LASCO DISTRIBUTORS LIMITED

FINANCIAL STATEMENTS

31 MARCH 2022

LASCO DISTRIBUTORS LIMITED

FINANCIAL STATEMENTS

31 MARCH 2022

I N D E X

BDO

Tel: (876) 926-1616/7, 926-4421
Fax: (876) 926-7580
www.bdo.com.jm

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

INDEPENDENT AUDITORS' REPORT

To the Members of
Lasco Distributors Limited

Report on the Financial Statements

Opinion

We have audited the financial statements of Lasco Distributors Limited set out on pages 6 to 51, which comprise the statement of financial position at 31 March 2022, 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 accompanying financial statements give a true and fair view of the financial position of the company as at 31 March 2022, and of its financial performance and its 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 International Code of Ethics for Professional Accountants (including International Independence Standards) (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 opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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.

BDO

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Lasco Distributors Limited

Key audit matters (cont'd)

Key audit matter	How the matter was addressed in our audit
Expected credit losses in relation to financial assets. See notes 3(m)(iv), 5(c)(ii) and 19 to the financial statements for management's related policies and disclosures. Trade receivables amounted to \$2.99 billion at 31 March 2022 and the expected credit loss provision totalled \$47.8 million. Management makes judgement regarding the collectability of receivables by making certain assumptions and judgements in arriving at the provision for impairment. The company estimates expected credit losses (ECL) on trade receivables using a provision matrix based on historical credit loss experience. Customers were placed in aging buckets and a default risk percentage calculated using the incurred loss analyses over delinquent accounts, the credit history, risk profile of each customer and the aging of receivables. In response to the economic impact of COVID-19, management considered the possibility of the increase in credit risk arising from the level of exposure resulting from credit sales.	The company's accounting policy as it relates to the impairment provision for trade receivables was obtained and the reasonableness of the accounting policy assessed in relation to the requirements of the relevant standard. We focused on this area due to the impact of COVID-19 on credit risk and the number of significant judgements made by management in relation to future economic scenarios. • We updated our understanding of management's ECL model including source data, the effectiveness of the implementation and the mathematical accuracy of the model. We tested the reliability of the source data used in the design of the model by confirming a sample to the historical data. • We tested manual and automated controls over the aging of receivables. Our testing of automated controls involved using our own information technology specialist to test the design, implementation and operating effectiveness of the automated controls. • We evaluated the appropriateness of management's assumptions and judgement in arriving at the forward looking multiple, by assessing the basis of the multiple economic scenarios used and the weighting assigned by management. The main macro factors used were compared to external public information and calculations tested through recomputation. • We determined whether the default risk percentage was accurately calculated and correctly applied to the relevant buckets of accounts receivable. Based on our audit procedures performed, the assumptions used by management in determining the increase in credit risk and forward looking information were considered reasonable. Therefore, no adjustments to the financial statements were deemed necessary.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Lasco Distributors Limited

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation of the financial statements that give a true and fair view 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.

Those charged with governance are responsible for overseeing the company's financial reporting process.

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.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Lasco Distributors Limited

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

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 presents a true and fair view.

We communicate with those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Lasco Distributors Limited

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.

The engagement partner on the audit resulting in this independent auditors' report is Donna Hobson.

BDO

Chartered Accountants

26 May 2022

LASCO DISTRIBUTORS LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 MARCH 2022

	Note	2022 $'000	2021 $'000
REVENUE	7	23,337,292	20,286,028
COST OF SALES		(19,459,686)	(16,638,825)
GROSS PROFIT		3,877,606	3,647,203
Other operating income	8	246,784	147,749
		4,124,390	3,794,952
EXPENSES:			
Administrative and other expenses		(2,204,053)	(2,125,292)
Selling and promotion expenses		(651,176)	(548,811)
	9	(2,855,229)	(2,674,103)
OPERATING PROFIT		1,269,161	1,120,849
Finance costs	11	(1,928)	(4,836)
PROFIT BEFORE TAXATION		1,267,233	1,116,013
Taxation	12	(250,805)	(206,533)
NET PROFIT FOR THE YEAR		1,016,428	909,480
OTHER COMPREHENSIVE INCOME:			
Item that will not be reclassified to profit or loss -			
Share option plan	26(c)	-	(2,502)
Unrealised gains on financial instruments		27,585	32,744
		27,585	30,242
TOTAL COMPREHENSIVE INCOME		1,044,013	939,722
EARNINGS PER STOCK UNIT	13		
Basic		28.95¢	25.92¢
Diluted		28.95¢	25.83¢

LASCO DISTRIBUTORS LIMITED

STATEMENT OF FINANCIAL POSITION

31 MARCH 2022

	Note	2022 $'000	2021 $'000
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	14	1,813,652	1,882,931
Intangible assets	15	29,667	57,475
Right-of-use asset	16(a)	6,066	9,099
Investments	17	459,216	417,858
		2,308,601	2,367,363
CURRENT ASSETS:			
Inventories	18	3,787,487	2,913,619
Receivables	19	3,945,825	3,232,378
Related companies	20	42,661	28,088
Directors' current account	20	9,867	-
Taxation recoverable		4,801	1,082
Short term investments	21	391,433	231,281
Cash and bank balances	22	1,959,307	2,037,742
		10,141,381	8,444,190
		12,449,982	10,811,553
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	23	472,686	472,686
Revaluation reserve	24	75,387	75,387
Fair value reserve	25	16,027	(11,558)
Other reserve	26(c)	6,959	6,959
Retained earnings		6,717,186	5,928,954
		7,288,245	6,472,428
NON-CURRENT LIABILITIES:			
Deferred tax liability	28	96,545	53,808
Lease liability	16(b)	3,396	6,600
		99,941	60,408
CURRENT LIABILITIES:			
Bank overdraft	22	-	17,531
Payables	29	4,927,546	4,110,182
Current portion of long term loans	27	-	13,333
Current portion of lease liability	16(b)	3,204	3,023
Taxation		131,046	134,648
		5,061,796	4,278,717
		12,449,982	10,811,553

Approved for issue by the Board of Directors on 26 May 2022 and signed on its behalf by:

Hon. Lascelles A. Chin, OJ, CD, LLD (Hon. Causa)
Executive Chairman

Colin D. W. Maxwell, FCCA, FCA
Director

LASCO DISTRIBUTORS LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 MARCH 2022

