



LASCO DISTRIBUTORS LIMITED

FIRST QUARTER

UNAUDITED FINANCIAL REPORT

THREE MONTHS ENDED JUNE 30, 2019

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REPORT TO THE SHAREHOLDERS

For three months ended June 30, 2019

The Board of Directors of LASCO Distributors Limited is pleased to present the unaudited results for the three months ended June 30, 2019.

For the first quarter ended June 30, 2019, the Company achieved a net profit of \$164 million, or 30% less than the corresponding period last year. The decline is heavily attributable to one off restructuring expenses and legal fees associated with ongoing matters including the Pfizer case, we have also invested significantly in the continued increase of fleet resources to better reach and serve our smaller retailers nationally. We expect the negative impact of these mostly one-off expenses on profit to be diminished going into the following quarters of the year as we continue to drive top line revenue above last year and effectively implement our long-term expense management strategies to continuously improve profits.

Revenues for the quarter grew to \$4.3 billion, or \$58 million more than the corresponding period last year. Gross profit closed at \$865 million or 0.8% less than prior year and gross margin ratio was 19.9% compared to 20.4% period last year. Operating expenses and finance costs combined during the period was \$730 million, an increase of 11% compared to the corresponding period last year.

At the end of the quarter, the Company's non-current assets stood at \$2 billion, an increase of \$469.5 million or 29% over the corresponding period last year. This increase resulted from continued investment in equipment and warehouse infrastructure. Inventories increased by \$421 million or 19% over prior year to close at \$2.7 billion.

Trade receivables closed the period at \$1.9 million, a reduction of \$198 million or 9% compared to prior year due to continued drive to reach more customers who are benefitting from flexible credit terms. Trade payables was reduced by \$361 million or 11% to close the period at \$2.8 billion driven by a mix of negotiations for early payment discounts and extended terms with key suppliers.

Cash and short-term Investments, taken together, closed the period at \$1.2 billion compared to \$1.6 billion for the same period last year. Total loans owing at the end of the period was \$270 million compared to \$233 million in the previous year. The loan was used to assist with infrastructural implementation such as new racking for the warehouse.

Total shareholders' equity was \$5.4 billion, which was \$550 million or 11% over the prior year. The annualized return on equity for the period was 12.2% compared to 19.4% in prior year. Earnings per share closed at \$0.05 in the current period and \$0.07 in the same period last year, while the annualized PE ratio was 17.28x and 15.05x in the prior year. The company's market capitalization closed at \$11.8 billion and \$14.1 billion in the previous year.

LASCO Distributors Limited continues to recognize and honour members of the Jamaica Constabulary Force (JCF) through our LASCO/JCF Police Officer of the Year program. In May 2019, Woman Constable Samantha Brown-Thompson of the St. Catherine North Division was announced as the LASCO/ JCF Police Officer of the Year 2019/2020 at the annual awards ceremony, held at the Jamaica Pegasus Hotel. Congratulations to Constable Brown-Thompson and the other awardees for their selfless service to our country.

The company completed the 7th staging of the LASCO Re-Leaf Environmental Awareness Program (REAP) competition in June 2019 under the theme “Small changes Reap BIG rewards” with Bath Primary School declared the winning school for 2018-2019. Priory Primary School reaped the LASCO iCool Award for “Most Plastic Bottles Collected” with an impressive total of 198,600 PET bottles. During the last seven (7) years, LASCO Reap has consistently delivered on doing its part to promote environmental awareness. More than 40,000 trees were planted over the 2018-2019 period. We also continued to educate on environmental ownership by engaging over 500 schools about the importance of trees to the sustainability and improvement of our environs.

We would like to thank all our stakeholders for their continued invaluable support. The improvement in business processes, structure and strategy over this year will see LASCO Distributors delivering the level of returns expected by you; our valued shareholders.



Hon. Lascelles Chin, O.J., C.D.
Executive Chairman

LASCO Distributors Limited**Statement of Comprehensive Income**

For Three months ended June 30, 2019


(Unaudited and expressed in Thousands)

| | Unaudited 3 months to 30 Jun 2019 | Unaudited 3 months to 30 Jun 2018 | Unaudited Year-to-date 30 Jun 2019 | Unaudited Year-to-date 30 Jun 2018 |
|--|---|---|--|--|
| | J\$'000 | J\$'000 | J\$'000 | J\$'000 |
| Revenue | 4,338,190 | 4,279,696 | 4,338,190 | 4,279,696 |
| Cost of Sales | (3,473,491) | (3,408,254) | (3,473,491) | (3,408,254) |
| Gross Profit | 864,699 | 871,442 | 864,699 | 871,442 |
| Other Operating Income/(Loss) | 52,659 | 42,696 | 52,659 | 42,696 |
| Operating Expenses | (724,633) | (660,399) | (724,633) | (660,399) |
| Profit from Operations | 192,725 | 253,739 | 192,725 | 253,739 |
| Finance Costs | (5,656) | (172) | (5,656) | (172) |
| Profit before Taxation | 187,069 | 253,567 | 187,069 | 253,567 |
| Taxation | (23,155) | (19,927) | (23,155) | (19,927) |
| Net Profit for the period | 163,914 | 233,640 | 163,914 | 233,640 |
| Other Comprehensive Income: | | | | |
| Items that will or may not be reclassified to Profit or Loss - | | | | |
| Share option plan | 7,092 | 0 | 7,092 | 0 |
| Total Comprehensive Income for the Period | 171,006 | 233,640 | 171,006 | 233,640 |
| Earnings per stock unit | | | | |
| Basic and Diluted | \$ 0.05 | \$ 0.07 | \$ 0.05 | \$ 0.07 |


