

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

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

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

The Board of Directors is responsible for overseeing the company's financial reporting process.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Indies Pharma Jamaica Limited

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Indies Pharma Jamaica Limited

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

Report on additional matters as required by the Jamaican Companies Act

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

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

A handwritten signature in dark ink, appearing to be 'BDO'.

Chartered Accountants

07 December 2018

INDIES PHARMA JAMAICA LIMITED
STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
YEAR ENDED 31 OCTOBER 2018

	<u>Note</u>	<u>2018</u> \$	<u>2017</u> \$
REVENUE	6	636,174,735	620,349,804
COST OF SALES	8	(243,383,661)	(208,755,519)
GROSS PROFIT		392,791,074	411,594,285
Other operating income	7	<u>813,221</u>	<u>1,446,514</u>
		393,604,295	413,040,799
Administrative and other expenses	8	(239,866,994)	(224,867,500)
PROFIT FROM OPERATION		153,737,301	188,173,299
Exchange loss		(4,482,462)	-
Finance costs - loan interest	9	(11,209,463)	(15,827,852)
NET PROFIT BEFORE TAXATION		138,045,376	172,345,447
Taxation	10	(18,344,089)	(35,043,865)
NET PROFIT FOR THE YEAR		119,701,287	137,301,582
OTHER COMPREHENSIVE INCOME:			
Profit on disposal of fixed assets		<u>-</u>	<u>2,899,999</u>
TOTAL COMPREHENSIVE INCOME		<u>119,701,287</u>	<u>140,201,581</u>
Earnings per stock unit - Basic	11	<u>.09</u>	<u>0.12</u>

INDIES PHARMA JAMAICA LIMITED
STATEMENT OF FINANCIAL POSITION

31 OCTOBER 2018

<u>ASSETS</u>	<u>Note</u>	<u>2018</u>	<u>2017</u>
		<u>\$</u>	<u>\$</u>
NON-CURRENT ASSETS:			
Property, plant and equipment	12	<u>92,424,814</u>	<u>104,797,042</u>
Related companies	22	<u>198,610,379</u>	<u>193,027,822</u>
CURRENT ASSETS:			
Inventories		155,193,522	166,203,415
Receivables	13	266,408,444	264,202,150
Taxation recoverable		450,947	367,044
Directors' current account	19	36,779,647	22,728,315
Cash and cash equivalents	14	<u>101,391,819</u>	<u>74,166,362</u>
		<u>560,224,379</u>	<u>527,667,286</u>
		<u>851,259,572</u>	<u>825,492,150</u>
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	15	244,576,999	15,635,000
Capital reserve	16	105,773,595	105,773,595
Retained earnings		<u>318,285,581</u>	<u>198,584,294</u>
		<u>668,636,175</u>	<u>319,992,889</u>
NON-CURRENT LIABILITIES:			
Long term loans	17	480,777	232,717,115
Deferred taxation	18	3,117,744	4,313,893
Directors' loan	19	-	1,113,520
Related companies	22	<u>123,090,042</u>	<u>27,004,140</u>
		<u>126,688,563</u>	<u>265,148,668</u>
CURRENT LIABILITIES:			
Payables	20	46,549,391	54,377,484
Short-term borrowings	21	3,440,663	157,917,859
Taxation		<u>5,944,780</u>	<u>28,055,250</u>
		<u>55,934,834</u>	<u>240,350,593</u>
		<u>851,259,572</u>	<u>825,492,150</u>

Approved for issue by the Board of Directors on 07 December 2018 and signed on its behalf by:


 Guna Sekhar Muppuri - Director




 Vishnu Vandana Muppuri - Director

INDIES PHARMA JAMAICA LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 OCTOBER 2018