	Note	Share Capital $'000	Revaluation Reserve $'000	Fair Value Reserve $'000	Other Reserve $'000	Retained Earnings $'000	Total $'000
BALANCE AT 1 APRIL 2020		469,072	75,387	(44,302)	9,797	5,198,395	5,708,349
TOTAL COMPREHENSIVE INCOME							
Net profit		-	-	-	-	909,480	909,480
Other comprehensive income		-	-	32,744	(2,502)	-	30,242
		-	-	32,744	(2,502)	909,480	939,722
TRANSACTION WITH OWNERS							
Issue of shares	23	3,278	-	-	-	-	3,278
Transfer from other reserves	26(c)	336	-	-	(336)	-	-
Dividends paid	30	-	-	-	-	(178,921)	(178,921)
		3,614	-	-	(336)	(178,921)	(175,643)
BALANCE AT 31 MARCH 2021		472,686	75,387	(11,558)	6,959	5,928,954	6,472,428
TOTAL COMPREHENSIVE INCOME							
Net profit		-	-	-	-	1,016,428	1,016,428
Other comprehensive income		-	-	27,585	-	-	27,585
		-	-	27,585	-	1,016,428	1,044,013
TRANSACTION WITH OWNERS							
Dividends paid	30	-	-	-	-	(228,196)	(228,196)
		-	-	-	-	(228,196)	(228,196)
BALANCE AT 31 MARCH 2022		472,686	75,387	16,027	6,959	6,717,186	7,288,245

LASCO DISTRIBUTORS LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2022

	2022 $'000	2021 $'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit	1,016,428	909,480
Items not affecting cash resources:		
Unrealised exchange gain on foreign balances	(52,820)	(12,647)
Loss on disposal of property, plant and equipment	-	9
Stock grant	-	(2,502)
Depreciation and amortisation	150,467	176,178
Right-of-use asset	3,033	3,033
Adjustment to property, plant and equipment	2,615	-
Interest income	(24,749)	(17,484)
Dividend income	(6,152)	(5,529)
Interest expense	1,928	4,836
Taxation expense	250,805	206,533
	1,341,555	1,261,907
Changes in operating assets and liabilities:		
Inventories	(873,868)	(538,470)
Receivables	(688,826)	(349,247)
Directors' current account	(9,867)	4,361
Payables	824,359	835,905
Related companies	(14,573)	37,019
	578,780	1,251,475
Taxation paid	(211,670)	(93,540)
Cash provided by operating activities	367,110	1,157,935
CASH FLOWS FROM INVESTING ACTIVITIES:		
Short term investments (note 22c)	(160,152)	(155,732)
Investments (note 22b)	(676)	(89,992)
Interest received	21,748	13,920
Dividend received	6,152	5,529
Purchase of property, plant and equipment	(55,995)	(109,059)
Cash used in investing activities	(188,923)	(335,334)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issue of shares	-	3,278
Interest paid	(1,351)	(4,087)
Dividends paid	(228,196)	(178,921)
Loan repayments	(13,333)	(80,000)
Lease payment	(3,600)	(3,600)
Cash used in financing activities	(246,480)	(263,330)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(68,293)	559,271
Exchange effect on foreign cash balances	7,389	(10,951)
Cash and cash equivalents at beginning of year	2,020,211	1,471,891
CASH AND CASH EQUIVALENTS AT END OF YEAR (note 22)	1,959,307	2,020,211

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2022

1. **IDENTIFICATION AND PRINCIPAL ACTIVITIES**:

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

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

2. **REPORTING CURRENCY:**

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

3. **SIGNIFICANT ACCOUNTING POLICIES**:

The principal accounting policies applied in the preparation of these financial statements are set out below. The policies have been consistently applied to all the years presented. Amounts are rounded to the nearest thousand, unless otherwise stated.

(a) **Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention as modified by the revaluation of freehold land and buildings. They are also prepared in accordance with requirements of the Jamaican Companies Act.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

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 company has assessed the relevance of all such new standards, interpretations and amendments and has concluded that the following amendments are relevant to its operations:

IFRS 16, 'Leases' – Covid-19 related rent concessions (effective for accounting periods beginning on or after 1 April 2021). As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2021, the IASB made an amendment to IFRS 16, 'Leases' which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted. The adoption of these amendments did not have a significant impact on the company.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2022

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 (cont'd)

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, (effective for accounting periods beginning on or after 1 January 2021). These address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate (replacement issues). Major changes:

- Added a practical expedient that enables a company to account for a change in the contractual cash flows that are required by the reform by updating the effective interest rate to reflect, for example, the change in an interest rate benchmark from IBOR to an alternative benchmark rate.
- Provide relief from specific hedge accounting requirements.

New standards, amendments and interpretations not yet effective and not early adopted

At the date of authorization of these financial statements, there were certain new standards, amendments and interpretations to existing standards which were in issue but not yet effective and which the company has not early adopted.

The standards which management considered may be relevant to the company are as follows:

Amendments to IAS 1, 'Presentation of Financial Statements', (effective for accounting periods beginning on or after 1 January 2023). These amendments clarify that liabilities are classified as either current or non-current depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The adoption of these amendments is not expected to have a significant impact on the company.

Amendments to IAS 1, 'Presentation of Financial Statements', Practice Statement 2 and IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', (effective for accounting periods beginning on or after 1 January 2023). The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The adoption of these amendments is not expected to have a significant impact on the company.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2022

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

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

New standards, amendments and interpretations not yet effective and not early adopted (cont'd)

Amendments to IAS 16 'Property, Plant and Equipment, (effective for accounting periods beginning on or after 1 January 2022). The amendment changes the accounting for proceeds from sale of items produced before a PPE is available for use. Previously, IAS 16 requires the proceeds from selling items before intended use to be offset against the cost of PPE. Under the amendments these proceeds are to be included the statement of profit or loss and should not be deducted from the cost of the PPE.

Amendments to IAS 12 'Income Taxes', (effective for annual reporting periods beginning on or after 1 January 2023). The main change in deferred tax related to assets and liabilities from a single transaction is an exemption from the initial recognition exemption provided in IAS 12.15 and IAS 12.24. accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

Annual Improvements to IFRS Standards 2018-2020 cycle (effective for accounting periods beginning on or after 1 January 2022). These amendments include minor changes to the following applicable standards:

(i) IFRS 9, 'Financial Instruments' amendment clarifies that – for the purpose of performing the '10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

(ii) IFRS 16, 'Leases' amendment removes the illustration of payments from the lessor relating to leasehold improvements.

The company is assessing the impact the amendments will have on its 2022 financial statements.

The company does not expect any other standards or interpretations issued by the IASB, but not yet effective, to have a material effect on its financial position.

(b) **Foreign currency translation**

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

Monetary items denominated in foreign currency are translated to Jamaican dollars using the closing rate as at the reporting date.

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 recognised in profit or loss.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2022

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

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

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation on all other items of property, plant and equipment is calculated on the straight-line method to write off the cost of assets or the revalued amounts, to their residual values over their estimated useful lives. Land is not depreciated as it is deemed to have an indefinite life. The expected useful lives of the other property, plant and equipment are as follows:

Buildings	40 years
Furniture and fixtures	10 years
Equipment	5 years
Motor vehicles	5 years
Computer	5 years

Gains or losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amounts and are included in profit or loss. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

(d) **Intangible assets**

Intangible assets represent computer software and distribution rights of CIPLA products. Computer software is deemed to have a finite useful life of five years and is measured at cost, less accumulated amortisation and accumulated impairment losses, if any. Distribution rights are deemed to have an indefinite life, are initially recognized at cost and reviewed annually for impairment losses.

