



LASCO DISTRIBUTORS LIMITED

SECOND QUARTER

UNAUDITED FINANCIAL REPORT

SIX MONTHS ENDED SEPTEMBER 30, 2019

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REPORT TO THE SHAREHOLDERS

For six months ended September 30, 2019

The Board of Directors of the Company is pleased to present the unaudited results for the six months ended September 30, 2019.

For the three months ended September 30, 2019 revenue grew by 13% while net profit declined by 4% over the corresponding period last year. Though net profits are still down versus the prior year, we have arrested much of the 30% profit decline we saw in the first quarter, holding true to our plan for diminishing the impact of the one-off expenses incurred in quarter one on future months. We will continue to aggressively drive the business forward to deliver improved profits above that of the prior year in the ensuing quarters. We have secured three additional suppliers for our Pharmaceutical division and expect material gains in performance from the incremental business. The Consumer division through the increased marketing and sales initiatives will continue to expand distribution and market share gains for the business and is poised to launch new products categories and expand our beverage offerings in line with emerging consumer tastes to continue the explosion of growth of our liquid business. These exciting new introductions will deliver incremental sales to the business as well as add to the diversity of the already exciting LASCO stable of affordable high-quality products.

For the six months ended September 30, 2019 revenues grew to \$9.4 billion, or 7% more than the corresponding period last year. Gross profit closed at \$1.9 billion or 7% more than the corresponding period last year, while gross margin ratio remained stable at 20% when compared with prior year. Total operating expenses were \$1.5 billion, an increase of 10% compared to the corresponding period last year. For the second quarter, the Company achieved net profits of \$385.6 million, a 17% decline over the corresponding period last year, a significant reduction versus our first quarter and evidence that our profit trajectory going into the rest of the financial year is very positive. The six months comparative decline in profit was heavily attributable to the restructuring expenses and legal fees associated with ongoing matters including the Pfizer case and investments in our route to market.

At the end of the second quarter, the Company's non-current assets stood at \$2.1 billion, an increase of \$349.6 million or 20% over the corresponding period last year. This increase resulted from investment in equipment and warehouse infrastructure. Inventories decreased by 2% over prior year to close at \$2.5 billion. Trade receivables increased by 9% compared to prior year, to close at \$2.1 billion while trade payables decreased by 6% to close at \$3.3 billion. Cash and short-term Investments, taken together, closed the period at \$1.6 billion compared to \$1.7 billion for the same period last year. Total loans owing at the end of the period was \$300 million compared to \$213.3 million in the previous year. The loans were used to assist with infrastructural implementation such as new racking for the warehouse.

At the end of the second quarter, total shareholders' equity was \$5.4 billion, which was \$398.8 million or 8% over the prior year.

An interim dividend of \$0.043 per share totaling \$151 million was paid on July 18, 2019 to shareholders on record at the close of business at July 04, 2019.

LASCO Distributors Limited continues to lead the way in recognizing our public workers for their hard work and dedication to building a better Jamaica. We believe that the continued increased investment in supporting the development of Jamaica for all Jamaicans and in July 2019, Keisha Riley-Harrow of the Spanish Town Hospital, received the Nurse of the year and Tacquise Campbell was awarded Student Nurse of the year at the annual awards ceremony. We will continue to highlight the awardees of our yearlong programs across the many areas of Jamaican life where we give back to the nation that has built this great company.

We would like to thank all our customers, shareholders and team members for their continued invaluable support during this period and look forward to further even greater successes.

A handwritten signature in black ink, appearing to be 'L. Chin', written over a horizontal line.

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

LASCO Distributors Limited

Statement of Comprehensive Income

For six months ended September 30, 2019


(Unaudited and expressed in Thousands)