	<u>Number of Stock Units</u>	<u>Share Capital \$</u>	<u>Capital Reserve \$</u>	<u>Retained Earnings \$</u>	<u>Total \$</u>
BALANCE AT 31 OCTOBER 2016	15,635,000	15,635,000	102,873,596	146,865,700	265,374,296
Gain on disposal of fixed asset	-	-	2,899,999	-	2,899,999
Dividends (note 23)	-	-	-	(85,582,988)	(85,582,988)
OTHER COMPREHENSIVE INCOME -					
Net profit	-	-	-	137,301,582	137,301,582
BALANCE AT 31 OCTOBER 2017	15,635,000	15,635,000	105,773,595	198,584,294	319,992,889
Subdivision of shares	1,142,918,500	-	-	-	-
Share issue net of transaction cost	173,983,149	228,941,999	-	-	228,941,999
OTHER COMPREHENSIVE INCOME -					
Net profit	-	-	-	119,701,287	119,701,287
BALANCE AT 31 OCTOBER 2018	<u>1,332,536,649</u>	<u>244,576,999</u>	<u>105,773,595</u>	<u>318,285,581</u>	<u>668,636,175</u>

INDIES PHARMA JAMAICA LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED 31 OCTOBER 2018

	<u>2018</u> \$	<u>2017</u> \$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit	119,701,287	137,301,582
Items not affecting cash resources:		
Depreciation	14,031,068	11,955,781
Interest income	(433,338)	(513,404)
Taxation expense	18,344,089	35,043,865
Interest expense	<u>11,209,463</u>	<u>15,827,852</u>
Operating cash flows before movements in working capital	162,852,569	199,615,676
Change in operating assets and liabilities -		
Inventories	11,009,893	(1,193,104)
Receivables	(2,206,294)	(138,032,640)
Payables	(7,828,093)	(15,026,600)
Related companies	90,503,345	(128,319,455)
Directors' current account	(14,051,332)	10,196,331
Taxation recoverable	<u>(83,904)</u>	<u>(90,406)</u>
Taxation paid	240,196,184	(72,850,198)
	<u>(41,650,707)</u>	<u>(32,706,462)</u>
Cash provided by/(used in) operating activities	<u>198,545,477</u>	<u>(105,556,660)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	433,338	513,404
Purchase of property, plant and equipment	(1,658,840)	(28,497,469)
Proceed from disposal of Property, plant and equipment	<u>-</u>	<u>2,900,000</u>
Cash used in investing activities	<u>(1,225,502)</u>	<u>(25,084,065)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Interest paid	(11,209,463)	(15,827,852)
Long term loan received	-	381,629,098
Loan repayment	(386,713,534)	(59,125,709)
Share issue	228,941,999	-
Dividends paid	-	(85,582,988)
Directors' loan	<u>(1,113,520)</u>	<u>(32,227,762)</u>
Cash (used in)/provided by financing activities	<u>(170,094,518)</u>	<u>188,864,787</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	27,225,457	58,224,062
Cash and cash equivalents at beginning of year	<u>74,166,362</u>	<u>15,942,300</u>
CASH AND CASH EQUIVALENTS AT END YEAR (Note 14)	<u>101,391,819</u>	<u>74,166,362</u>

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 OCTOBER 2018

1. IDENTIFICATION AND PRINCIPAL ACTIVITIES:

- (a) Indies Pharma Jamaica Limited is a limited liability company incorporated and domiciled in Jamaica. The registered office of the company is Unit #5 Montego Bay Trade Centre, Catherine Hall, Montego Bay, St. James.
- (b) The company by special resolution dated 4 November 2004 converted from a private to a public company.
- (c) The principal activity of the company is the distribution and retailing of pharmaceutical and auxiliary products.
- (d) On 15 August 2018, Indies Pharma Jamaica Limited became a public listed entity on the Junior Market of the Jamaica Stock Exchange. Consequently, the company is entitled to a remission of income taxes for ten (10) years providing it complies with the requirements of the Jamaica Stock Exchange for the Junior Market.

2. FUNCTIONAL AND PRESENTATION 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, unless otherwise stated.

(a) Basis of preparation -

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention as modified by the revaluation of certain properties and financial assets that are measured at fair value or revalued amounts. They are also prepared in accordance with the requirements 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 date of the statement of financial position and the total comprehensive income during the reporting period. 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 underlying 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 in note 4.

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

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

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

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

The following new standards, amendments and interpretations, which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on the company's future financial statements:

IFRS 9, 'Financial Instruments' (effective for accounting periods beginning on or after 1 January 2018). The standard addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It 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 de-recognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets - amortized 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.