(e) **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.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2022

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

(f) **Provisions**

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

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

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

(g) **Revenue recognition**

Sale of goods

Revenue is recognised at a point in time in the amount of the price, before tax on sales, expected to be received by the company for goods supplied as a result of their ordinary activities, as contractual performance obligations are fulfilled, and control of goods passes to the customer. Revenue is decreased by any trade discounts granted to customers.

For contracts that permit return of goods, revenue is recognised to the extent that it is highly probable that a significant reversal will not occur.

The right to recover returned goods is measured at the former carrying amount of inventory less any expected cost to recover.

Interest income

Interest income is recognised in profit or loss using the effective interest method. The "effective interest rate" is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instruments to its gross carrying amount.

When calculating the effective interest rate for financial instruments, the company estimates future cash flows considering all contractual terms of the financial instrument, but not ECL.

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2022

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

(g) **Revenue recognition (cont'd)**

Sale of goods

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

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

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

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

(i) **Investments**

Debt instruments

Investment securities are initially recognized at cost, which includes transaction costs and are classified as those to be measured subsequently at fair value through other comprehensive income. Management determines the appropriate classification of investments at the time of purchase based on the objectives of the company's business model for managing financial instruments and the contractual cash flow characteristics of the instruments. The assumption made by management is that these investment securities are managed within a business model of collecting contractual cash flows and to sell.

Equity instruments

The fair values of quoted instruments are based on the spread between the bid and ask prices at valuation date. Upon initial recognition, the company irrevocably classifies its equity instruments at fair value through other comprehensive income (FVOCI) when they meet the definition of equity under IAS 32, Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss. Equity instruments at FVOCI are not subject to an impairment assessment.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2022

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

(j) **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.

(k) **Trade and other payables**

Trade payables are stated at amortised cost.

(l) **Employee benefits**

(i) Defined contribution plan

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

(ii) Profit-sharing and bonus plan

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

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2022

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

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

(iii) Annual vacation leaves and other benefits

Employee entitlement to annual vacation leave and other benefits are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and other benefits as a result of services rendered by employees up to the end of the reporting period.

(iv) Share-based compensation

The company operates an equity-settled share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense, with corresponding increase in equity, over the period in which the employee becomes vested to the company. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. At the end of each reporting period, the company revises its estimates of the number of options that are expected to become exercisable.

It recognizes the impact of the revision of original estimates, if any, in the statement of profit or loss, and a corresponding adjustment to equity over the remaining vesting period.

The fair value of employee stock options is measured using a Black-Scholes-Merton formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility), weighted average expected life of the instruments (based on historical experience and general option holder behaviours), expected dividends, and the risk-free interest rate (based on treasury bill rates). Service and non-market performance conditions attached to the transactions are not taken into account in determining the fair value.

(m) **Financial instruments**

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

Financial assets

(i) **Recognition and derecognition**

Financial assets are initially recognized on the settlement date, which is the date that an asset is delivered to the company. This includes regular purchases of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Translation differences and changes in fair value of non-monetary securities classified as fair value through other comprehensive income (FVOCI) are recognized in other comprehensive income.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2022

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

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

Financial assets (cont'd)

(i) **Recognition and derecognition (cont'd)**

Dividends on FVOCI equity instruments are recognized in profit or loss as part of other operating income when the company's right to receive payment is established.

The company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains all or substantially all the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such de-recognized financial assets that is created or retained by the company is recognized as a separate asset or liability.

When securities classified as FVOCI are sold or impaired, the accumulated fair value adjustments previously recognized as other comprehensive income is not recycled to the profit or loss but instead is transferred within reserves to retained earnings.

(ii) **Classification**

The company classifies all its of financial instruments at initial recognition based on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets recorded at FVPL, transaction costs are added to, or subtracted from, this amount.

The company classifies its financial assets as those measured at amortised cost and fair value through other comprehensive income.

(iii) **Measurement categories**

Amortised cost

These assets arise principally from the provision of goods and services to customers (eg. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest (SPPI). They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2022

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

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

Financial assets (cont'd)

(iii) **Measurement categories (cont'd)**

Amortised cost (cont'd)

The company's financial assets measured at amortised cost comprise trade and other receivables, related company balances, short term deposits and cash and cash equivalents in the statement of financial position.

Cash and cash equivalents are carried in the statement of financial position at fair value. For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank and in hand and short term deposits with original maturities of three months or less and bank overdraft.

Fair value through other comprehensive income (FVOCI)

The company has made an irrevocable election to classify its investments at fair value through other comprehensive income rather than through profit or loss as the company considers this measurement to be the most representative of the business model for those assets. They are carried at fair value with changes in fair value recognized in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. Upon disposal any balance within fair value through other comprehensive income reserve is reclassified directly to retained earnings and is not reclassified to profit or loss.

The company's financial assets measured at FVOCI are its investments securities which includes equity instruments in the statement of financial position.

(iv) **Impairment**

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses (ECL).

During this process the probability of the non-payment of the trade receivables is assessed by taking into consideration historical rates of default for each segment of trade receivables as well as the estimated impact of forward looking information. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime ECL for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within the statement of profit or loss. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

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

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

Financial liabilities

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

The company derecognises a financial liability when its contractual obligations expire or are discharged or cancelled.

(n) **Share capital**

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

(o) **Other receivables**

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

(p) **Segment reporting**

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

(q) **Dividend distribution**

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

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

(r) **Borrowings**

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized 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.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2022

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

(s) **Leases**

All leases are accounted for by recognising a right-of-use asset and a lease liability for all leases with a term greater than 12 months.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes amounts expected to be payable under any residual value guarantee, the exercise price of any purchase option granted in favour of the company if it is reasonably certain to assess that option, any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for lease payments made at or before commencement of the lease, initial direct costs incurred and the amount of any provision recognised where the company is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset, whichever is shorter.

When the company revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining lease term.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2022

4. **CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES:**

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

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

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

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

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

(i) **Fair value estimation**

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

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

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

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2022

4. **CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES:**

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

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

The fair value of financial instruments traded in active markets, such as investments fair value either through OCI or through profit or loss, is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the company is the current bid price. These instruments are included in level 1 and comprise equity instruments traded on the JSE.

The fair values of financial instruments that are not traded in an active market are deemed to be/determined as follows:

The carrying values less any impairment provision of financial assets and liabilities with a maturity of less than one year are estimated to approximate their fair values due to the short term maturity of these instruments. These financial assets and liabilities are cash and cash equivalents, trade receivables, trade payables, related company balances and unquoted investments.

(ii) **Income taxes**

Estimates are required in determining the provision for income tax. There are some transactions and calculations for which the ultimate tax determination is uncertain. The company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(iii) **Allowance for impairment losses on trade receivables**

Allowances for doubtful accounts were established using the total credit sales for the financial year, excluding Government receivables and cash on delivery invoices. For all other credit sales, a payment pattern was determined for customers within this segment. Based on the incurred loss analyses over delinquent accounts, the credit history, risk profile of each customer and aging of receivables, customers were placed in aging buckets and a default risk percentage calculated for each bucket. Allowances are determined upon origination of the trade receivable based on a model that calculates the expected credit loss (ECL) of the trade receivables.

