

LASCO DISTRIBUTORS LIMITED

FINANCIAL STATEMENTS

31 MARCH 2021

LASCO DISTRIBUTORS LIMITED

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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 49, which comprise the statement of financial position at 31 March 2021, 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 2021, 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.

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
<p><i>Expected credit losses in relation to financial assets.</i></p> <p>See notes 3(m)(iii), 5(c)(ii) and 19 to the financial statements for management's related policies and disclosures.</p> <p>Trade receivables amounted to \$2.50 billion at 31 March 2021 and the expected credit loss provision totalled \$49.83 million.</p> <p>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.</p> <p>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. As such, management applied additional adjustments to the default rates in order to hedge against any future unexpected changes as a result of COVID-19 pandemic.</p>	<p>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.</p> <p>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.</p> <ul style="list-style-type: none"> • 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.

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 (cont'd)
	<ul style="list-style-type: none"><li data-bbox="862 701 1469 995">• 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.<li data-bbox="862 1020 1469 1150">• We determined whether the default risk percentage was accurately calculated and correctly applied to the relevant buckets of accounts receivable. <p data-bbox="813 1171 1469 1369">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.</p>

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.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Lasco Distributors Limited

Other Information (cont'd)

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.

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.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Lasco Distributors Limited

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

- 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.

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.



Chartered Accountants

26 May 2021

LASCO DISTRIBUTORS LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED 31 MARCH 2021

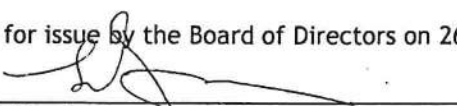
	<u>Note</u>	<u>2021</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>
REVENUE	7	20,286,028	19,496,216
COST OF SALES		<u>(16,638,825)</u>	<u>(15,719,779)</u>
GROSS PROFIT		3,647,203	3,776,437
Other operating income	8	<u>147,749</u>	<u>130,332</u>
		<u>3,794,952</u>	<u>3,906,769</u>
EXPENSES:			
Administrative and other expenses		(2,125,292)	(2,370,450)
Selling and promotion expenses		<u>(548,811)</u>	<u>(702,850)</u>
	9	<u>(2,674,103)</u>	<u>(3,073,300)</u>
OPERATING PROFIT		1,120,849	833,469
Finance costs	11	<u>(4,836)</u>	<u>(15,204)</u>
PROFIT BEFORE TAXATION		1,116,013	818,265
Taxation	12	<u>(206,533)</u>	<u>(92,509)</u>
NET PROFIT FOR THE YEAR		909,480	725,756
OTHER COMPREHENSIVE INCOME:			
Item that will not be reclassified to profit or loss -			
Share option plan	26(c)	(2,502)	453
Unrealised gains/(losses) on financial instruments		<u>32,744</u>	<u>(57,011)</u>
TOTAL COMPREHENSIVE INCOME		<u>939,722</u>	<u>669,198</u>
EARNINGS PER STOCK UNIT	13		
Basic		<u>25.92</u>	<u>21.32¢</u>
Diluted		<u>25.83</u>	<u>21.27¢</u>

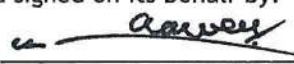
LASCO DISTRIBUTORS LIMITED
STATEMENT OF FINANCIAL POSITION

31 MARCH 2021

	<u>Note</u>	<u>2021</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	14	1,882,931	1,922,116
Intangible assets	15	57,475	85,418
Right-of-use assets	16(a)	9,099	12,132
Financial assets	17	<u>417,858</u>	<u>281,260</u>
		<u>2,367,363</u>	<u>2,300,926</u>
CURRENT ASSETS:			
Inventories	18	2,913,619	2,375,149
Receivables	19	3,232,378	2,863,479
Related companies	20	28,088	65,107
Directors' current account	20	-	4,361
Taxation recoverable		1,082	2,010
Short term investments	21	231,281	75,704
Cash and cash equivalents	22	<u>2,037,742</u>	<u>1,471,891</u>
		<u>8,444,190</u>	<u>6,857,701</u>
		<u>10,811,553</u>	<u>9,158,627</u>
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	23	472,686	469,072
Revaluation reserve	24	75,387	75,387
Fair value reserve	25	(11,558)	(44,302)
Other reserve	26(c)	6,959	9,797
Retained earnings		<u>5,928,954</u>	<u>5,198,395</u>
		<u>6,472,428</u>	<u>5,708,349</u>
NON-CURRENT LIABILITIES:			
Long term loans	27	-	13,333
Deferred tax liability	28	53,808	42,682
Lease liability	16(b)	<u>6,600</u>	<u>9,623</u>
		<u>60,408</u>	<u>65,638</u>
CURRENT LIABILITIES:			
Bank overdraft	22	17,531	-
Payables	29	4,110,182	3,269,007
Current portion of long term loans	27	13,333	80,000
Current portion of lease liability	16(b)	3,023	2,851
Taxation		<u>134,648</u>	<u>32,782</u>
		<u>4,278,717</u>	<u>3,384,640</u>
		<u>10,811,553</u>	<u>9,158,627</u>