IFRS 15, 'Revenue from Contracts with Customers' (effective for accounting periods beginning on or after 1 January 2018). The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations.

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 OCTOBER 2018

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.

IFRS 16, 'Leases', (effective for accounting periods beginning on or after 1 January 2019). The standard primarily addresses the accounting for leases by lessees. The complete version of IFRS 16 was issued in January 2016. The standard will result in almost all leases being recognized on the statement of financial position, as it removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short term and low-value leases. The accounting by lessors will not significantly change.

The company is assessing the impact that these standards and amendments to standards will have on the financial statements when they are adopted.

(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. Translation differences on non-monetary financial instruments, such as equities classified as available-for-sale financial assets, are included in equity.

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(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 capital reserve except to the extent that any decrease in value in excess of the credit balance on the revaluation surplus, or reversal of such a transaction, is recognised in profit or loss.

Depreciation is calculated on the straight line basis at such rate as will write off the carrying value of the assets over the period of their expected useful lives. Land is not depreciated. The annual rates are as follows:

Freehold buildings	2½%
Plant, machinery, furniture, fixtures and equipment	10%
Motor vehicles	20%
Computer equipment	22½%

At the date of revaluation, the accumulated depreciation on the revalued freehold property is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. On disposal of the asset the balance of the revaluation reserve is 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.

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 OCTOBER 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(e) 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 assets 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 impairment are reviewed for possible reversal of the impairment at each reporting date.

(f) Financial instruments -

A financial instrument is any contract that gives rise to both a financial asset for 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 arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

The company's loans and receivables comprise trade and other receivables, due from related companies and cash and cash equivalents in the statement of financial position.

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash at bank and in hand.

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(f) Financial instruments (cont'd) -

Financial assets (cont'd) -

(ii) Recognition and Measurement

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.

The company assesses at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade receivables is described in note 3(h).

Financial liabilities

The company's financial liabilities are initially measured at fair value, and are subsequently measured at amortized cost using the effective interest method. At the reporting date, the following items were classified as financial liabilities: payables, short-term borrowings, bank overdraft and long term loans.

(g) Share capital -

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

(h) 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 and in hand.

(i) 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. Other receivables are stated at amortized cost less impairment losses.

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 OCTOBER 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(j) Payables -

Trade and other payables are stated at amortized cost.

(k) Borrowings -

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

(l) 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.

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.

(m) 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.

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 OCTOBER 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(n) Employee benefits -

Employee benefits include current and short term benefits such as salaries, statutory contributions paid, annual vacation and sick leave and non-monetary benefits such as medical care.

(o) Revenue recognition -

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. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances and discounts.

Interest income is recognized in the statement of comprehensive income for all interest bearing instruments on an accrual basis unless collectability is doubtful.

(p) Segment reporting -

An operating segment is a component of the company that engages in business activities from which it may earn revenues and incur expenses and for which discrete financial information is available. The operating results are regularly reviewed by the entity's Chief Operating Decision Maker (CODM) to assess its performance and to make decisions about resources to be allocated to the segment. The CODM has been identified as the Board of Directors, in particular to the executive members, who make strategic decisions.

Based on the internal management reports presented to and reviewed by the CODM, the entire operations of the company are considered as one operating segment.

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2018

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

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

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

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

(b) Key sources of estimation uncertainty -

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

(i) 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.

(ii) Net realizable value of inventories

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

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

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2018

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
- Market risk, and
- Liquidity risk

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

There have been no substantive changes in the company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them 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 receivables
- Cash and cash equivalents
- Trade and other payables
- Due from related party
- Bank overdraft
- Borrowings

(b) Financial Instrument by category -

	<u>2018</u>	<u>2017</u>
	\$	\$
Financial assets - loans and receivables -		
Related parties	198,610,379	193,027,822
Cash and cash equivalents	101,391,819	74,166,362
Receivables	<u>266,408,444</u>	<u>264,202,150</u>
Total financial assets	<u>566,410,642</u>	<u>531,396,334</u>
Financial liabilities - at amortized cost -		
Payables	46,549,391	54,377,484
Loans and borrowings	3,921,440	390,634,874
Related parties	<u>123,090,042</u>	<u>28,055,250</u>
Total financial liabilities	<u>173,560,873</u>	<u>473,067,608</u>

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 OCTOBER 2018

5. FINANCIAL RISK MANAGEMENT (CONT'D):

(c) Financial instruments not measured at fair value

Financial instruments not measured at fair value includes, cash and cash equivalents, receivables, related party balances, payables and long term liabilities.