Under this ECL model, the company segments its trade receivables in a matrix by days past due and determined for each age bracket an average rate of ECL, considering actual credit loss experience over the last 12 months and analysis of future delinquency, that is applied to the balance of the trade receivables.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2022

4. **CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D):**

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

(iii) **Allowance for impairment losses on trade receivables (cont'd)**

The historical loss rates were adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The company has also identified and assessed the change in the industry in which it sells its goods and has included its impact on historical loss rate percentage. The average ECL rate increases in each segment of days past due until the rate is 100% for the segment of 365 days or more past due. The use of assumptions make uncertainty inherent in such estimates.

(iv) **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 the statement of income through impairment or adjusted depreciation provisions.

(v) **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.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2022

5. **FINANCIAL RISK MANAGEMENT:**

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

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

In common with all other businesses, the company is exposed to risks that that arise from its use of financial instruments. This note describes the company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

(a) **Principal financial instruments**

The principal financial instruments used by the company, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Cash and bank balances
- Trade and other payables
- Short term investments
- Long term loans
- Due from related companies
- Investments
- Bank overdraft

(b) **Financial instruments by category**

Financial assets

	Fair value through other comprehensive income		Amortised cost	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Investments	378,650	339,223	80,566	78,635
Short term investments	-	-	391,433	231,281
Cash and cash equivalents	-	-	1,959,307	2,037,742
Due from related companies	-	-	42,661	28,088
Receivables	-	-	3,449,350	2,774,494
Total financial assets	378,650	339,223	5,923,317	5,150,240

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2022

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

(b) **Financial instruments by category (cont'd)**

Financial liabilities

	Financial liabilities at amortised cost	
	2022 $'000	2021 $'000
Bank overdraft	-	17,531
Lease liability	6,600	9,623
Payables	4,603,580	3,931,408
Long term loans	-	13,333
Total financial liabilities	4,610,180	3,971,895

(c) **Financial risk factors**

The Board 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 Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The company's internal auditors also review the risk management policies and processes and report their findings to the Audit and Risk Management Committee.

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**

Market risk arises from the company's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Currency risk

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

Currency risk arises from transactions for sales, purchases and US dollar cash and bank balances. The company manages this risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. The company further manages this risk by maximizing foreign currency earnings and holding net foreign currency assets.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2022

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

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

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

Concentration of currency risk

The company is exposed to foreign currency risk in respect of US dollar as follows:

	2022 $'000	2021 $'000
Investments	204,380	188,665
Cash and cash equivalents	908,849	392,964
Trade receivables	1,368,020	1,121,274
Other receivables	737,385	327,066
Trade payables	(636,662)	(1,039,124)
	2,581,972	990,845

Foreign currency sensitivity

The following table indicates the sensitivity of profit before taxation to changes in foreign exchange rates. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated cash and bank balances, accounts receivable, investments and payable balances, and adjusts their translation at the year-end for 8% (2021 – 6%) depreciation and a 2% (2021 – 2%) appreciation of the Jamaican dollar against the US dollar. The changes below would have no impact on other components of equity.

	% Change in Currency Rate 2022	Effect on Profit before Taxation 2022 $'000	% Change in Currency Rate 2021	Effect on Profit before Taxation 2021 $'000
Currency:				
USD	-8	206,558	-6	59,451
USD	+2	(51,639)	+2	(19,817)

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The company is exposed to market price fluctuations arising from equity securities held. A 5% increase/decrease (2021 – 10% increase/decrease) in the price of equity stocks will result in a $10,241,000 increase/decrease (2021 - $8,960,000 increase/decrease) in net results or stockholders equity.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2022

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

(c) **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 short term investments.

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

Interest rate sensitivity

There is no significant exposure to interest rate risk on short term 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, as loan notes and investments securities are at a fixed interest rate.

There is no significant exposure to interest rate risk on borrowings. A 3% increase/0.5% decrease (2021 – 1% increase/1% decrease) in interest rates on Jamaican dollar borrowings would result in a NIL decrease/increase (2021 – $133,000 decrease/increase) in profit before tax for the company.

(ii) **Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk arises from trade receivables, related company balances and cash and bank balances.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2022

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

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

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

Trade receivables

Revenue transactions in respect of the company's primary operations are done on a cash or credit basis. The company has policies in place to ensure that sales are made to customers with an appropriate credit history.

Cash and bank balances

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

Maximum exposure to credit risk

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

Trade receivables expected credit losses

The impairment requirements of IFRS 9 are based on the Expected Credit Loss (ECL) model. The guiding principle of the ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments.

For trade receivables and contract assets that do not have a financing component, it is a requirement of IFRS 9 to recognize a lifetime expected credit loss. This was achieved in the current year by the development and application of historical data relating to trade receivables and write-offs, as well as forecasting payment probabilities based on historical payment pattern.

The company estimates expected credit losses (ECL) on trade receivables using a provision matrix based on historical credit loss experience. Based on the incurred loss analyses over delinquent accounts, the credit history, risk profile of each customer and aging of receivables, customers were placed in aging buckets and a default risk percentage calculated for each bucket of customers. The following table provides information about the ECLs for trade receivables as at 31 March.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2022

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

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

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

Trade receivables impairment provision

2022

Aging	Gross Carrying Amount $'000	Default Rate %	Lifetime ECL Allowance $'000
Government			
0 -30 days	601,215	-	-
31 - 60 days	67,162	-	-
61 – 90 days	96,265	-	-
Over 90 days	533,551	-	-
	1,298,193		-
Other trade receivables -			
0 -30 days	1,284,874	1.49	19,144
31 - 60 days	303,780	1.47	4,465
61 – 90 days	19,472	3.22	626
Over 90 days	93,280	25.27	23,569
	1,701,406		47,804
Total	2,999,599		47,804

2021

Aging	Gross Carrying Amount $'000	Default Rate %	Lifetime ECL Allowance $'000
Government			
0 -30 days	412,780	-	-
31 - 60 days	103,493	-	-
61 – 90 days	74,476	-	-
Over 90 days	461,852	-	-
	1,052,601		-
Other trade receivables -			
0 -30 days	1,061,671	1.48	15,713
31 - 60 days	280,744	3.86	10,837
61 – 90 days	19,025	8.97	1,706
Over 90 days	87,951	24.52	21,570
	1,449,391		49,826
Total	2,501,992		49,826

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2022

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

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

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

The aging of trade receivables is:

	2022 $'000	2021 $'000
0-30 days	1,886,089	1,474,451
31-60 days	370,942	384,237
61-90 days	115,737	93,501
Over 90 days	626,831	549,803
	2,999,599	2,501,992

Movements in the provision for expected credit losses are as follows:

	2022 $'000	2021 $'000
At 1 April	49,826	57,445
Provision for expected credit losses	(2,022)	(7,619)
At 31 March	47,804	49,826

The creation and release of provision for expected credit losses have been included in profit or loss. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

(iii) **Liquidity risk**

Liquidity risk is the risk that the company will be unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, and the availability of funding through an adequate amount of committed credit facilities.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2022

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

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

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

Liquidity risk management process

The company's liquidity risk management process, as carried out within the company and monitored by the Finance Department, includes:

(i) Monitoring future cash flows and liquidity on a daily basis.
(ii) Maintaining a portfolio of short term investment balances that can easily be liquidated as protection against any unforeseen interruption to cash flow.
(iii) Maintaining committed lines of credit.
(iv) Optimising cash returns on investments.