Approved for issue by the Board of Directors on 26 May 2021 and signed on its behalf by:


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


 Colin D. W. Maxwell, FCCA, FCA
 Director

LASCO DISTRIBUTORS LIMITED
STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 MARCH 2021

	<u>Note</u>	<u>Share Capital \$'000</u>	<u>Revaluation Reserve \$'000</u>	<u>Fair Value Reserve \$'000</u>	<u>Other Reserve \$'000</u>	<u>Retained Earnings \$'000</u>	<u>Total \$'000</u>
BALANCE AT 1 APRIL 2019		<u>467,739</u>	<u>75,387</u>	<u>12,709</u>	<u>9,697</u>	<u>4,623,455</u>	<u>5,188,987</u>
TOTAL COMPREHENSIVE INCOME							
Net profit		-	-	-	-	725,756	725,756
Other comprehensive income		-	-	(57,011)	453	-	(56,558)
		<u>-</u>	<u>-</u>	<u>(57,011)</u>	<u>453</u>	<u>725,756</u>	<u>669,198</u>
TRANSACTION WITH OWNERS							
Issue of shares	23	980	-	-	-	-	980
Transfer from other reserves	26(c)	353	-	-	(353)	-	-
Dividends paid	30	-	-	-	-	(150,816)	(150,816)
		<u>1,333</u>	<u>-</u>	<u>-</u>	<u>(353)</u>	<u>(150,816)</u>	<u>(149,836)</u>
BALANCE AT 1 MARCH 2020		<u>469,072</u>	<u>75,387</u>	<u>(44,302)</u>	<u>9,797</u>	<u>5,198,395</u>	<u>5,708,349</u>
TOTAL COMPREHENSIVE INCOME							
Net profit		-	-	-	-	909,480	909,480
Other comprehensive income		-	-	32,744	(2,502)	-	30,242
		<u>-</u>	<u>-</u>	<u>32,744</u>	<u>(2,502)</u>	<u>909,480</u>	<u>939,722</u>
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)
		<u>3,614</u>	<u>-</u>	<u>-</u>	<u>(336)</u>	<u>(178,921)</u>	<u>(175,643)</u>
BALANCE AT 31 MARCH 2021		<u>472,686</u>	<u>75,387</u>	<u>(11,558)</u>	<u>6,959</u>	<u>5,928,954</u>	<u>6,472,428</u>

LASCO DISTRIBUTORS LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2021

	<u>2021</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit	909,480	725,756
Items not affecting cash resources:		
Unrealised exchange (gain)/loss on foreign balances	(12,647)	16,090
Loss on disposal of property, plant and equipment	9	8,400
Stock options - value of services expensed	(2,502)	453
Depreciation and amortisation	176,178	164,780
Right-of-use asset	3,033	3,032
Interest income	(17,484)	(9,118)
Interest expense	4,836	15,204
Taxation expense	<u>206,533</u>	<u>92,509</u>
	1,267,436	1,017,106
Changes in operating assets and liabilities:		
Inventories	(538,470)	92,483
Receivables	(349,247)	(316,477)
Directors' current account	4,361	7,998
Payables	835,905	442,887
Related companies	<u>37,019</u>	<u>12,751</u>
	1,257,004	1,256,748
Taxation paid	(93,540)	(85,457)
Cash provided by operating activities	<u>1,163,464</u>	<u>1,171,291</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Short term investments (note 22c)	(155,732)	125,963
Financial assets (note 22b)	(89,992)	(284,089)
Interest received	13,920	9,740
Purchase of property, plant and equipment	<u>(109,059)</u>	<u>(232,865)</u>
Cash used in investing activities	<u>(340,863)</u>	<u>(381,251)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issue of shares	3,278	980
Interest paid	(4,087)	(15,204)
Dividends paid	(178,921)	(150,816)
Loan repayments	(80,000)	(446,667)
Lease payment	<u>(3,600)</u>	<u>(2,690)</u>
Cash used in financing activities	<u>(263,330)</u>	<u>(614,397)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	559,271	175,643
Exchange effect on foreign cash balances	(10,951)	(14,549)
Cash and cash equivalents at beginning of year	<u>1,471,891</u>	<u>1,310,797</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR (note 22)	<u>2,020,211</u>	<u>1,471,891</u>

LASCO DISTRIBUTORS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2021

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 interpretations and amendments are relevant to its operations:

LASCO DISTRIBUTORS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2021

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 IAS 1, 'Presentation of Financial Statements' and IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', (effective for accounting periods beginning on or after 1 January 2020). These amendments and consequential amendments to other IFRSs result in the use of a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting. They clarify the explanation of the definition of material and also incorporate some of the guidance in IAS 1 about immaterial information. The adoption of these amendments did not have a significant impact on the company.