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

(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 receives monthly reports from the financial controller through which it reviews the effectiveness of the process put in place and the appropriateness of the objective and policies it sets.

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 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 payables and cash and bank balances amounting to US\$75,540 (2017: US\$168,006) and US\$364,918 (2017: US\$102,547) respectively.

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 OCTOBER 2018

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

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 variable rate borrowings. The company analyses its interest rate exposure arising from borrowings on an ongoing basis, taking into consideration the options of refinancing, renewal of existing positions and alternative financing.

Short term deposits and borrowings are the only interest bearing assets and liabilities respectively, within the company. The company's short term deposits and borrowings are due to mature and re-price respectively, within 3 months of the reporting date.

Interest rate sensitivity

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

There is no significant exposure to interest rate risk on borrowings.

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2018

5. FINANCIAL RISK MANAGEMENT (CONT'D):

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

(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, due from related company and cash and bank balances.

Cash and bank balances

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

Maximum exposure to credit risk

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

Trade receivables

The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The credit policy states that each customer must be analyzed individually for creditworthiness before the company's standard payment and delivery terms and conditions are offered. The company's review includes bank references.

The Board of Directors determines concentrations of credit risk by quarterly monitoring the creditworthiness of existing customers and through a monthly review of the trade receivables' ageing analysis.

Credit limits for all customers are reviewed at least annually, against the customers' payment history, assessment of customers' credit risk and sales department information.

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2018

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 marketable securities, and the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

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 bi-weekly basis.
- (ii) Maintaining a portfolio of short term deposit balances that can easily be liquidated as protection against any unforeseen interruption to cash flow.
- (iii) Maintaining committed lines of credit.
- (iv) Optimizing cash returns on investments.

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2018

5. FINANCIAL RISK MANAGEMENT (CONT'D):

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

(iii) Liquidity risk (cont'd)

Liquidity risk management process (cont'd) -

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.

Cash flows of financial liabilities

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

	Within 1 Year <u>J\$</u>	1 to 2 Years <u>J\$</u>	2 to 5 Years <u>J\$</u>	Over 5 Years <u>J\$</u>	Total <u>J\$</u>
31 October 2018 -					
Payables	46,549,391	-	-	-	46,549,391
Long term loans	700,000	500,000	-	-	1,200,000
Related companies	-	-	-	123,090,042	123,090,042
Total financial liabilities (contractual maturity dates)	<u>47,249,391</u>	<u>500,000</u>	<u>-</u>	<u>123,090,042</u>	<u>170,839,433</u>
31 October 2017 -					
Payables	54,377,484	-	-	-	54,377,484
Long term loans	188,377,912	105,575,024	155,463,897	151,460,697	600,877,530
Related companies	-	-	-	131,610,975	131,610,975
Total financial liabilities (contractual maturity dates)	<u>242,755,396</u>	<u>105,575,024</u>	<u>155,463,897</u>	<u>283,071,672</u>	<u>786,865,989</u>

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 OCTOBER 2018

5. FINANCIAL RISK MANAGEMENT (CONT'D):

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

(iv) 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. The company met the capital requirements of at least \$50,000,000 for listing on the Junior Market of the Jamaica Stock Exchange. There are no other external capital maintenance requirements to which the company is subject.