Cash flows of financial liabilities

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

	Within 1 Year $'000	1 to 2 Years $'000	Total $'000
31 March 2022			
Lease liability	3,600	3,600	7,200
Payables	4,603,580	-	4,603,580
Total financial liabilities (contractual maturity dates)	4,607,180	3,600	4,610,780

	Within 1 Year $'000	1 to 2 Years $'000	Total $'000
31 March 2021			
Lease liability	3,600	7,200	10,800
Long term loan	13,434	-	13,434
Payables	3,931,408	-	3,931,408
Bank overdraft	17,531	-	17,531
Total financial liabilities (contractual maturity dates)	3,965,973	7,200	3,973,173

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2022

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

(d) **Capital management**

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for stockholders and benefits for other stakeholders. The Board of Directors monitors the return on capital, which the company defines as net operating income, excluding non-recurring items, divided by total stockholders' equity. The Board of Directors also monitors the level of dividends to stockholders.

There are no particular strategies to determine the optimal capital structure. There are also no external capital maintenance requirements to which the company is subject.

(e) **Fair values of financial instruments**

The following table presents the company's investments that are measured at fair value. There are no liabilities that are measured at fair value at the year end and the company has no instruments classified in Level 3 during the year. There were no transfers between levels during the year.

	2022		
	Level 1 $'000	**Level 2 $'000**	**Total $'000**
Investment securities fair value through other comprehensive income			
Equity securities	204,836	173,814	378,650

	2021		
	Level 1 $'000	**Level 2 $'000**	**Total $'000**
Investment securities fair value through other comprehensive income			
Equity securities	179,192	160,031	339,223

The fair value of financial instruments that are traded in an active market for which there are no quoted market prices, is determined by using valuation techniques. When using valuation techniques, the company uses a variety of methods and makes assumptions that are based on market conditions existing at year end. The following methods and assumptions have been used.

(i) Investments securities classified as fair value through profit or loss and fair value through other comprehensive income are measured at fair value by reference to quoted market prices when available. If quoted prices are not available, then fair values are estimated on the basis of pricing models or other recognized valuation techniques.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2022

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

(e) **Fair values of financial instruments (cont'd)**

(ii) The fair value of liquid assets and other assets maturing within three months is assumed to approximate their carrying amount. The assumption is applied to liquid assets and the short term elements of all other financial instruments.

(iii) The fair value of variable rate financial instruments is assumed to approximate their carrying value.

6. **SEGMENT REPORTING:**

The company has two reportable segments which are based on the different types of products that it offers. These products are described in its principal activities (Note 1). The identification of business segments, is based on the management and internal reporting structure. Segment results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis.

Information regarding results of each reportable segment is included below. Performance is measured on segment profit before taxation as included in the management reports. Segment profit before taxation is used to measure performance as management believes that such information is most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

	2022		
	Consumer Division $'000	Pharmaceutical Division $'000	Total $'000
Revenue -			
Total revenue	18,325,856	5,011,436	23,337,292
Segment result	618,127	398,301	1,016,428
Segment assets(1)	4,437,400	2,681,950	7,119,350
Unallocated assets			5,330,632
Total assets			12,449,982
Segment liabilities(2)	3,138,872	1,303,670	4,442,542
Unallocated liabilities			719,195
Total liabilities			5,161,737
Other items -			
Finance income	24,749	-	24,749
Finance costs	1,928	-	1,928

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2022

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

	2021		
	Consumer Division $'000	Pharmaceutical Division $'000	Total $'000
Revenue -			
Total revenue	16,562,875	3,723,153	20,286,028
Segment result	595,952	313,528	909,480
Segment assets([1])	3,572,593	2,121,853	5,694,446
Unallocated assets			5,117,107
Total assets			10,811,553
Segment liabilities([2])	2,890,859	776,274	3,667,133
Unallocated liabilities			671,992
Total liabilities			4,339,125
Other items -			
Finance income	17,484	-	17,484
Finance costs	4,836	-	4,836

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

	2022 $'000	2021 $'000
Segment assets from reportable segments	7,119,350	5,694,446
Unallocated assets -		
Property, plant and equipment	1,813,652	1,882,931
Intangible assets	29,667	57,475
Right-of-use assets	6,066	9,099
Investments	459,216	417,858
Taxation recoverable	4,801	1,082
Related companies	42,661	28,088
Other receivables	623,829	451,551
Short term investments	391,433	231,281
Cash and bank balances	1,959,307	2,037,742
	12,449,982	10,811,553

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2022

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

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

	2022 $'000	2021 $'000
Segment liabilities from reportable segments	4,442,542	3,667,133
Unallocated liabilities -		
Payables	485,004	443,049
Long term loans	-	13,333
Deferred tax liability	96,545	53,808
Taxation	131,046	134,648
Bank overdraft	-	17,531
Lease liability	6,600	9,623
	5,161,737	4,339,125

7. **REVENUE:**

Revenue represents the price of goods sold and transferred to customers at a point in time, after discounts and allowances.

8. **OTHER OPERATING INCOME:**

	2022 $'000	2021 $'000
Dividend income	6,152	5,529
Commission – Roche	213,282	113,310
Interest income	24,749	17,484
Miscellaneous income	2,601	11,426
	246,784	147,749

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

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2022

9. EXPENSES BY NATURE:

Total administrative, selling and other expenses:

	2022 $'000	2021 $'000
Staff costs (note 10)	1,740,568	1,557,994
Directors' fees	16,990	21,353
Property expenses	90,245	96,083
Transportation and communication	50,601	57,637
Advertising and promotion	189,014	169,655
Management and consultancy fees	32,584	18,087
Legal and professional fees	13,546	15,619
Insurance	101,084	90,857
Stationery	17,924	19,647
Utilities and postage	105,609	94,193
Security	131,642	132,094
Donations and subscriptions	96,692	81,268
Bank charges	97,899	104,347
Auditors' remuneration	8,000	7,500
Foreign exchange gain	(36,211)	(2,120)
GCT irrecoverable	36,861	27,061
Expected credit losses	(797)	(5,491)
Computer repairs expense	2,789	1,229
Depreciation and amortisation	153,500	179,211
Loss on disposal of property, plant and equipment	-	9
Other expenses	6,689	7,870
	2,855,229	2,674,103

10. STAFF COSTS:

	2022 $'000	2021 $'000
Salaries and wages	975,451	960,127
Directors' remuneration	82,421	48,514
Statutory contributions	120,560	112,552
Pension costs	32,685	32,092
Share options - employees	-	(2,502)
Commission and incentive	301,485	235,851
Accommodation	8,346	6,627
Other	219,620	164,733
	1,740,568	1,557,994

The average number of persons employed by the company during the year was five hundred and nine (509), (2021: 532).