Amendments to IFRS 9, 'Financial Instruments', IAS 39, 'Financial Instruments: Recognition and Measurement' and IFRS 7, 'Financial Instruments: Disclosures', (effective for accounting periods beginning on or after 1 January 2020). These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR based contracts, the reliefs will affect companies in all industries. The adoption of these amendments did not have a significant impact on the company.

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 2022). 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.

LASCO DISTRIBUTORS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2021

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)

IFRS 16, 'Leases' - Covid-19 related rent concessions (effective for accounting periods beginning on or after 1 June 2020). 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 2020, 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 company is currently assessing the impact of this amendment.

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.

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.

(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 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(c) Property, plant and equipment (cont'd)

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 2021

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 2021

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 2021

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 amortized 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 2021

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 2021****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 category**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 2021****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):****(m) Financial instruments (cont'd)****Financial assets (cont'd)****(iii) Measurement category (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.

LASCO DISTRIBUTORS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2021

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 amortized 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 amortized 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 2021

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 2021

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) 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.

(ii) 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 2021

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

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

(ii) **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.

(iii) **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.

(iv) **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 2021

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 cash equivalents
- Trade and other payables
- Short term investments
- Long term loans
- Due from related companies
- Financial assets
- Bank overdraft

(b) Financial instruments by category

Financial assets

	Fair value through other		Amortised	
	comprehensive income		cost	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Financial assets	340,916	254,754	76,942	26,506
Short term investments	-	-	231,281	75,704
Cash and cash equivalents	-	-	2,037,742	1,471,891
Due from related companies	-	-	28,088	65,107
Receivables	-	-	<u>2,774,494</u>	<u>2,620,905</u>
Total financial assets	<u>340,916</u>	<u>254,754</u>	<u>5,148,547</u>	<u>4,260,113</u>

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2021

5. FINANCIAL RISK MANAGEMENT (CONT'D):

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

Financial liabilities

	Financial liabilities at amortized cost	
	2021	2020
	<u>\$'000</u>	<u>\$'000</u>
Bank overdraft	17,531	-
Lease liability	9,623	12,474
Payables	3,931,408	3,144,142
Long term loans	<u>13,333</u>	<u>93,333</u>
Total financial liabilities	<u>3,971,895</u>	<u>3,249,949</u>

(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 Controller 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 2021

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:

	<u>2021</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>
Financial assets	188,665	171,023
Cash and cash equivalents	392,964	360,451
Trade receivables	1,121,274	819,796
Other receivables	327,066	293,746
Trade payables	<u>(1,039,124)</u>	<u>(786,076)</u>
	<u>990,845</u>	<u>858,940</u>

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 6% (2020 - 6%) depreciation and a 2% (2020 - 2%) appreciation of the Jamaican dollar against the US dollar. The changes below would have no impact on other components of equity.

	<u>% Change in</u> <u>Currency Rate</u> <u>2021</u>	<u>Effect on</u> <u>Profit before</u> <u>Taxation</u> <u>2021</u> <u>\$'000</u>	<u>% Change in</u> <u>Currency Rate</u> <u>2020</u>	<u>Effect on</u> <u>Profit before</u> <u>Taxation</u> <u>2020</u> <u>\$'000</u>
Currency:				
USD	-6	59,451	-6	51,536
USD	<u>+2</u>	<u>(19,817)</u>	<u>+2</u>	<u>(17,179)</u>

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 (2020 - 10% increase/decrease) in the price of equity stocks will result in a \$8,960,000 increase/decrease (2020 - \$10,819,000 increase/decrease) in net results or stockholders equity.

LASCO DISTRIBUTORS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2021

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.

Investment securities has no significant exposure to interest rate risk, as loan notes are at a fixed interest rate.