6. REVENUE:

	<u>2018</u> \$	<u>2017</u> \$
Sale and distribution of pharmaceutical products	<u>636,174,735</u>	<u>620,349,804</u>

7. OTHER OPERATING INCOME:

	<u>2018</u> \$	<u>2017</u> \$
Interest received	433,338	513,404
Commission	211,691	856,777
Miscellaneous	<u>168,192</u>	<u>76,333</u>
	<u>813,221</u>	<u>1,446,514</u>

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2018

8. EXPENSES BY NATURE:

Total cost of sales, administrative, selling and other operating expenses

	<u>2018</u>	<u>2017</u>
	<u>\$</u>	<u>\$</u>
Cost of sales recognized as an expense	243,383,661	208,755,519
Salaries, wages and statutory contributions	119,443,363	113,676,635
Directors' fees	2,670,000	1,720,000
Telephone	3,238,627	2,260,340
Electricity	4,204,992	2,360,913
Water rates	305,842	459,161
Rent	7,832,834	1,656,241
Audit and accounting fees -		
Current year	2,700,000	1,400,000
Prior year	91,041	129,600
Assets tax	206,986	204,315
Subscription and donations	631,769	1,081,684
Gift	858,486	1,598,743
Printing, stationery and office supplies	3,106,786	2,438,720
Security	4,307,039	2,837,940
Insurance	8,167,161	6,547,558
Repairs and maintenance - furniture and equipment	2,918,215	4,568,654
Maintenance fee - building	52,784	1,035,275
Trade licence and registration fee	220,700	516,376
Bank charges and interest	2,914,302	3,699,508
Staff welfare	4,534,106	3,842,826
Legal and professional fees	-	1,665,993
Drug permit	400	11,800
Interest and penalty	716,183	1,154,240
Cleaning and Sanitation	310,000	102,718
Contract labour	1,657,345	998,309
Advertising and promotion	5,647,985	3,408,222
Packaging	292,864	237,400
Bad debt	1,617,871	807,935
Postage and delivery	529,634	653,364
Motor vehicles, travel and entertainment	37,551,881	36,589,218
Royalties	7,500,000	7,500,000
Finance charge	60,424	4,804,371
Loss on exchange	-	1,467,200
Miscellaneous	1,546,306	1,476,460
Depreciation	14,031,068	11,955,781
	<u>483,250,655</u>	<u>433,623,019</u>

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2018

9. FINANCE COSTS:

	<u>2018</u>	<u>2017</u>
	<u>\$</u>	<u>\$</u>
Loan interest expense	<u>11,209,463</u>	<u>15,827,852</u>

10. TAXATION:

Taxation is based on the operating results for the year, adjusted for taxation purposes, and comprises income tax @ 25%.

	<u>2018</u>	<u>2017</u>
	<u>\$</u>	<u>\$</u>
Current taxation	19,540,238	33,425,523
Deferred taxation (Note 18)	(1,196,149)	<u>1,618,342</u>
Taxation charge in statement of profit or loss and other comprehensive income	<u>18,344,089</u>	<u>35,043,865</u>

The tax on profit before taxation differs from the theoretical amount that would arise, using the applicable tax rate of 25% as follows:

	<u>2018</u>	<u>2017</u>
	<u>\$</u>	<u>\$</u>
Profit before taxation	<u>138,045,376</u>	<u>172,345,447</u>
Tax calculated at the applicable tax rates	34,511,344	43,086,362
Adjusted for the effects of:		
Expenses not deductible for tax purposes	4,859,175	5,101,874
Net effects of other charges and allowances	(2,151,019)	(2,084,066)
Employment tax credit	(8,374,388)	(12,678,647)
Remission of taxes	(9,304,874)	-
Deferred taxation	(1,196,149)	<u>1,618,342</u>
Taxation charge in statement of profit or loss and other comprehensive income	<u>18,344,089</u>	<u>35,043,865</u>

Income tax is computed based on profits for nine (9) months ended July 31, 2018 as a result of the company's listing on the Junior Market of the Jamaica Stock Exchange effective August 2018. Consequently, the company is entitled to a remission of taxes for ten (10) years providing it adheres to the rules and regulations of the Junior Market of the Jamaica Stock Exchange as follows:

Years 1 - 5	100%
Years 6 - 10	50%

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

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 OCTOBER 2018

11. EARNINGS PER STOCK UNIT:

	<u>2018</u> \$	<u>2017</u> \$
Net profit attributable to stock holders	<u>119,701,287</u>	<u>137,301,582</u>
Weighted average number of stock unit in issue	<u>1,332,536,649</u>	<u>1,158,553,500</u>
Earnings per stock unit	<u>0.09</u>	<u>0.12</u>

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

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2018

12. PROPERTY, PLANT AND EQUIPMENT:

	<u>Land</u> \$	<u>Building</u> \$	<u>Furniture, Fixtures & Equipment</u> \$	<u>Computer</u> \$	<u>Motor Vehicles</u> \$	<u>Signs</u> \$	<u>Total</u> \$
Year ended 31 October 2018 -							
Net book value							
1 November 2017	27,700,000	33,840,000	844,896	3,492,002	38,886,351	33,793	104,797,042
Additions	-	-	983,026	675,814	-	-	1,658,840
Depreciation	-	(1,057,500)	(211,825)	(1,524,436)	(11,212,967)	(24,340)	(14,031,068)
31 October 2018	<u>27,700,000</u>	<u>32,782,500</u>	<u>1,616,097</u>	<u>2,643,380</u>	<u>27,673,384</u>	<u>9,453</u>	<u>92,424,814</u>
At cost or							
valuation	27,700,000	42,300,000	6,766,836	10,623,309	73,440,467	63,401	160,894,013
Depreciation	-	(9,517,500)	(5,150,739)	(7,979,929)	(45,767,083)	(53,948)	(68,469,199)
31 October 2018	<u>27,700,000</u>	<u>32,782,500</u>	<u>1,616,097</u>	<u>2,643,380</u>	<u>27,673,384</u>	<u>9,453</u>	<u>92,424,814</u>
Year ended 31 October 2017 -							
Net book value							
1 November 2016	27,700,000	34,897,500	778,445	4,596,853	20,224,424	58,133	88,255,355
Additions	-	-	235,409	317,214	27,944,846	-	28,497,469
Disposal	-	-	-	-	(1)	-	(1)
Depreciation	-	(1,057,500)	(168,958)	(1,422,065)	(9,282,918)	(24,340)	(11,955,781)
31 October 2017	<u>27,700,000</u>	<u>33,840,000</u>	<u>844,896</u>	<u>3,492,002</u>	<u>38,886,351</u>	<u>33,793</u>	<u>104,797,042</u>
At cost or							
Valuation	27,700,000	42,300,000	5,783,810	9,947,495	73,440,467	63,401	159,415,173
Depreciation	-	(8,460,000)	(4,938,914)	(6,455,493)	(34,554,116)	(29,608)	(54,618,131)
31 October 2017	<u>27,700,000</u>	<u>33,840,000</u>	<u>844,896</u>	<u>3,492,002</u>	<u>38,886,351</u>	<u>33,793</u>	<u>104,797,042</u>

Freehold land and buildings at Unit 5 Montego Bay Trade Centre, Howard Cooke Boulevard, Montego Bay, were revalued in November 2009, by La Maison Property Services Limited, and Lots H25 to H26 Bay Road, Montego Freeport, in October 2013, by Ives Valuation and Assessment Services, and La Mason Property in September 2015, both professionally qualified property appraisers and valuers. These valuations were done on the basis of fair market value.

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 OCTOBER 2018

13. RECEIVABLES:

	<u>2018</u>	<u>2017</u>
	\$	\$
Trade receivables	121,047,186	116,571,289
Prepayments	1,968,534	1,659,205
General consumption tax	-	6,162,776
Shareholders' loan	135,590,400	135,590,400
Other	<u>7,802,324</u>	<u>4,218,480</u>
	<u>266,408,444</u>	<u>264,202,150</u>

14. CASH AND BANK BALANCES:

	<u>2018</u>	<u>2017</u>
	\$	\$
Petty cash	150,680	100,288
First Global Bank - Savings Account	367,855	356,377
National Commercial Bank Jamaica Limited - Foreign Currency Account	12,723,785	12,720,608
National Commercial Bank Jamaica Limited - Current Account	6,431,988	3,198,102
Cash on hand	10,765,358	22,336,754
National Commercial Bank Jamaica Limited - Savings account	29,740,296	17,186,802
GK Capital Account	34,746,033	
Sagicor Bank Jamaica Limited - Current Account	203,637	335,752
Sagicor Bank Jamaica Limited - Savings Account	5,324,434	17,757,007
Sagicor Bank Jamaica Limited - Foreign Currency Savings Account	<u>937,753</u>	<u>174,672</u>
	<u>101,391,819</u>	<u>74,166,362</u>