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2022

11. **FINANCE COSTS:**

	2022 $'000	2021 $'000
Interest expense –		
Loan interest	101	3,414
Other interest	1,827	1,422
	1,928	4,836

12. **TAXATION EXPENSE:**

(a) Taxation is computed on the profit for the year, adjusted for tax purposes, and comprises income tax at 25%.

	2022 $'000	2021 $'000
Current taxation	203,282	165,568
Prior year under provision	4,786	29,839
Deferred taxation (note 28)	42,737	11,126
	250,805	206,533

(b) The tax on the profit before taxation differs from the theoretical amount that would arise using the applicable tax rate as follows:

	2022 $'000	2021 $'000
Profit before taxation	1,267,233	1,116,013
Taxation calculated @ 25%	316,808	279,003
Adjusted for the effects of:		
Expenses not deducted for tax purposes	74,936	72,476
Unrealized foreign exchange loss	(12,912)	(3,162)
Capital allowances	(60,814)	(57,781)
Deferred taxation	42,737	11,126
Other	(28,137)	(30,946)
Prior year under provision	4,786	29,839
Employment tax credit	(86,599)	(23,653)
	250,805	276,902
Adjustment for the effect of tax remission		
Current tax	-	(70,369)
Taxation charge in income statement	250,805	206,533

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2022

12. **TAXATION EXPENSE (CONT'D):**

(c) Remission of income tax:

The company's shares were listed on the Jamaica Stock Exchange Junior Market, effective 12 October 2010. Consequently, the company is entitled to a remission of taxes for ten (10) years in the proportions set out below, provided the shares remain listed for at least 15 years.

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

Therefore, on 11 October 2020 the tax benefit expired.

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

13. **EARNINGS PER STOCK UNIT:**

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

	2022	2021
Net profit attributable to stockholders ($'000)	1,016,428	909,480
Weighted average number of ordinary stocks units ('000)	3,510,703	3,509,247
Basic earnings per stock unit (¢ per share)	28.95	25.92

The diluted earnings per stock unit is calculated by adjusting the weighted average number of ordinary stock units in issue at the year end to assume conversion of all dilutive potential ordinary stock units.

	2022	2021
Net profit attributable to stockholders ($'000)	1,016,428	909,480
Weighted average number of ordinary stocks units ('000)	3,510,703	3,509,247
Adjusted for share options ('000)	-	11,108
	3,510,703	3,520,355
Diluted earnings per stock unit (¢ per share)	28.95	25.83

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2022

14. PROPERTY, PLANT AND EQUIPMENT:

	Freehold Land & Buildings $'000	Computer $'000	Furniture, Fixtures & Equipment $'000	Assets Under Construction $'000	Motor Vehicles $'000	Total $'000
Cost/deemed cost -						
1 April 2020	1,433,823	166,038	586,813	275,068	86,999	2,548,741
Additions	20,250	4,274	66,021	4,258	14,256	109,059
Disposal	-	-	(404)	-	-	(404)
31 March 2021	1,454,073	170,312	652,430	279,326	101,255	2,657,396
Additions	303	6,880	25,539	23,265	8	55,995
Adjustments	4,165	(229)	468	(6,704)	(1)	(2,301)
Transfer	266,632	-	-	(266,632)	-	-
31 March 2022	1,725,173	176,963	678,437	29,255	101,262	2,711,090
Depreciation -						
1 April 2020	116,757	133,396	300,964	-	75,508	626,625
Charge for the year	29,695	18,308	94,540	-	5,692	148,235
Adjustments	-	2	(2)	-	-	-
Disposal	-	-	(395)	-	-	(395)
31 March 2021	146,452	151,706	395,107	-	81,200	774,465
Charge for the year	30,585	8,060	77,680	-	6,334	122,659
Adjustments	2	(157)	470	-	(1)	314
Disposal	-	-	-	-	-	-
31 March 2022	177,039	159,609	473,257	-	87,533	897,438
Net Book Value -						
31 March 2022	1,548,134	17,354	205,180	29,255	13,729	1,813,652
31 March 2021	1,307,621	18,606	257,323	279,326	20,055	1,882,931

The net book value of property, plant and equipment includes assets under construction amounting to $29,255,000 relating to fire system upgrade, building of a nurse's station and roadwork being done on the property which commenced in the current year. The work that was being done on the warehouse acquired in 2020 was completed and transferred to Freehold land and buildings.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2022

15. INTANGIBLE ASSETS:

	$'000
Cost:	
1 April 2020	
31 March 2021 and 31 March 2022	147,453
Amortisation:	
1 April 2020	62,035
Charge for the year	27,943
31 March 2021	89,978
Charge for the year	27,808
31 March 2022	117,786
Net book value:	
31 March 2022	29,667
31 March 2021	57,475

16. RIGHT-OF-USE ASSET:

(a) **Right-of-use asset**

	Building	
	2022	2021
	$'000	$'000
At 1 April	9,099	12,132
Amortisation	(3,033)	(3,033)
At 31 March	6,066	9,099

(b) **Lease liability**

	2022	2021
At 1 April	9,623	12,474
Interest expense	577	749
Lease payments	(3,600)	(3,600)
31 March	6,600	9,623
Less: current portion	(3,204)	(3,023)
	3,396	6,600

The company leases property located at 29 Red Hills Road, Kingston 10. The lease contract is for a period of five years.

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2022

17. **INVESTMENTS:**

At fair value through other comprehensive income:

	2022 Units	2021 Units	2022 $'000	2021 $'000
Sigma USD Principal Protector	1,007,521	1,007,521	173,814	160,031
Equities	25,919,271	25,904,475	204,836	179,192
			378,650	339,223

At amortised cost:

	2022 $'000	2021 $'000
(1) Convertible loan notes (USD)	30,566	28,635
(2) Corporate Bond (JMD)	50,000	50,000
	80,566	78,635
	459,216	417,858

Investments at fair value through other comprehensive income represent investments in quoted equities and Sigma Funds.

Investments at amortised cost represent:

(1) Convertible loan notes purchased 31 January 2019, attract an interest rate of 8% per annum and matured on 31 October 2021. An extension was granted to 31 December 2022. The company's loan notes will automatically convert to shares at the lower of 80% of the initial public offer price or the price per share based on a US$75 million value of Cannim Group Pty Limited.

(2) Barita Finance Limited Tranche C Series bond is at an interest rate of 5% per annum and matures on 30 June 2023.