	Unaudited 3 months to 30 Sep 2019	Unaudited 3 months to 30 Sep 2018	Unaudited Year-to-date 30 Sep 2019	Unaudited Year-to-date 30 Sep 2018
	J\$'000	J\$'000	J\$'000	J\$'000
Revenue	5,067,124	4,503,025	9,405,314	8,782,721
Cost of Sales	<u>(4,033,671)</u>	<u>(3,598,774)</u>	<u>(7,507,161)</u>	<u>(7,007,028)</u>
Gross Profit	1,033,453	904,251	1,898,153	1,775,693
Other Operating Income/(Loss)	(7,349)	61,227	45,310	103,923
Operating Expenses	<u>(779,010)</u>	<u>(716,728)</u>	<u>(1,503,644)</u>	<u>(1,377,127)</u>
Profit from Operations	247,094	248,750	439,819	502,489
Finance Costs	<u>(4,407)</u>	<u>(151)</u>	<u>(10,064)</u>	<u>(323)</u>
Profit before Taxation	242,687	248,599	429,755	502,166
Taxation	<u>(21,021)</u>	<u>(18,519)</u>	<u>(44,176)</u>	<u>(38,446)</u>
Net Profit for the period	221,666	230,080	385,579	463,720
Other Comprehensive Income:				
Items that will or may not be reclassified to Profit or Loss -				
Unrealised gains on financial instrument:	<u>15,260</u>	<u>-</u>	<u>15,260</u>	<u>-</u>
Total Comprehensive Income for the Period	<u>236,926</u>	<u>230,080</u>	<u>400,839</u>	<u>463,720</u>
Earnings per stock unit				
Basic and Diluted	\$ 0.06	\$ 0.07	\$ 0.11	\$ 0.13


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

	Notes	Unaudited 30 Sep 2019 \$'000	Unaudited 30 Sep 2018 \$'000	Audited 31 Mar 2019 \$'000
ASSETS:				
Non-Current Assets				
Property, Plant & Equipment		1,904,413	1,616,556	1,834,487
Intangible asset		99,390	119,598	113,362
Financial assets at fair value through other comprehensive income	4	81,949	-	53,773
		<u>2,085,752</u>	<u>1,736,154</u>	<u>2,001,622</u>
Current Assets				
Inventories		2,494,651	2,555,778	2,467,632
Receivables	5	2,855,383	2,750,779	2,570,870
Related Companies		255,959	112,135	77,858
Directors Current Account		1,097	13,677	12,359
Taxation recoverable		2,655	693	1,707
Short term Investments		208,987	203,424	196,817
Cash and Bank Balances		1,365,635	1,494,578	1,310,797
Total Current Assets		<u>7,184,367</u>	<u>7,131,064</u>	<u>6,638,040</u>
TOTAL ASSETS		<u>9,270,119</u>	<u>8,867,218</u>	<u>8,639,662</u>
EQUITY AND LIABILITIES:				
Current Liabilities				
Payables	6	3,454,842	3,604,556	2,842,566
Taxation Payable		51,877	(2,285)	47,826
Short term Loans	7	166,667	-	200,000
Current Portion of Long term loans	8	80,000	40,000	246,667
Total Current Liabilities		<u>3,753,386</u>	<u>3,642,271</u>	<u>3,337,059</u>
Non-Current Liabilities				
Long Term Loans	8	53,333	173,333	93,333
Deferred Tax Liability		24,248	11,241	20,283
Total Non-Current Liabilities		<u>77,581</u>	<u>184,574</u>	<u>113,616</u>
Shareholders' Equity				
Share Capital	9	467,881	435,815	467,739
Revaluation reserves		75,387	75,387	75,387
Fair value reserves		27,969	-	12,709
Other reserves		9,697	23,252	9,697
Retained Earnings		4,858,218	4,505,919	4,623,455
Total Shareholders' Equity		<u>5,439,152</u>	<u>5,040,373</u>	<u>5,188,987</u>
TOTAL EQUITY AND LIABILITIES		<u>9,270,119</u>	<u>8,867,218</u>	<u>8,639,662</u>

Approved for issue by the Board of Directors on October 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 six months ended September 30, 2019

	Unaudited 30 Sep 2019 J\$'000	Unaudited 30 Sep 2018 J\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit	385,579	463,720
Items not affecting cash		
Loss on Disposal of PPE	8,990	-
Depreciation	76,381	64,565
Interest Income	(4,996)	(7,848)
Interest Expense	10,064	323
Items not affecting cash	90,439	57,040
Change in Operating Assets and Liabilities		
Inventories	(27,019)	(71,732)
Receivables	(284,513)	(293,192)
Directors current account	11,262	4,658
Related companies	(178,101)	(73,631)
Taxation	7,068	(50,522)
Payables	612,277	44,214
Changes in non-cash working capital components	140,974	(440,205)
Cash provided by Operating Activities	616,992	80,555
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	4,996	7,129
Short term Investments	(12,170)	(84,738)
Acquisition of Property, Plant & Equipment & Intangible Assets	(141,326)	(185,765)
Acquisition of Financial assets at fair value through other comprehensive income	(12,916)	-
Net Cash used in Investing Activities	(161,416)	(263,374)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest Paid	(10,064)	(323)
Loan Paid	(240,000)	(48,333)
Dividend paid	(150,816)	(234)
Issue of Shares	142	7,033
Cash used in Financing Activities	(400,738)	(41,857)
NET CHANGE IN CASH AND CASH EQUIVALENTS	54,838	(224,676)
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	1,365,635	1,494,578