There is no significant exposure to interest rate risk on borrowings. A 1% increase/1% decrease (2021 - 1% increase/1% decrease) in interest rates on Jamaican dollar borrowings would result in a \$133,000 decrease/increase (2020 - \$933,000 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 2021

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 2021

5. FINANCIAL RISK MANAGEMENT (CONT'D):

(c) Financial risk factors (cont'd)

(ii) Credit risk (cont'd)

Trade receivables impairment provision

2021

<u>Aging</u>	<u>Gross Carrying Amount</u>	<u>Default Rate</u>	<u>Lifetime ECL Allowance</u>
	<u>\$'000</u>	<u>%</u>	<u>\$'000</u>
Government			
0 - 30 days	412,780	0.00	-
31 - 60 days	103,493	0.00	-
61 - 90 days	74,476	0.00	-
Over 90 days	<u>461,852</u>	0.00	-
	1,052,601		-

<u>Aging</u>	<u>Gross Carrying Amount</u>	<u>Default Rate</u>	<u>Lifetime ECL Allowance</u>
	<u>\$'000</u>	<u>%</u>	<u>\$'000</u>
Other 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	<u>87,951</u>	24.52	<u>21,570</u>
	1,449,391		49,826
Total	<u>2,501,992</u>		<u>49,826</u>

2020

<u>Aging</u>	<u>Gross Carrying Amount</u>	<u>Default Rate</u>	<u>Lifetime ECL Allowance</u>
	<u>\$'000</u>	<u>%</u>	<u>\$'000</u>
Government			
0 - 30 days	144,904	0.00	-
31 - 60 days	65,521	0.00	-
61 - 90 days	45,944	0.00	-
Over 90 days	<u>304,110</u>	0.00	-
	560,479		-

<u>Aging</u>	<u>Gross Carrying Amount</u>	<u>Default Rate</u>	<u>Lifetime ECL Allowance</u>
	<u>\$'000</u>	<u>%</u>	<u>\$'000</u>
Other receivables -			
0 - 30 days	1,337,741	2.64	35,316
31 - 60 days	292,043	2.22	6,484
61 - 90 days	44,018	8.56	3,768
Over 90 days	<u>121,566</u>	9.77	<u>11,877</u>
	1,795,368		57,445
Total	<u>2,355,847</u>		<u>57,445</u>

LASCO DISTRIBUTORS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

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

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

The aging of trade receivables is:

	<u>2021</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>
0-30 days	1,474,451	1,482,645
31-60 days	384,237	357,564
61-90 days	93,501	89,962
Over 90 days	<u>549,803</u>	<u>425,676</u>
	<u>2,501,992</u>	<u>2,355,847</u>

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

	<u>2021</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>
At 1 April	57,445	39,226
Provision for expected credit losses	<u>(7,619)</u>	<u>18,219</u>
At 31 March	<u>49,826</u>	<u>57,445</u>

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
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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	2 to 5 Years \$'000	Total \$'000
31 March 2021				
Lease liability	3,023	6,600	-	9,623
Long term loans	13,434	-	-	13,434
Payables	3,931,408	-	-	3,931,408
Bank overdraft	17,531	-	-	17,531
Total financial liabilities (contractual maturity dates)	<u>3,965,396</u>	<u>6,600</u>	<u>-</u>	<u>3,971,996</u>
	Within 1 Year \$'000	1 to 2 Years \$'000	2 to 5 Years \$'000	Total \$'000
31 March 2020				
Lease liability	2,851	3,023	6,600	12,474
Long term loans	84,930	13,478	-	98,408
Payables	3,144,142	-	-	3,144,142
Total financial liabilities (contractual maturity dates)	<u>3,231,923</u>	<u>16,501</u>	<u>6,600</u>	<u>3,255,024</u>

LASCO DISTRIBUTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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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.

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.

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

LASCO DISTRIBUTORS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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6. SEGMENT REPORTING (CONT'D):

	2020		
	<u>Consumer Division \$'000</u>	<u>Pharmaceutical Division \$'000</u>	<u>Total \$'000</u>
Revenue -			
Total revenue	<u>15,685,259</u>	<u>3,810,957</u>	<u>19,496,216</u>
Segment result	<u>451,290</u>	<u>274,466</u>	<u>725,756</u>
Segment assets⁽¹⁾			
Unallocated assets	<u>3,286,249</u>	<u>1,691,860</u>	<u>4,978,109</u>
Total assets			<u>9,158,627</u>
Segment liabilities⁽²⁾			
Unallocated liabilities	<u>2,319,553</u>	<u>542,266</u>	<u>2,861,819</u>
Total liabilities			<u>3,450,278</u>
Other items -			
Finance income	<u>9,118</u>	<u>-</u>	<u>9,118</u>
Finance costs	<u>15,204</u>	<u>-</u>	<u>15,204</u>