18. **INVENTORIES:**

	2022 $'000	2021 $'000
Goods for resale –		
Roche	181,705	142,837
Regular trade	2,833,605	2,208,793
Goods-in-transit	772,177	561,989
	3,787,487	2,913,619

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2022

19. **RECEIVABLES:**

	2022 $'000	2021 $'000
Trade receivables -		
Roche (see below)	1,020,543	765,765
Regular trade	1,979,056	1,736,227
	2,999,599	2,501,992
Less: Provision for expected credit losses	(47,804)	(49,826)
	2,951,795	2,452,166
Other receivables	994,030	780,212
	3,945,825	3,232,378

Included in trade receivables for Roche are items on which Roche bears the credit risks solely. The corresponding liability is included in trade payables (note 29).

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

	2022 $'000	2021 $'000
(a) **Transactions between the company and its related companies**		
Purchases of goods and services/foreign currency:		
Lasco Manufacturing Limited -		
Goods	9,426,884	8,142,823
Lasco Financial Services Limited -		
Foreign currency	4,790,856	3,719,336
(b) **Key management compensation (included in staff costs - Note 10):**		
Key management includes directors and senior managers –		
Salaries and other short-term employee benefits	238,505	130,818
Directors' emoluments –		
Fees	16,990	21,353
Management remuneration (included above)	82,421	48,514
Share based payments	52,500	-
(c) **Year end balances arising from transactions with related parties**		
With related companies:		
Due from –		
Lasco Manufacturing Limited	24,623	19,526
Lasco Financial Services Limited	17,824	8,562
Lasco Chin Foundation (included in other receivables)	214	-
	42,661	28,088

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2022

20. **RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D):**

	2022 $'000	2021 $'000
(d) **Year end balances arising from transactions with related parties (cont'd)**		
Due from (cont'd) –		
Lasco Manufacturing Limited (included in trade receivables)	156	12
Due to –		
Lasco Financial Services Limited (included in other payables)	1,119	929
Lasco Manufacturing Limited (included in trade payables)	2,237,109	1,859,114

These balances are due and payable within forty-five (45) days which is the company's normal credit term.

	2022 $'000	2021 $'000
Due from –		
Directors	9,867	-

21. **SHORT TERM INVESTMENTS:**

These represent interest bearing amounts which have been invested with various financial institutions for a period greater than three (3) months but up to one (1) year. The weighted average interest rate for the investments is 4.2% (2021 – 5.2%).

22. **CASH AND CASH EQUIVALENTS:**

	2022 $'000	2021 $'000
Cash and bank balances –		
Short terms deposits	25,456	25,299
Jamaican currency current account	884,006	1,231,152
Jamaican currency savings account	139,197	384,884
Foreign currency accounts	908,849	392,964
Cash in hand	1,799	3,443
	1,959,307	2,037,742
Bank overdraft	-	(17,531)
	1,959,307	2,020,211

(a) The weighted average interest rate on short term deposits is 1.01% (2021 – 2.08%)

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2022

22. **CASH AND CASH EQUIVALENTS (CONT'D):**

(b) Reconciliation of movements of assets to cash flows from investing activities. Amounts represent investments at fair value through other comprehensive income and amorised cost.

	2022 $'000	2021 $'000
1 April	417,858	281,260
Acquired during the year	676	89,992
Non cash –		
Fair value movements	27,585	32,744
Foreign exchange gain	13,097	13,862
	459,216	417,858

(c) Amounts represent short term investments:

	2022 $'000	2021 $'000
1 April	231,281	75,704
Investment acquired	150,000	152,250
Interest	13,100	3,630
Withholding tax	(2,948)	(148)
Foreign exchange loss	-	(155)
	391,433	231,281

(d) Bank overdraft attracts an interest rate of 7.5% per annum, it is unsecured and has a limit of $400m.

23. **SHARE CAPITAL:**

	2022 $'000	2021 $'000
Authorised -		
3,630,000,000 Ordinary shares of no par value		
Stated capital –		
Issued and fully paid -		
3,510,703,000 ordinary shares of no par value	472,686	472,686

During the year, there were no issue of shares to directors and managers (2021 – the company issued 2,778,000 shares to its directors and managers for cash of $3,278,000)

24. **REVALUATION RESERVE:**

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

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2022

25. **FAIR VALUE RESERVE:**

This represents the net unrealised deficit on revaluation of equity investments at fair value through other comprehensive income. The investments are not impaired and the recorded deficit is based on short term fluctuations in market prices.

26. **OTHER RESERVE:**

Stock Option Reserve

(a) **Stock option description and movements:**

On 30 September 2013, the company obtained approval from stockholders at its annual general meeting for authorised but unissued shares up to a maximum of 5% of the total number of issued shares of no par value to be set aside for allocation and sale to the directors and managers of the company. Consequently, the company has set aside 168,320,000 of the authorised but unissued shares for the stock option plan.

On 9 June 2014, under the rules of the stock option plan, the following allocations were made:

	No. of shares '000
Non-executive directors and professional service providers	10,500

The options were granted at a subscription price of $1.00 and are exercisable over a period of five (5) years, at the end of which time unexercised options will expire. The total grant of each director and professional service provider vested immediately on the grant date. The plan provides for equitable adjustment of the allocated number of shares by reason of stock splits, combinations or exchanges of shares, stock dividends and reclassifications or other similar corporate changes.

	No. of shares '000
Executive director and managers	104,322

The options were granted at a subscription price of $1.00 and are exercisable over a period of seven (7) years, at the end of which time unexercised options will expire. The total of the grant of the director and each manager will fully vest on the third anniversary of the grant date. The plan provides for equitable adjustment of the allocated number of shares by reason of stock splits, combinations or exchanges of shares, stock dividends and reclassifications or other similar corporate changes.

Movement on this option:

	2022 '000	2021 '000
At 1 April	4,667	6,311
Option granted	-	300
Exercised	-	(1,944)
At 31 March	4,667	4,667

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2022

26. OTHER RESERVE (CONT'D):

Stock Option Reserve (cont'd)

(a) **Stock option description and movements (cont'd):**

On 26 August 2015, under the rules of the stock option plan, the following allocations were made:

	No. of shares '000
Managers	39,500

The options were granted at a subscription price of $1.60 and are exercisable over a period of seven (7) years, at the end of which time unexercised options will expire. The total of the grant of each manager will fully vest on the third anniversary of the grant date. The plan provides for equitable adjustment of the allocated number of shares by reason of stock splits, combinations or exchanges of shares, stock dividends and reclassifications or other similar corporate changes.

	2022 '000	2021 '000
Movement on this option:		
At 1 April	3,683	8,017
Exercised	-	(834)
Forfeiture	-	(3,500)
At 31 March	3,683	3,683

(b) **Fair value of options granted:**

The fair value of options granted determined using the Black-Scholes-Merton valuation model was $97,789,000. The significant inputs into the model were the share prices of $1.21 and $1.60 at the grant dates, exercise prices of $1.00 and $1.60, the risk free interest rates of 8.93% and 6.49%, standard deviation of expected share price returns of 47.80% and 61.87%, expected dividends of $0.03 and the option life of five (5) years for non-executive directors and professional service providers, and seven (7) years for the executive director and managers. It is expected that these options will be exercised within two and a half (2½) years and four and a half (4½) years respectively.