LASCO Distributors Limited
Statement of Financial Position
as at June 30, 2019

| | Notes | Unaudited 30 Jun 2019 \$'000 | Unaudited 30 Jun 2018 \$'000 | Audited 31 Mar 2019 \$'000 |
|--------------------------------------|-------|------------------------------------|------------------------------------|----------------------------------|
| ASSETS: | | | | |
| Non-Current Assets | | | | |
| Property, Plant & Equipment | | 1,886,317 | 1,470,406 | 1,834,487 |
| Intangible asset | | 106,376 | 126,583 | 113,362 |
| Financial asset | 4 | 73,782 | 0 | 53,773 |
| | | <u>2,066,475</u> | <u>1,596,989</u> | <u>2,001,622</u> |
| Current Assets | | | | |
| Inventories | | 2,700,675 | 2,279,271 | 2,467,632 |
| Receivables | 5 | 2,591,777 | 2,924,555 | 2,570,870 |
| Related Companies | | 78,273 | 86,025 | 77,858 |
| Directors Current Account | | 2,223 | 16,788 | 12,359 |
| Taxation recoverable | | 2,367 | 245 | 1,707 |
| Short term Investments | | 204,332 | 251,933 | 196,817 |
| Cash and Bank Balances | | 956,098 | 1,331,488 | 1,310,797 |
| Total Current Assets | | <u>6,535,745</u> | <u>6,890,305</u> | <u>6,638,040</u> |
| TOTAL ASSETS | | <u>8,602,220</u> | <u>8,487,294</u> | <u>8,639,662</u> |
| EQUITY AND LIABILITIES: | | | | |
| Current Liabilities | | | | |
| Payables | 6 | 2,897,340 | 3,396,197 | 2,842,566 |
| Taxation Payable | | 49,196 | 35,241 | 47,826 |
| Short term Loans | | 116,667 | 0 | 200,000 |
| Current Portion of Long term loans | | 80,000 | 135,000 | 246,667 |
| Total Current Liabilities | | <u>3,143,203</u> | <u>3,566,438</u> | <u>3,337,059</u> |
| Non-Current Liabilities | | | | |
| Long Term Debt | | 73,333 | 98,333 | 93,333 |
| Deferred Tax Liability | | 25,591 | 12,328 | 20,283 |
| Total Non-Current Liabilities | | <u>98,924</u> | <u>110,662</u> | <u>113,616</u> |
| Shareholders' Equity | | | | |
| Share Capital | 7 | 467,839 | 435,715 | 467,739 |
| Revaluation reserves | | 75,387 | 75,387 | 75,387 |
| Fair value reserves | | 19,801 | 0 | 12,709 |
| Other reserves | | 9,697 | 23,252 | 9,697 |
| Retained Earnings | | 4,787,369 | 4,275,839 | 4,623,455 |
| Total Shareholders' Equity | | <u>5,360,093</u> | <u>4,810,194</u> | <u>5,188,988</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>8,602,220</u> | <u>8,487,294</u> | <u>8,639,663</u> |

Approved for issue by the Board of Directors on July 25, 2019 and signed on its behalf by:



Hon. Lascelles Chin, O.J., C.D.
Executive Chairman



Colin Maxwell
Director

LASCO Distributors Limited
Statement of Cashflows
For Three months ended June 30, 2019

| | Unaudited 30 Jun 2019 J\$'000 | Unaudited 30 Jun 2018 J\$'000 |
|---|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net Profit | 163,914 | 233,639 |
| Items not affecting cash | | |
| Loss/(Gain) on Disposal of PPE | 8,974 | 0 |
| Depreciation | 38,804 | 29,994 |
| Interest Income | (3,244) | (2,231) |
| Interest Expense | 5,656 | 172 |
| Items not affecting cash | 50,190 | 27,935 |
| Change in Operating Assets and Liabilities | | |
| Inventories | (233,043) | 204,151 |
| Receivables | (20,907) | (432,577) |
| Directors current account | 10,137 | 1,547 |
| Related companies | (415) | (47,521) |
| Taxation | 6,017 | (8,956) |
| Payables | 54,774 | (200,655) |
| Changes in non-cash working capital components | (183,437) | (484,011) |
| Cash provided by Operating Activities | 30,667 | (222,436) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest Received | 3,244 | 1,751 |
| Short term Investments | (7,515) | (133,247) |
| Acquisition of Property, Plant & Equipment | (112,631) | (12,028) |
| Net Cash used in Investing Activities | (116,902) | (143,524) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Interest Paid | (5,656) | (172) |
| Loan received | (270,000) | (28,333) |
| Dividend paid | 0 | (234) |
| Issue of Shares | 7,192 | 6,933 |
| Cash provided/(used in) by Financing Activities | (268,464) | (21,806) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (354,699) | (387,767) |
| Cash and cash equivalents at the beginning of the period | 1,310,797 | 1,719,254 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 956,098 | 1,331,488 |