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

	<u>2021 \$'000</u>	<u>2020 \$'000</u>
Segment assets from reportable segments	5,694,446	4,978,109
Unallocated assets -		
Property, plant and equipment	1,882,931	1,922,116
Intangible assets	57,475	85,418
Right-of-use assets	9,099	12,132
Financial assets	417,858	283,077
Taxation recoverable	1,082	2,010
Related companies	28,088	65,107
Other receivables	451,551	264,880
Short term investments	231,281	73,887
Cash and bank balances	<u>2,037,742</u>	<u>1,471,891</u>
	<u>10,811,553</u>	<u>9,158,627</u>

LASCO DISTRIBUTORS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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6. SEGMENT REPORTING (CONT'D):

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

	<u>2021</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>
Segment liabilities from reportable segments	3,667,133	2,861,819
Unallocated liabilities -		
Payables	443,049	407,188
Long term loans	13,333	93,333
Deferred tax liability	53,808	42,682
Taxation	134,648	32,782
Bank overdraft	17,531	-
Lease liability	<u>9,623</u>	<u>12,474</u>
	<u>4,339,125</u>	<u>3,450,278</u>

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:

	<u>2021</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>
Dividend income	5,529	1,659
Commission - Roche	113,310	106,096
Interest income	17,484	9,118
Miscellaneous income	<u>11,426</u>	<u>13,459</u>
	<u>147,749</u>	<u>130,332</u>

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

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9. EXPENSES BY NATURE:

Total administrative, selling and other expenses:

	<u>2021</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>
Staff costs (note 10)	1,557,994	1,721,772
Directors' fees	21,353	20,046
Property expenses	96,083	73,709
Transportation and communication	57,637	75,750
Advertising and promotion	169,655	299,011
Management and consultancy fees	18,087	72,602
Legal and professional fees	15,619	22,899
Insurance	90,857	81,604
Stationery	19,647	21,585
Office rental	-	23
Utilities and postage	94,193	89,198
Security	132,094	112,459
Donations and subscriptions	81,268	107,821
Bank charges	104,347	74,285
Auditors' remuneration	7,500	7,500
Foreign exchange (gain)/loss	(2,120)	47,597
GCT irrecoverable	27,061	37,417
Expected credit losses	(5,491)	18,219
Computer repairs expense	1,229	1,929
Depreciation and amortisation	179,211	167,812
Loss on disposal of property, plant and equipment	9	8,400
Other expenses	<u>7,870</u>	<u>11,662</u>
	<u>2,674,103</u>	<u>3,073,300</u>

10. STAFF COSTS:

	<u>2021</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>
Salaries and wages	960,127	983,490
Directors' remuneration	48,514	151,151
Statutory contributions	112,552	112,976
Pension costs	32,092	31,637
Share options - employees	(2,502)	454
Commission	235,851	224,246
Accommodation	6,627	13,220
Other	<u>164,733</u>	<u>204,598</u>
	<u>1,557,994</u>	<u>1,721,772</u>

The average number of persons employed by the company during the year was five hundred and nine (509), (2020: 532).

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11. FINANCE COSTS:

	<u>2021</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>
Interest expense -		
Loan interest	3,414	13,781
Other interest	<u>1,422</u>	<u>1,423</u>
	<u>4,836</u>	<u>15,204</u>

12. TAXATION EXPENSE:

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

	<u>2021</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>
Current taxation	165,568	68,403
Prior year under provision	29,839	1,707
Deferred taxation (note 28)	<u>11,126</u>	<u>22,399</u>
	<u>206,533</u>	<u>92,509</u>

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

	<u>2021</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>
Profit before taxation	<u>1,116,013</u>	<u>818,265</u>
Taxation calculated @ 25%	279,003	204,566
Adjusted for the effects of:		
Expenses not deducted for tax purposes	72,476	83,115
Unrealized foreign exchange loss	(3,162)	(4,022)
Capital allowances	(57,781)	(57,491)
Deferred taxation	11,126	22,399
Other	(30,946)	(59,649)
Prior year under provision	29,839	1,707
Employment tax credit	<u>(23,653)</u>	<u>(29,713)</u>
	276,902	160,912
Adjustment for the effect of tax remission		
Current tax	<u>(70,369)</u>	<u>(68,403)</u>
Taxation charge in income statement	<u>206,533</u>	<u>92,509</u>

LASCO DISTRIBUTORS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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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.

	<u>2021</u>	<u>2020</u>
Net profit attributable to stockholders (\$'000)	909,480	725,756
Weighted average number of ordinary stocks units ('000)	<u>3,509,247</u>	<u>3,403,876</u>
Basic earnings per stock unit (¢ per share)	<u>25.92</u>	<u>21.32</u>

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.