LASCO Distributors Limited
Statement of Changes in Shareholders' Equity
For six months ended September 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	-	23,252	4,042,433	4,569,854
Current Period Profits	-	-	-	-	463,720	463,720
Other Comprehensive Income	-	-	-	-	-	-
Transfer from Other reserves	-	-	-	-	-	-
Issue of shares	7,033	-	-	-	-	7,033
Dividends Paid	-	-	-	-	(234)	(234)
Balance as at September 30, 2018	435,815	75,387	-	23,252	4,505,919	5,040,373
Balance at 1 April 2019	467,739	75,387	12,709	9,697	4,623,455	5,188,987
Current Period Profits	-	-	-	-	385,579	385,579
Other Comprehensive Income	-	-	15,260	-	-	15,260
Transfer from Other reserves	-	-	-	-	-	-
Issue of Shares	142	-	-	-	-	142
Dividends Paid	-	-	-	-	(150,816)	(150,816)
Balance as at September 30, 2019	467,881	75,387	27,969	9,697	4,858,218	5,439,152

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

	<u>Units</u>	<u>Sep-19</u>	<u>Sep-18</u>	<u>Mar-19</u>
		<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Equities		55,007	-	29,058
Non convertible loan notes		<u>26,942</u>	<u>-</u>	<u>24,715</u>
		<u>81,949</u>	<u>-</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

	<u>Sep-19</u>	<u>Sep-18</u>	<u>Mar-19</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Trade Receivables			
Roche Diagnostics	552,134	413,648	341,300
Regular Trade	<u>1,640,332</u>	<u>1,574,181</u>	<u>1,774,845</u>
	2,192,466	1,987,829	2,116,145
Less: Provision for Bad Debts	<u>(46,215)</u>	<u>(20,667)</u>	<u>(39,226)</u>
	2,146,251	1,967,162	2,076,919
Other Receivables	<u>709,132</u>	<u>783,617</u>	<u>493,951</u>
	<u>2,855,383</u>	<u>2,750,779</u>	<u>2,570,870</u>

6. PAYABLES

	<u>Sep-19</u>	<u>Sep-18</u>	<u>Mar-19</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Trade Payables			
Roche Diagnostics	234,480	332,005	385,400
Regular Trade	<u>3,032,728</u>	<u>3,131,712</u>	<u>2,287,837</u>
	3,267,208	3,463,717	2,673,237
Other Payables & Accruals	<u>187,634</u>	<u>140,839</u>	<u>169,329</u>
	<u>3,454,842</u>	<u>3,604,556</u>	<u>2,842,566</u>

7. SHORT TERM LOAN

	<u>Sep-19</u> <u>\$'000</u>	<u>Sep-18</u> <u>\$'000</u>	<u>Mar-19</u> <u>\$'000</u>
Sagicor Bank Jamaica Ltd	-	-	200,000
FirstCaribbean International Bank Ltd	166,667	-	-
	<u>166,667</u>	<u>-</u>	<u>200,000</u>

8. LONG TERM LOAN

	<u>Sep-19</u> <u>\$'000</u>	<u>Sep-18</u> <u>\$'000</u>	<u>Mar-19</u> <u>\$'000</u>
FirstCaribbean International Bank Ltd	133,333	213,333	340,000
Less Current Portion	<u>(80,000)</u>	<u>(40,000)</u>	<u>(246,667)</u>
	<u>53,333</u>	<u>173,333</u>	<u>93,333</u>

9. SHARE CAPITAL

	<u>Sep-19</u> <u>\$'000</u>	<u>Sep-18</u> <u>\$'000</u>	<u>Mar-19</u> <u>\$'000</u>
Authorised - 3,630,000,000 ordinary shares of no par value			
Stated capital – Issued and fully paid – 3,507,401,835 (Sep 2018 – 3,497,615,571 & Mar 2019 – 3,507,259,835) ordinary shares of no par value	<u>467,881</u>	<u>435,815</u>	<u>467,739</u>