INDIES PHARMA JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2018

15. SHARE CAPITAL:

	<u>2018</u>	<u>2017</u>
	<u>\$</u>	<u>\$</u>
Authorized -		
4,863,553,500 (2017 - 15,635,000) ordinary shares		
Stated capital -		
Issued and fully paid-		
1,332,536,649 (2017: 15,635,000) ordinary shares		
of no par value	<u>244,576,999</u>	<u>15,635,000</u>

In August 2018, the company raised additional capital through an initial public offer.

- a) The authorized ordinary shares were increased from 15,535,000 to 4,863,553,500. On 20 June 2018, the shareholders passed resolution to increase the authorized share capital of the company by 50,000,000 shares bringing the authorized share capital to 65,635,000 shares. The shareholders also approved the sub-division of each share into 74.1, resulting in a total of 4,863,553,500 shares.
- b) The sub-division of 74.1 for each of the 15,635,000 shares in issue prior to the public invitation resulted in 1,158,553,500 shares which together with the 173,983,149 shares issued to the general public in August 2018 as part of the company's initial public offering brought the total issued shares to 1,332,536,649.
- c) The proceeds of sale of the 173,983,149 shares issued to the general public in August 2018 amounted to \$248,802,844 less transaction cost of \$19,860,845.

16. CAPITAL RESERVE:

	<u>2018</u>	<u>2017</u>
	<u>\$</u>	<u>\$</u>
At 1 November 2017	105,773,595	102,873,596
Movement during year	<u>-</u>	<u>2,899,999</u>
At 31 October 2017	<u>105,773,595</u>	<u>105,773,595</u>
Representing -		
Revaluation surplus on land and building	99,307,105	99,307,105
Profit on sale of fixed assets	<u>6,466,490</u>	<u>6,466,490</u>
	<u>105,773,595</u>	<u>105,773,595</u>

17. LONG-TERM LOANS:

11% Bioprist Holding Limited	- Loan 2018	-	135,590,400
9.68% First Global Bank Limited	- Loan 2022	-	5,736,482
9.68% First Global Bank Limited	- Loan 2027	-	53,850,518
9.9% First Global Bank Limited	- Loan 2027	-	187,000,000
9.9% National Commercial Bank Jamaica Limited Loan 2021		<u>1,097,159</u>	<u>1,713,541</u>
		1,097,159	383,890,941
Less current portion (Note 21)		<u>(616,382)</u>	<u>(151,173,826)</u>
		<u>480,777</u>	<u>232,717,115</u>

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 OCTOBER 2018

17. LONG-TERM LOANS (CONT'D):

- (1) First Global Bank Limited loans are secured by:
 - a) First legal mortgage over commercial properties at Catherine Hall Trade Centre, Lots 1125 and 1126, registered at Volume 1318 Folio 82
 - b) Demand debenture over fixed and floating assets of the company and guarantee by two of the company's main shareholders.
 - c) Corporate guarantee of Ironshore Alfa Holdings Inc supported by first legal mortgage over commercial real estate at Lot 1203 Providence Drive, Ironshore, St. James, registered at Volume 1113 Folio 189, registered in the name of the related company.
 - d) Guarantee of Beta IRS Holdings Inc supported by first legal mortgage over commercial real estate located at Lot 1211 Providence Drive, Ironshore, St. James, registered at Volume 1113 Folio 197 to be registered in the name of Beta IRS Holdings Inc.
 - e) Bill of sale over 2015 Toyota Land Cruiser AX 4.6V8 motor vehicle, registered in the name of the company for full replacement value.
 - f) Bill of sale over 2016 Range Rover motor vehicle registered in the name of the company for full replacement value.
 - g) Subordination agreement in respect of directors' loan and related company balances.
 - h) Assignment of fire and peril insurance all risk over all buildings for full replacement value with the interest of the bank noted thereon.
- (2) National Commercial Bank Jamaica Limited loan is secured by bill of sale over three motor vehicles registered in the company's name.
- (3) Bioprism Holding Limited loan is secured by 13,758,800 ordinary shares of the company and guarantee by two of the company's main shareholders.