	<u>2021</u>	<u>2020</u>
Net profit attributable to stockholders (\$'000)	<u>909,480</u>	<u>725,756</u>
Weighted average number of ordinary stocks units ('000)	3,509,247	3,403,876
Adjusted for share options ('000)	<u>11,108</u>	<u>8,731</u>
	<u>3,520,355</u>	<u>3,412,607</u>
Diluted earnings per stock unit (¢ per share)	<u>25.83</u>	<u>21.27</u>

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14. PROPERTY, PLANT AND EQUIPMENT:

	<u>Freehold Land & Buildings</u> \$'000	<u>Computer</u> \$'000	<u>Furniture, Fixtures & Equipment</u> \$'000	<u>Assets Under Construction</u> \$'000	<u>Motor Vehicles</u> \$'000	<u>Total</u> \$'000
Cost/deemed cost -						
1 April 2019	1,291,016	165,511	380,301	395,284	102,043	2,334,155
Additions	22,591	1,690	208,445	-	139	232,865
Transfer	120,216	-	-	(120,216)	-	-
Disposal	<u>-</u>	<u>(1,163)</u>	<u>(1,933)</u>	<u>-</u>	<u>(15,183)</u>	<u>(18,279)</u>
31 March 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	<u>-</u>	<u>-</u>	<u>(404)</u>	<u>-</u>	<u>-</u>	<u>(404)</u>
31 March 2021	<u>1,454,073</u>	<u>170,312</u>	<u>652,430</u>	<u>279,326</u>	<u>101,255</u>	<u>2,657,396</u>
Depreciation -						
1 April 2019	87,989	109,679	224,990	-	77,010	499,668
Charge for the year	28,768	24,153	78,067	-	5,848	136,836
Adjustments	-	76	(588)	-	495	(17)
Disposal	<u>-</u>	<u>(512)</u>	<u>(1,505)</u>	<u>-</u>	<u>(7,845)</u>	<u>(9,862)</u>
31 March 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	<u>-</u>	<u>-</u>	<u>(395)</u>	<u>-</u>	<u>-</u>	<u>(395)</u>
31 March 2021	<u>146,452</u>	<u>151,706</u>	<u>395,107</u>	<u>-</u>	<u>81,200</u>	<u>774,465</u>
Net Book Value -						
31 March 2021	<u>1,307,621</u>	<u>18,606</u>	<u>257,323</u>	<u>279,326</u>	<u>20,055</u>	<u>1,882,931</u>
31 March 2020	<u>1,317,066</u>	<u>32,642</u>	<u>285,849</u>	<u>275,068</u>	<u>11,491</u>	<u>1,922,116</u>

The net book value of property, plant and equipment includes assets under construction amounting to \$279,326,000 relating to the renovation of a warehouse acquired in prior year. The cost will be depreciated once the property is completed and available for use.

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15.	INTANGIBLE ASSETS:		<u>\$'000</u>
	Cost:		
	At 1 April 2019		147,453
	Acquisition during the year		<u>-</u>
	At 31 March 2020 and 31 March 2021		<u>147,453</u>
	Amortisation:		
	At 1 April 2019		34,091
	Charge for the year		<u>27,944</u>
	At 31 March 2020		62,035
	Charge for the year		<u>27,943</u>
	At 31 March 2021		<u>89,978</u>
	Net book value:		
	31 March 2021		<u>57,475</u>
	31 March 2020		<u>85,418</u>
16.	RIGHT-OF-USE ASSETS:		
	(a) Right-of-use assets		
		Building	
		<u>2021</u>	<u>2020</u>
		<u>\$'000</u>	<u>\$'000</u>
	At 1 April	12,132	-
	Adoption of IFRS 16	-	15,164
	Amortisation	(3,033)	(3,032)
	At 31 March	<u>9,099</u>	<u>12,132</u>
	(b) Lease liability		
	At 1 April	12,474	-
	Adoption of IFRS 16	-	15,164
	Interest expense	749	910
	Lease payments	(3,600)	(3,600)
	31 March	9,623	12,474
	Less: current portion	(3,023)	(2,851)
		<u>6,600</u>	<u>9,623</u>

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

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17. **FINANCIAL ASSETS:****AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME:**

	<u>2021</u> Units	<u>2020</u> Units	<u>2021</u> \$'000	<u>2020</u> \$'000
Sigma USD Principal Protector	1,007,521	1,007,521	160,031	146,564
Equities	<u>25,904,475</u>	<u>15,904,475</u>	<u>179,192</u>	<u>108,190</u>
			<u>339,223</u>	<u>254,754</u>
AT AMORTISED COST:				
(1) Convertible loan notes (USD)			28,635	26,506
(2) Corporate Bond (JMD)			<u>50,000</u>	<u>-</u>
			<u>78,635</u>	<u>26,506</u>
			<u>417,858</u>	<u>281,260</u>

Financial assets at fair value through other comprehensive income represent quoted equities held in Seprod Jamaica Limited, Supreme Ventures Limited, Lasco Manufacturing Limited, Wigton Windfarm Limited and Sigma USD principal protector.