The breakdown of the fair value of options granted is as follows:

	$'000
Fair value of options granted	97,789
Expensed in 2015	(32,811)
Expensed in 2016	(24,017)
Expensed in 2017	(30,657)
Expenses in 2019	(10,304)
Expenses written back in 2022	2,810
Amount to be expensed in future periods	2,810

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2022

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

Stock Option Reserve (cont'd)

(b) **Fair value of options granted (cont'd):**

Fair value of options granted during the year:

The fair value of options granted determined using the Black-Scholers-Merton valuation model was $1,188,000. The significant inputs into the model were the share price of $1.60 at the grant dates, exercise prices of $1.00 and $1.60, the risk free interest rates of 2.047%, standard deviation of expected share price returns of 56.45% expected dividends of 0.117 and the option life of seven (7) years for the executive director and managers. It is expected that these options will be exercised within two and a half (2½) years and four and a half (4½) years respectively.

	No. of shares '000
Managers	100,000

	2022 $'000
Fair value of options granted during the year 2019	353
Fair value of options granted during the year 2021	218
Fair value of options granted during the year 2022	617
Amount to Expenses	1,188
Expensed in 2019	(118)
Expensed in 2021	(453)
Expensed in 2022	(308)
Amount to be expensed in future periods	309

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

	2022 $'000	2021 $'000
At 1 April	6,959	9,797
Fair value of options recognized during the year	-	(2,502)
Fair value of options exercised transferred to share capital	-	(336)
At 31 March	6,959	6,959

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2022

27. LONG TERM LOANS:

	2022 $'000	2021 $'000
FirstCaribbean International Bank Limited	-	13,333
Less – current portion	-	(13,333)
	-	-

The above loan attracts interest at a rate of 8.7% and was repayable in May 2021. The loan was secured by mortgage over properties located at White Marl, St. Catherine and 27 Red Hills Road, Kingston 10. It was also secured by a hypothecation agreement, fire and peril insurance over buildings and contents and overdraft lending agreements in the amount of $1,257,000,000.

28. DEFERRED TAXES:

Deferred taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 25%.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities. The amounts determined after appropriate offsetting are as follows:

	2022 $'000	2021 $'000
Deferred tax liability	(96,545)	(53,808)

The movement in deferred tax is as follows:

	2022 $'000	2021 $'000
Balance at start of year	(53,808)	(42,682)
Charge for the year (note 12)	(42,737)	(11,126)
Balance at end of year	(96,545)	(53,808)

Deferred tax is due to the following temporary differences:

	2022 $'000	2021 $'000
Accelerated capital allowances	(93,815)	(59,472)
Bad debt provision	12,350	1,904
Interest receivable	(2,062)	(1,312)
Interest payable	144	-
Accrued vacation leave	1,894	5,604
Foreign exchange loss	(14,906)	(532)
Other	(150)	-
	(96,545)	(53,808)

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2022

28. **DEFERRED TAXES (CONT'D):**

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

	2022 $'000	2021 $'000
Accelerated capital allowances	(34,343)	(319)
Bad debt provision	10,445	(2,651)
Interest receivable	(750)	(891)
Accrued vacation leave	(3,713)	5,166
Foreign exchange loss	(14,376)	(12,431)
	(42,737)	(11,126)

29. **PAYABLES:**

	2022 $'000	2021 $'000
Trade payables –		
Roche (see note 19)	652,980	706,919
Regular trade	3,936,353	3,185,866
	4,589,333	3,892,785
Other payables and accruals	338,213	217,397
	4,927,546	4,110,182

30. **DIVIDENDS:**

	2022 $'000	2021 $'000
In respect of 31 March 2022 ($0.065¢ per share)	228,196	-
In respect of 31 March 2021 ($0.051¢ per share)	-	178,921
	228,196	178,921

On 26 June 2021, an interim dividend of $0.065¢ per share was approved by the Board of Directors for payment on 26 July 2021, based on shareholders on record at 8 July 2021.

A dividend of $0.051¢ was approved by the Board of directors for payment on 24 July 2020.

31. **PENSION PLAN:**

The company operates a defined contribution pension plan which is administered by Sagicor Life Jamaica Limited and is open to all permanent employees.

The plan is funded by the company's and employees' contributions. The company's contributions to the scheme are expensed and amounted to $35,797,000 for the year (2021 – $32,092,000).

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2022

32. **CONTINGENCIES:**

The company had guarantees with financial institutions totalling J$12M and US$42,000 which occurred during the normal course of business.

33. **LITIGATION:**

There was a claim by Pfizer Limited (Pfizer) against Lasco Distributors Limited ("the company"), and others for damages for breach of a patent relating to a particular product. Final judgement as to liability was received from the Privy Council in favour of the company. On 21 April 2017, the hearing of the assessment of damages was completed.

The Judge at first instance awarded the amount of Two Hundred and Seventy Two Million Nine Hundred and Sixty One Thousand Dollars ($272,961,000) for damages inclusive of interest and Three Hundred and Seventeen Thousand Dollars ($317,000) for disposal of stock inclusive of interest and the amounts awarded have been paid over to the company less incidental cost and expenses. The company is of the opinion that the award is low and has appealed the assessment. The appeal came before the Court of Appeal on 17 February 2021 and was argued for 5 days. The Court of Appeal reserved its judgement and indicated that it will call Counsel when it is ready to deliver judgement.

34. **IMPACT OF COVID-19:**

On 11 March 2020, the World Health Organisation declared the novel coronavirus (COVID-19) to be a global pandemic. The effects of the measures implemented to contain COVID-19 resulted in the closure of borders, physical distancing rules, mass quarantines, and stay at home orders for nonessential services have negatively affected economic activity and businesses worldwide. There is an increased level of uncertainty, which has adversely affected financial markets and businesses.

The company is exposed to an increased level of credit risk, liquidity risk, foreign currency risk and price risk, with the most significant exposures relating to credit risk. The company's exposure to credit risk arises from its trade receivables.

Trade receivables are impacted by the increase in credit risk, as a result the company recognised additional impairment provisions in relation to its trade receivable of $2.9 billion.

The impact of Covid-19 on the company's ECLs has been determined by taking into consideration the effect of forward looking information, including revised macroeconomic estimates and the increased level of credit risk. This is considered to involve a high level of management judgements.

The nature and extent of the impact on the company's financial position, results and cash flows continues to evolve given the rapid pace of change and the high level of uncertainty. The company continues to monitor and manage the identified risks through its Covid-19 Committee. The company has performed various assessments and stress testing of its business plans under different scenarios as part of its business continuity and contingency planning.

35. **EVENT AFTER THE REPORTING PERIOD:**

Subsequent to the year end, on 25 May 2022, the Board of Directors via Round Robin Resolution signified its assent to the payment of an interim dividend in the amount of $0.09 per share to be paid from net profit of the company as at 31 March 2022 to all shareholders.