LASCO Distributors Limited
Statement of Changes in Shareholders' Equity
For Three months ended June 30, 2019

| | Share Capital | Revaluation Reserve | Fair Value Reserve | Other Reserve | Retained Earnings | Total |
|------------------------------------|------------------|------------------------|-----------------------|------------------|----------------------|------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 April 2018 | 428,782 | 75,387 | 0 | 23,252 | 4,042,433 | 4,569,854 |
| Current year Profits | 0 | 0 | 0 | 0 | 233,640 | 233,640 |
| Other Comprehensive Income | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfer from Other reserves | 0 | 0 | 0 | 0 | 0 | 0 |
| Issue of shares | 6,933 | 0 | 0 | 0 | 0 | 6,933 |
| Dividends Paid | 0 | 0 | 0 | 0 | (234) | (234) |
| Balance as at June 30, 2018 | 435,715 | 75,387 | 0 | 23,252 | 4,275,839 | 4,810,194 |
| Balance at 1 April 2019 | 467,739 | 75,387 | 12,710 | 9,697 | 4,623,455 | 5,188,987 |
| Current year profits | 0 | 0 | 0 | 0 | 163,914 | 163,914 |
| Other Comprehensive Income | 0 | 0 | 7,092 | 0 | 0 | 7,092 |
| Transfer from Other reserves | 0 | 0 | 0 | 0 | 0 | 0 |
| Issue of Shares | 100 | 0 | 0 | 0 | 0 | 100 |
| Dividends Paid | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance as at June 30, 2019 | 467,839 | 75,387 | 19,801 | 9,697 | 4,787,369 | 5,360,093 |

NOTES TO THE FINANCIAL STATEMENTS

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 31 March 2019.

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. FINANCIAL ASSETS

| | Units | Jun-19 \$'000 | Jun-18 \$'000 | Mar-19 \$'000 |
|----------------------------|------------|------------------|------------------|------------------|
| Equities | 10,904,475 | 46,840 | 0 | 29,058 |
| Non convertible loan notes | | <u>26,942</u> | <u>0</u> | <u>24,715</u> |
| | | <u>73,782</u> | <u>0</u> | <u>53,773</u> |

Financial assets at fair value through other comprehensive income represent quoted equities held in Seprod Jamaica Limited (681,475 units), LASCO Manufacturing Limited (1,503,000 units), Wigton Wind Farm Limited (8,720,000 units) and unsecured Convertible loan notes held in Cannim Group Pty Limited.

5. RECEIVABLES

| | Jun-19 \$'000 | Jun-18 \$'000 | Mar-19 \$'000 |
|-------------------------------|------------------|------------------|------------------|
| Trade Receivables | | | |
| Roche Diagnostics | 467,489 | 328,223 | 341,571 |
| Regular Trade | <u>1,524,735</u> | <u>1,833,612</u> | <u>1,767,659</u> |
| | 1,992,223 | 2,161,835 | 2,109,230 |
| Less: Provision for Bad Debts | <u>(46,219)</u> | <u>(18,051)</u> | <u>(39,226)</u> |
| | 1,946,004 | 2,143,784 | 2,070,004 |
| Other Receivables | <u>645,773</u> | <u>780,771</u> | <u>500,865</u> |
| | <u>2,591,777</u> | <u>2,924,555</u> | <u>2,570,870</u> |

6. PAYABLES

| | Jun-19 \$'000 | Jun-18 \$'000 | Mar-19 \$'000 |
|---------------------------|------------------|------------------|------------------|
| Trade Payables | | | |
| Roche Diagnostics | 486,161 | 360,459 | 308,946 |
| Regular Trade | <u>2,316,020</u> | <u>2,802,341</u> | <u>2,364,410</u> |
| | 2,802,181 | 3,162,800 | 2,673,356 |
| Other Payables & Accruals | <u>95,159</u> | <u>233,397</u> | <u>169,210</u> |
| | <u>2,897,340</u> | <u>3,396,197</u> | <u>2,842,566</u> |

7. SHARE CAPITAL

| | <u>Jun-19</u> | <u>Jun-18</u> | <u>Mar-19</u> |
|----------------------------------|----------------|----------------|----------------|
| | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> |
| Authorised - | | | |
| 3,630,000,000 ordinary shares of | | | |
| no par value | | | |
| Stated capital – | | | |
| Issued and fully paid – | | | |
| 3,507,359,835 (Jun 2018 – | | | |
| 3,490,794,739 & Mar 2019 – | | | |
| 3,507,259,835) | | | |
| ordinary shares of no par value | <u>467,839</u> | <u>435,715</u> | <u>467,739</u> |