Financial assets 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 2020. An extension was granted to 31 December 2021. 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 15 January 2022.

18. **INVENTORIES:**

	<u>2021</u> \$'000	<u>2020</u> \$'000
Goods for resale -		
Roche	142,837	234,784
Regular trade	2,208,793	1,916,656
Goods-in-transit	<u>561,989</u>	<u>223,709</u>
	<u>2,913,619</u>	<u>2,375,149</u>

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19. RECEIVABLES:

	<u>2021</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>
Trade receivables -		
Roche (see below)	765,765	572,190
Regular trade	<u>1,736,227</u>	<u>1,783,657</u>
	2,501,992	2,355,847
Less: Provision for expected credit losses	<u>(49,826)</u>	<u>(57,445)</u>
	2,452,166	2,298,402
Other receivables	<u>780,212</u>	<u>565,077</u>
	<u>3,232,378</u>	<u>2,863,479</u>

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:

	<u>2021</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>
(a) Transactions between the company and its related companies		
Purchases of goods and services/foreign currency:		
Lasco Manufacturing Limited -		
Goods	8,142,823	7,782,200
Lasco Financial Services Limited -		
Foreign currency	<u>3,719,336</u>	<u>2,031,274</u>
(b) Key management compensation (included in staff costs - Note 10):		
Key management includes directors and senior managers -		
Salaries and other short-term employee benefits	130,818	202,583
Share based payments	<u>-</u>	<u>260</u>
Directors' emoluments -		
Fees	21,353	20,046
Management remuneration (included above)	48,514	151,151
Share based payments	<u>-</u>	<u>240</u>
(c) Year end balances arising from transactions with related parties		
With related companies:		
Due from -		
Lasco Manufacturing Limited	19,526	46,267
Lasco Financial Services Limited	<u>8,562</u>	<u>18,840</u>
	<u>28,088</u>	<u>65,107</u>

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

	<u>2021</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>
(d) Year end balances arising from transactions with related parties (cont'd)		
Lasco Manufacturing Limited (included in trade receivables)	<u>12</u>	<u>268</u>
Lasco Financial Services Limited (included in trade and other receivables)	<u>3</u>	<u>111</u>
Due to -		
Lasco Financial Services Limited (included in other payables)	<u>929</u>	<u>2,190</u>
Lasco Manufacturing Limited (included in trade payables)	<u>1,859,114</u>	<u>1,534,327</u>
These balances are due and payable within forty-five (45) days which is the company's normal credit term.		
Due from -		
Directors	<u>-</u>	<u>4,361</u>

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 5.2% (2020 - 3.46%).

22. CASH AND CASH EQUIVALENTS:

	<u>2021</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>
Short terms deposits	25,299	25,142
Jamaican currency current account	1,231,152	1,005,564
Jamaican currency savings account	384,884	78,268
Foreign currency accounts	392,964	360,452
Cash in hand	<u>3,443</u>	<u>2,465</u>
	2,037,742	1,471,891
Bank overdraft	<u>(17,531)</u>	<u>-</u>
	<u>2,020,211</u>	<u>1,471,891</u>

(a) The weighted average interest rate on short term deposits is 2.08% (2020 - 1.6%)

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

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

	<u>2021</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>
1 April	281,260	53,773
Acquired during the year	89,992	284,089
Non cash -		
Fair value movements	32,744	(57,011)
Foreign exchange gain	<u>13,862</u>	<u>409</u>
	<u>417,858</u>	<u>281,260</u>

- (c) Amounts represent short term investments:

	<u>2021</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>
1 April	75,704	196,817
Investment acquired	152,250	-
Disposal of investment	-	(133,911)
Interest	3,630	5,259
Withholding tax	(148)	(409)
Foreign exchange (loss)/gain	<u>(155)</u>	<u>7,948</u>
	<u>231,281</u>	<u>75,704</u>

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

23. SHARE CAPITAL:

	<u>2021</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>
Authorised -		
3,630,000,000 Ordinary shares of no par value		
Stated capital -		
Issued and fully paid -		
3,510,703,000 (2020 - 3,507,925,000) ordinary shares		
of no par value	<u>472,686</u>	<u>469,072</u>

During the year, the company issued 2,778,000 shares to its directors and managers for cash of \$3,278,000 (2020 - the company issued 665,125 shares to its directors and managers for cash of \$980,000). The shares were issued under the company's stock option plan and the fair value of the options exercised during the year was \$336,000.