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 OCTOBER 2018

18. DEFERRED INCOME TAXES:

Deferred income taxes are calculated in full on all temporary differences under the liability method using a principal tax rate of 25%. The movement on the deferred tax account is as follows:

	<u>2018</u> \$	<u>2017</u> \$
Balance at beginning of year	4,313,893	2,695,551
(Credit)/charge to statement of profit or loss and other comprehensive income (Note 10)	(1,196,149)	1,618,342
	<u>3,117,744</u>	<u>4,313,893</u>
Deferred taxation represents accelerated tax depreciation.		

19. DIRECTORS' LOAN:

The loan is unsecured and interest free with no fixed repayment terms.

20. PAYABLES:

Trade payables	19,442,689	34,132,407
General consumption tax	8,311,396	-
Other payables and accruals	<u>18,795,306</u>	<u>20,245,077</u>
	<u>46,549,391</u>	<u>54,377,484</u>

21. SHORT-TERM BORROWINGS:

	<u>2018</u> \$	<u>2017</u> \$
9.68% First Global Bank Limited - Loan 2022	-	1,025,652
9.68% First Global Bank Limited - Loan 2027	-	3,511,573
11% Bioprism Holding Limited - Loan 2018	-	135,590,400
9.9% National Commercial Bank Jamaica Limited - Loan 2021	616,382	501,292
9.68% First Global Bank Limited - Loan 2027	<u>-</u>	<u>10,544,909</u>
	616,382	151,173,826
National Commercial Bank Jamaica Limited-Credit Card Account	2,227,710	2,749,740
Sagicor Bank Jamaica Limited - Credit Card Account	<u>596,571</u>	<u>3,994,293</u>
	<u>3,440,663</u>	<u>157,917,859</u>

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 OCTOBER 2018

22 RELATED PARTY TRANSACTIONS AND BALANCES:

(a) Key management compensation -

	<u>2018</u> \$	<u>2017</u> \$
Salaries and other short-term benefits	<u>20,064,167</u>	<u>20,000,000</u>
Directors' emoluments -		
Directors' fees	2,670,000	1,720,000
Management remuneration (above)	<u>20,064,167</u>	<u>20,000,000</u>

(b) Year end balances arising from transactions with related companies

	<u>2018</u> \$	<u>2017</u> \$
Due from -		
Beta IRS Holdings Inc.	54,034,496	193,027,822
Mercury Wireless Limited	43,419,702	-
Winfra Development Limited	6,561,726	-
Starfish Bay Holdings Limited	10,502,176	-
Hanolu GVM Holdings Limited	8,690,482	-
Alpha Holdings Limited	<u>75,401,797</u>	<u>-</u>
	<u>198,610,379</u>	<u>193,027,822</u>
Due to -		
Sandy GVM Holdings Limited	110,974,441	19,951,626
Bioprist Holdings Limited	10,941,698	-
Bioprist Las America Limited.	<u>1,173,903</u>	<u>7,052,514</u>
	<u>123,090,042</u>	<u>27,004,140</u>

The company is related to the above companies by having similar ownership and/or management control. Balances due from and/or due to these companies have no set repayment terms and are interest free. There are guarantees given by related parties for loans extended to the company (see Note 17).

The director's current account

The directors' balances are unsecured, interest free and have no set repayments terms.

INDIES PHARMA JAMAICA LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 31 OCTOBER 2018

23. DIVIDENDS:

	<u>2018</u>	<u>2017</u>
	\$	\$
Dividends paid at \$.07 per stock units	-	<u>85,582,988</u>

24. STAFF COSTS:

Staff costs for the year amounted to \$99,379,197 - (2017 - \$93,676,635), while the number of employees at year end was fifty four (54) (2017 - 54).-