24. REVALUATION RESERVE:

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

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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:

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

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.

	<u>No. of shares</u> <u>'000</u>
Executive director and managers	<u>104,322</u>

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:

	<u>2021</u> <u>'000</u>	<u>2020</u> <u>'000</u>
At 1 April	6,311	6,453
Option granted	300	
Exercised	(1,944)	(142)
At 31 March	<u>4,667</u>	<u>6,311-</u>

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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:

	<u>No. of shares</u> <u>'000</u>
Managers	<u>39,500</u>

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.

	<u>2021</u> <u>'000</u>	<u>2020</u> <u>'000</u>
Movement on this option:		
At 1 April	8,017	7,373
Option granted	-	1,167
Exercised	(834)	(523)
Forfeiture	<u>(3,500)</u>	<u>-</u>
At 31 March	<u>(3,683)</u>	<u>8,017</u>

(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:

	<u>\$'000</u>
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 2021	<u>2,810</u>
Amount to be expensed in future periods	<u>2,810</u>

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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.

	<u>No. of shares</u> <u>'000</u>	
Managers	<u>100,000</u>	
		<u>2021</u> <u>\$'000</u>
Fair value of options granted during the year 2019	353	
Fair value of options granted during the year 2020	218	
Fair value of options granted during the year 2021	<u>617</u>	
Amount to Expenses	1,188	
Expensed in 2019	(118)	
Expensed in 2020	(453)	
Expensed in 2021	<u>(308)</u>	
Amount to be expensed in future periods	<u>309</u>	
 (c) Movement on the share option reserve is as follows:		
	<u>2021</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>
At 1 April	9,797	9,697
Fair value of options recognized during the year	(2,502)	453
Fair value of options exercised transferred to share capital	<u>(336)</u>	<u>(353)</u>
At 31 March	<u>6,959</u>	<u>9,797</u>

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27. LONG TERM LOANS:

	<u>2021</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>
FirstCaribbean International Bank Limited	13,333	93,333
Less - current portion	<u>(13,333)</u>	<u>(80,000)</u>
	<u>-</u>	<u>13,333</u>

The above loan attracts interest at a rate of 8.7% and is repayable in May 2021. The loan is secured by mortgage over properties located at White Marl, St. Catherine and 27 Red Hills Road, Kingston 10. It is 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:

	<u>2021</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>
Deferred tax liability	<u>(53,808)</u>	<u>(42,682)</u>

The movement in deferred tax is as follows:

	<u>2021</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>
Balance at start of year	(42,682)	(20,283)
Charge for the year (note 12)	<u>(11,126)</u>	<u>(22,399)</u>
Balance at end of year	<u>(53,808)</u>	<u>(42,682)</u>

Deferred tax is due to the following temporary differences:

	<u>2021</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>
Accelerated capital allowances	(59,472)	(59,153)
Bad debt provision	1,904	4,555
Interest receivable	(1,312)	(421)
Accrued vacation leave	5,604	438
Foreign exchange loss	<u>(532)</u>	<u>11,899</u>
	<u>(53,808)</u>	<u>(42,682)</u>

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28. DEFERRED TAXES (CONT'D):

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

	<u>2021</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>
Accelerated capital allowances	(319)	(17,106)
Bad debt provision	(2,651)	(735)
Interest receivable	(891)	155
Accrued vacation leave	5,166	(794)
Foreign exchange loss	(12,431)	(3,919)
	<u>(11,126)</u>	<u>(22,399)</u>

29. PAYABLES:

	<u>2021</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>
Trade payables - Roche (see note 19)	706,919	504,794
Regular trade	<u>3,185,866</u>	<u>2,623,639</u>
	3,892,785	3,128,433
Other payables and accruals	<u>217,397</u>	<u>140,574</u>
	<u>4,110,182</u>	<u>3,269,007</u>

30. DIVIDENDS:

	<u>2021</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>
In respect of 31 March 2021 (\$0.051¢ per share)	178,921	-
In respect of 31 March 2020 (\$0.043¢ per share)	<u>-</u>	<u>150,816</u>
	<u>178,921</u>	<u>150,816</u>

On 26 June 2020, an interim dividend of \$0.051¢ per share was approved by the Board of Directors for payment on 24 July 2020, based on shareholders on record at 10 July 2020.

A dividend of \$0.043¢ was approved by the Board of directors for payment on 18 July 2019.

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 \$32,092,000 for the year (2020 - \$31,637,000).

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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 2020 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 \$2.5 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.